

File No. 141120

Committee Item No. 13

Board Item No. 13

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 19, 2014

Board of Supervisors Meeting

Date 11/25/14

Cmte Board

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Completed by: Linda Wong Date November 14, 2014
 Completed by: L.W. Date 11/20/14

[Conditional Purchase Agreement-Goodwill SF Urban Development-1500-1580 Mission St.-\$326,690,953 Anticipated Project Cost]

Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company ("Developer") for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block 3506, Lots 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400 463,300 gross square foot office building anticipated to cost \$270,510,181, for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code Chapter 6 and Chapter 14B; and approving the Developer, architect and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City's local hire policy and first source hiring ordinance.

NOTE: Unchanged Code text and uncodified text are in plain Arial font. Additions to Codes are in single-underline italics Times New Roman font. Deletions to Codes are in ~~strikethrough italics Times New Roman font~~. Board amendment additions are in double-underlined Arial font. Board amendment deletions are in ~~strikethrough Arial font~~. Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Findings.

A. Developer currently owns that certain improved real property at 1500-1580 Mission Street, located at South Van Ness Avenue and Mission Street (Assessors Block

1 3506, Lots 2 and 3; the "Goodwill Site"). Developer has designated an approximately 52,900
2 square foot portion of the Goodwill Site, located primarily along 11th Street and South Van
3 Ness Avenue (the "Office Parcel") for the development of an approximately ~~466,400~~ 463,300
4 square foot, 17 or 18 story administrative office building with a one-stop permitting center on
5 the ground floor (the "Proposed Office Project"). Initial schematic plans for the Proposed
6 Office Project are on file with the Clerk of the Board of Supervisors in File No. 141120.
7 Developer has designated the remainder of the Goodwill Site for a high density multifamily
8 residential complex of approximately 110 affordable units and 440 market rate units with retail
9 on the ground floor. The Goodwill Site will also contain child care facilities for City staff in
10 conformance with Administrative Code Section 29B.

11 B. On June 4, 2014, Developer and the City entered into an exclusive negotiations
12 agreement and letter of intent (collectively, the "ENA") for the Developer's completion of the
13 Proposed Office Project and the City's potential acquisition of the same, which were approved
14 by the City's Board of Supervisors by Resolution No. 312-14 on July 29, 2014. Under the
15 ENA, the parties negotiated a Conditional Land Disposition and Acquisition Agreement, a
16 copy of which is one file with the Clerk of the Board of Supervisors in File No. 141120 (the
17 "Conditional Purchase Agreement").

18 C. Under the ENA, the City made or will make the following payments to
19 Developer: (i) up to \$250,000 for work performed by Developer's architects and engineers to
20 develop the initial schematic plans and feasibility analysis for environmental review, and
21 (ii) \$1,000,000 for Developer's purchase of the Goodwill Site (collectively, the
22 "Non-Refundable Payments"). The City paid the \$1,000,000 on October 21, 2014 as required
23 by the ENA. The Non-Refundable Payments must be used by Developer to offset costs
24 incurred by Developer for design and entitlement costs for the Proposed Office Project, and
25

1 accordingly, will be credited against the purchase price on any City acquisition of the Office
2 Parcel.

3 D. The City has not yet completed environmental review under the California
4 Environmental Quality Act ("CEQA") (California Public Resources Code Sections 21000 et
5 seq.), the CEQA Guidelines (California Code of Regulations, Title 14, Sections 15000 et seq.),
6 and Chapter 31 of the San Francisco Administrative Code (hereinafter referred to as
7 "Environmental Review") for the Proposed Office Project. Under the Conditional Purchase
8 Agreement, the Developer shall complete Environmental Review documents and seek
9 numerous project entitlements for the Proposed Office Project, including: amendments to the
10 City's General Plan, Planning Code and Zoning Map to adjust height and bulk regulations;
11 amendments to the City's Planning Code to lift the current restriction limiting commercial
12 development to the lower four floors for non-public entity tenant occupancy (the "City
13 Exception"); Planning Code Section 309 project review approval; lot merger and subdivision
14 maps; and demolition and building permits (collectively, the "Proposed Entitlements").
15 Nothing in the Conditional Purchase Agreement requires the City's Planning Commission or
16 Board of Supervisors to grant any of the Proposed Entitlements or approve the Proposed
17 Office Project or the adjacent residential project, and the Proposed Entitlements shall not be
18 considered until the City has completed Environmental Review in accordance with applicable
19 law. Rather, the Conditional Purchase Agreement sets forth the terms of the real estate
20 transaction should the conditions imposed, including future City approvals following
21 Environmental Review, come to pass.

22 E. Section 15004(b)(2) of the CEQA Guidelines directs that "public agencies shall
23 not undertake actions concerning the proposed public project that would have a significant
24 adverse effect or limit the choice of alternatives or mitigation measures, before completion of
25 CEQA compliance. For example, agencies shall not: (A) Formally make a decision to proceed

1 with the use of a site for facilities which would require CEQA review, regardless of whether the
2 agency has made any final purchase of the site for these facilities, except that agencies may
3 designate a preferred site for CEQA review and may enter into land acquisition agreements
4 when the agency has conditioned the agency's future use of the site on CEQA compliance."

5 F. The City has determined that the Conditional Purchase Agreement is a
6 conditional land acquisition agreement as described in CEQA Guidelines
7 Section 15004(b)(2)(A). By approving the Conditional Purchase Agreement, the City is
8 conditionally designating a preferred site for the Proposed Office Project and setting forth
9 terms for the City's potential acquisition of the same following the completion of Environmental
10 Review. The City's obligation to purchase the Office Parcel and proceed with construction of
11 the Proposed Office Project is conditioned upon the City's completion of Environmental
12 Review in compliance with state and local law.

13 G. Under the Conditional Purchase Agreement, the Developer has agreed to
14 design the Proposed Office Project, pay for the Environmental Review, and seek the Project
15 Entitlements in an amount costing up to \$8,072,300 (the "Design and Entitlement Costs").
16 The parties currently estimate that the total project costs, including the land acquisition,
17 Design and Entitlement Costs, hard costs, financing costs, regulatory fees and permits, taxes,
18 insurance, and the fees payable to Developer, are approximately \$326,690,953. A copy of
19 the total project budget is attached to the Conditional Purchase Agreement as Exhibit D.

20 H. Upon the City's completion of all Environmental Review, the City's Director of
21 Property and the Developer will seek certification of the adequacy of the Environmental
22 Review documents and approval of the Proposed Entitlements from the City's Planning
23 Commission and then from the Board of Supervisors. At the same Board of Supervisors
24 meeting, the Board of Supervisors must also take an action, by resolution, to either (i) ratify
25 the Conditional Purchase Agreement and proceed with the City's acquisition of the Office

1 Parcel and Developer's completion of the Proposed Office Project for the City under the
2 construction management agreement, substantially in the form attached to the Conditional
3 Purchase Agreement as Exhibit P (the "Construction Management Agreement") or (ii) reject
4 the Conditional Purchase Agreement and not to proceed with the City's acquisition of the
5 Office Parcel solely on the basis of the environmental impacts of the Proposed Office Project
6 disclosed in the Environmental Review documents that have not been adequately avoided,
7 mitigated, or overridden under CEQA. At the same meeting, the Director of Property and
8 Director of Public Finance will also seek Board of Supervisors' authorization for the City's
9 issuance of certificates of participation ("COPs") in an amount needed to pay for the land
10 acquisition and complete the Proposed Office Project. The date of the Board of Supervisors
11 meeting at which all of these actions will be considered is called the "CEQA Date" or the "PSA
12 Ratification Date" in the Conditional Purchase Agreement.

13 I. If the Developer cannot obtain the Proposed Entitlements despite its
14 commercially reasonable efforts, then neither party shall be considered in default and the
15 Conditional Purchase Agreement shall terminate. Upon such termination, the City must
16 reimburse the Developer for one-half of the Design and Entitlement Costs. The City must also
17 pay for one-half of the Design and Entitlement Costs if the Conditional Purchase Agreement
18 terminates for any reason before closing and neither party is in default.

19 J. If the Board of Supervisors does not authorize the issuance of the COPs to
20 acquire the Office Parcel and complete the Proposed Office Project on the CEQA Date, or the
21 City's sale of the COPs subsequently does not occur, and the City and Developer do not
22 agree on alternative terms for the City's occupancy in light of the City's failure to authorize or
23 sell the COPs, then the City must reimburse Developer for seventy-five percent (75%) of the
24 Design and Entitlement Costs.

1 K. If the Developer obtains the Proposed Entitlements on the CEQA Date but the
2 City does not grant the City Exception such that Developer cannot proceed without City or
3 other public agency occupancy, and the City does not proceed with the proposed acquisition
4 (by failing to ratify the Conditional Purchase Agreement on the PSA Ratification Date), then
5 the City must reimburse Developer for all of the Design and Entitlement Costs.

6 L. Consistent with the ENA, Developer has selected and the City has approved
7 SOM, a New York limited liability partnership (the "Architect"), as the architect and Swinerton
8 Builders Inc., a California corporation (the "General Contractor"), as the general contractor for
9 the Proposed Office Project. The Developer shall negotiate, with assistance from the Director
10 of Property consulting with the Director of Public Works, contracts with the Architect and the
11 General Contractor for the design and construction of the Proposed Office Project. Such
12 contracts, and all other contracts required for the completion of the Proposed Office Project
13 (the "Project Contracts"), will be entered into by the Developer as the City's construction
14 manager as set forth in the Construction Management Agreement. Developer shall enter into
15 a contract with the Architect to complete the Design and Entitlement work before the PSA
16 Ratification Date. Developer shall not enter into a contract with the General Contractor until
17 the closing date for the land acquisition, when the City obtains the funds to complete the
18 Proposed Office Project through the sale of the COPs.

19 M. Under the Construction Management Agreement, Developer shall enter into,
20 manage, monitor, and oversee all contracts required to complete the Proposed Office Project
21 for the City (the "Developer Services"). In consideration for the Developer Services, the City
22 shall pay to Developer a development services fee in the amount of \$26,500,000. Upon
23 completion of the Proposed Office Project, or upon any earlier termination of the Construction
24 Management Agreement, Developer shall assign to the City and the City shall assume all of
25 the Project Contracts entered into by the Developer, together with all intangible rights held by

1 Developer in the Proposed Office Project, including all warranties and guaranties from the
2 contractors.

3 N. Entering into the Conditional Purchase Agreement with the Developer is
4 appropriate and in City's best interests. If the Proposed Office Project is entitled and
5 developed, the City would add an approximately ~~466,400~~ 463,300 gross square foot office
6 building to the emerging Civic Center neighborhood. The City could terminate approximately
7 60,000 square feet of City-as-tenant leases, and sell three City-owned buildings in the Civic
8 Center that may be repositioned for other uses such as housing. The City could also
9 consolidate its development services and building-related permitting functions, and create a
10 one-stop permitting center. The development would also involve significant participation of
11 local trades and businesses to bolster the local economy. Finally, the development would
12 help transition the City from rented to owned space and thereby remove the City from long-
13 term exposure to increases in the Civic Center rental market. Based upon the information
14 provided by the Office of Public Finance and the Real Estate Director, the Board finds that the
15 Proposed Office Project is financially feasible consistent with Administrative Code Chapter 29.

16 Section 2. Approval of Agreement. In accordance with the recommendation of the
17 Director of Property and the Director of Public Finance, the Board of Supervisors hereby
18 approves the Conditional Purchase Agreement, including the attached Construction
19 Management Agreement, in substantially the form presented to the Board of Supervisors.
20 The Board of Supervisors authorizes the Director of Property to execute and deliver the
21 Conditional Purchase Agreement and any other such documents that are necessary or
22 advisable to effectuate the purpose and intent of this ordinance and, in consultation with the
23 Director of Public Works as needed, to perform the City's obligations under the Conditional
24 Purchase Agreement. The City's approval of the Conditional Purchase Agreement is not an
25 approval of the Proposed Office Project. Any such approval of the Proposed Office Project

1 shall be made, if at all, following completion of Environmental Review. The City's Planning
2 Department and Board of Supervisors, acting in a regulatory capacity, reserves all rights to
3 modify the Proposed Office Project and to reject the Proposed Office Project following the
4 completion of Environmental Review as set forth in the Conditional Purchase Agreement.

5 Section 3. Administrative Code Chapter 6 and Chapter 14B Exemption. The Board of
6 Supervisors recognizes that this development opportunity is only available through the
7 Developer, as the owner of the Goodwill Site. The Board of Supervisors finds that the design
8 and construction of the Proposed Office Project by Developer, as set forth in the Conditional
9 Purchase Agreement and the Construction Management Agreement, will not be subject to the
10 requirements of San Francisco Administrative Code Chapter 6 or Chapter 14B, provided the
11 payment of prevailing wages, implementation of a local business enterprise (LBE)
12 subcontractor utilization program, and compliance with the local hire policy and first source
13 hiring under Administrative Code Chapter 83 will apply as set forth in the Construction
14 Management Agreement. The Board of Supervisors approves the selection of Developer, the
15 Architect, and the General Contractor as set forth in the ENA and the Conditional Purchase
16 Agreement without competitive bidding. If the Proposed Office Project proceeds following
17 Environmental Review, competitive bidding for subcontracting opportunities shall be as set
18 forth in a construction contract between the Developer and the General Contractor, as
19 approved by the City, in accordance with the terms of the Construction Management
20 Agreement.

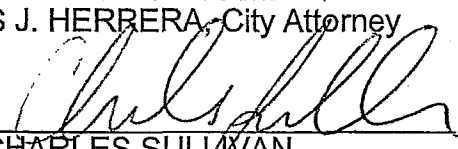
21 Section 4. Additions, Amendments, and Modifications. The Board of Supervisors
22 authorizes the Director of Property to enter into any additions, amendments, or other
23 modifications to the Conditional Purchase Agreement, including the attached Construction
24 Management Agreement, and any other documents or instruments in connection with the
25 Conditional Purchase Agreement, that the Director of Property and the City Administrator

1 determine, following consultation with the City Attorney, are in City's best interests, do not
2 materially decrease City's benefits or materially increase the City's obligations or liabilities,
3 and are appropriate and advisable to complete the proposed purchase transaction, such
4 determination to be conclusively evidenced by the execution and delivery by the Director of
5 Property and the City Administrator of any such additions, amendments, or other
6 modifications.

7 Section 5. Effective Date. This ordinance shall become effective 30 days after
8 enactment. Enactment occurs when (i) the Mayor and Board of Supervisors concurrently
9 approve an appropriation of \$8,072,300 to meet the City's maximum payment obligations
10 under the Conditional Purchase Agreement, and (ii) the Mayor signs the ordinance, the Mayor
11 returns the ordinance unsigned or does not sign the ordinance within 10 days of receiving it,
12 or the Board of Supervisors overrides the Mayor's veto of the ordinance.

13
14 APPROVED AS TO FORM:
15 DENNIS J. HERRERA, City Attorney

16 By:


17 CHARLES SULLIVAN
18 Deputy City Attorney

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FILE NO. 141120

LEGISLATIVE DIGEST

[Conditional Purchase Agreement-Goodwill SF Urban Development-1500-1580 Mission St.-
\$326,690,953 Anticipated Project Cost]

Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company (“Developer”) for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block 3506, Lots 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 463,300 gross square foot office building anticipated to cost \$270,510,181, for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code Chapter 6 and Chapter 14B; and approving the Developer, architect and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City’s local hire policy and first source hiring ordinance.

Amendments to Current Law

This is a contract approval action. If the Board of Supervisors adopts this ordinance, the City would enter into a conditional purchase agreement (the “Agreement”) for a new City office building and exempt the proposed project from certain contracting requirements in Administrative Code Chapters 6 and 14B. There are no amendments to current law.

Background Information

Developer and the City entered into an exclusive negotiations agreement (the “ENA”) for the Developer’s completion of a City office building on real property at the corner of Mission Street and South Van Ness Avenue, which was approved by Board Resolution No. 312-14 on July 29, 2014. The Agreement was negotiated by the parties under the ENA.

Under the Agreement, Developer must pay for the environmental review and seek project entitlements for the proposed City office building. Developer intends to simultaneously seek entitlements for an adjacent residential project, but that is not part of the Agreement.

Upon the completion of environmental review and on the date that the Board (acting in its regulatory capacity) considers the office project entitlements, the Board must elect to either ratify the Agreement and proceed with the proposed office project or reject the Agreement based solely on the environmental impacts of the project. If the Board elects to ratify the

AMENDED IN COMMITTEE

11/19/14

FILE NO. 141120

Agreement, the Board must also authorize the issuance of certificates of participation or other indebtedness in the full amount of the project costs, currently estimated at \$326,690,953. If the Board rejects the Agreement based upon the environmental impacts, then the City must pay to Developer all of Developer's predevelopment costs up to \$8,072,300.

Following the Board's ratification of the Agreement, the City must issue the COPs or other indebtedness to pay all of the project costs. Upon such issuance, the City would acquire the land from Developer for approximately \$30,296,640 (land cost) plus \$25,884,132 (predevelopment costs) and would engage the Developer as its construction manager under a construction management agreement (the "CMA"). Under the CMA, Developer would enter into construction and other contracts for the completion of the office project. The form of the construction contract must be approved by the City on or before the date that the City issues the COPs or other indebtedness. Following completion of the office project (or upon any earlier termination of the CMA), Developer would assign all of its rights under the construction and other contracts to the City, including all warranties and guaranties. The Developer has no responsibility for any default by the construction contractor or other project contractors, but would assist the City in enforcing these contracts.

The City approves SOM as the architect and Swinerton as the general contractor, and exempts the office project from contracting requirements in Administrative Code Chapters 6 and 14B.

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Items 13 and 14**Files 14-1117 and 14-1120****Departments:**Administrative Services, Real Estate Division
Department of Building Inspection (DBI)**EXECUTIVE SUMMARY****Legislative Objectives**

- File 14-1117: Ordinance appropriating \$8,072,300 from the Department of Building Inspection reserves in FY 2014-15 for site development as a conditional loan for a City office project at 1500-1580 Mission Street.
- File 14-1120: Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC for the proposed City acquisition of a portion of 1500-1580 Mission Street, for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost \$270,510,181 for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code, Chapter 6 and Chapter 14B; and approving the developer, architect and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program and compliance with the City's local hire policy and first source hiring ordinance.

Key Points

- On July 29, 2014, the Board of Supervisors approved a resolution (File 14-0838; Resolution No. 312-14) for the City to enter into an Exclusive Negotiation Agreement and Letter of Intent with Related California Urban Housing, LLC (Related) for the potential development and subsequent purchase by the City of part of a 2.5 acre site at 1500-1580 Mission Street for an estimated \$253,000,000 and authorizing nonrefundable payments of \$1,000,000 for land acquisition and \$250,000 for initial schematic design. The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets and a portion of the site is proposed to be developed as a new City office building.
- Related will develop the Goodwill Site with an approximate 463,300 gross square foot City office building on the eastern portion and approximately 550 multifamily residential units on the western portion. If the Board of Supervisors approves the proposed Conditional Land Disposition and Acquisition Agreement, upon completion of environmental review and entitlements, the City will acquire fee title to the office parcel and building from Related, which is expected to occur in mid to late 2016.
- In accordance with the proposed ordinance, upon the City's acquisition of the land, Related and the City will enter into a Construction Management Agreement for the development and construction of the City office building. The City anticipates consolidating office space for the Departments of Public Works, Building Inspection and Planning, and the Retirement and Health Services System, among others into the new office building, including a one-stop permit center on the ground floor.

Fiscal Impact

- The City's total estimated cost to purchase the land and building is a maximum of \$326,690,952, including \$30,296,640 for the land, \$25,884,132 for predevelopment expenses and \$270,510,181 for the development and construction of the building. In addition, City furnishings, fixtures and equipment (FFE), moving and Department of Technology costs are estimated at \$12,298,400 for a total project cost of \$338,989,353.

- To help finance the purchase of the new building, the City will sell an existing City-owned office building at 30 Van Ness in 2015, with a leaseback to the City until late 2018. Sale of 30 Van Ness will be subject to Board of Supervisors approval. The City will also sell the City-owned 1660 Mission Street and the City-owned 1680 Mission Street at a time dependent on market conditions to maximize revenues. These three buildings have an aggregate net sales value of approximately \$83,180,000.
- In addition to the building sales proceeds, the City would issue Certificates of Participation (COPs) totaling approximately \$300,105,000, which includes the cost of issuance, underwriter's discount, debt service reserve fund and costs associated with using commercial paper as an interim funding source until the COPs could be issued in 2019, after the completion of the building. Assuming a 5.5% annual interest over 30 years on the COPs, results in annual debt service payments of approximately \$20,877,000 per year, for a total COP cost to the City of \$605,430,000. The General Fund impact to repay the COPS will depend on the precise mix of tenants in the new building, with the balance paid by non-General Fund tenant sources.

Policy Consideration

- The proposed transaction is complex and will be fully executed over several years. There are multiple points of approval required by the Board of Supervisors, including (a) approval of the proposed ordinances, (b) approval of the sale of the existing City-owned buildings, (c) approval of environmental documents, and (d) authorization of COPs or other mechanism to finance this project. At this time, there are several significant unknowns the City must contend with, including: (1) total potential equity contributions, including the final sales prices of the three existing City office buildings which would be sold in order to purchase 1500-1580 Mission Street; (2) the proceeds from COPs and additional debt service required by the City; (3) total General Fund and non-General Fund impacts; and (4) finalized design, occupancy mix and negotiated office lease.

Recommendations

1. Amend the proposed ordinance (File 14-1120) in various places to change the reference from 466,400 gross square feet to 463,300 gross square feet, the most recent estimated size of the City's office building.
2. Approval of the proposed ordinances, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT**Mandate Statement**

City Charter Section 9.118(b) states that contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than \$500,000 shall be subject to approval of the Board of Supervisors by resolution.

Administrative Code Chapter 29 requires findings of fiscal responsibility and feasibility by the Board of Supervisors for City projects that exceed \$25,000,000 and require more than \$1,000,000 of City funds, prior to the submittal to the Planning Department for environmental evaluation. In accordance with Chapter 29, a determination by the Board of Supervisors that the project is fiscally responsible and feasible does not necessarily approve the project, but determines that the proposed project merits further evaluation and environmental review.

BACKGROUND

On July 29, 2014, the Board of Supervisors approved a resolution (File 14-0838; Resolution No. 312-14) for the City to enter into an Exclusive Negotiation Agreement and Letter of Intent with Related California Urban Housing, LLC (Related) for the development and subsequent purchase by the City of part of a 2.5 acre site at 1500-1580 Mission Street for an estimated \$253,000,000. That previous resolution authorized nonrefundable payments by the City of \$1,000,000 toward land acquisition and \$250,000 for schematic design from the Department of Building Inspection's (DBI) FY 2014-15 capital budget. That resolution also recommended that the Director of Real Estate (a) provide details on the space requirements of the City departments and the proposed uses for occupying the new office building; (b) explain the options for backfilling the Health Service System's leased space at 1145 Market Street; (c) recommend potential project alternatives if the increase in space is not required by various City departments; and (d) describe the City's overall plan for Civic Center office space, prior to the Board of Supervisors approving a Purchase and Sale Agreement for this project. In response, Real Estate, working with the Controller's Office submitted Attachment I, which projects the full-time equivalent (FTE) staff and square footage space requirements, and Real Estate submitted a brief overview of the City's plan for Civic Center office space.

The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets. See Figure 1 below for a map of the proposed site. Related intends to fully develop this site to include an approximate 463,300¹ gross square foot 17 or 18 story City office

¹ The initial City office building estimates from May 2014 totaled 462,354 square feet. Based on more detailed renderings, the City office building then totaled approximately 466,400 square feet, as specified in the proposed ordinance. However, Mr. John Updike, Director of Real Estate advises that the design has recently changed to reflect the developer retaining the existing historical clock tower, which slightly reduces the office building to the current estimated 463,300 square feet. Over the next 18-24 months, as the design and environmental review process are completed, Mr. Updike notes that the actual total square footage may increase or decrease slightly, although the developer cannot materially change the size without the Director of Property's consent.

building on the eastern portion (along 11th street) which represents approximately 48% of the site. In addition, Related intends to develop an approximate 38 story, 550 multifamily residential unit² development on the western portion (along Van Ness Avenue), with ground level retail, which represents approximately 52% of the site.

Figure 1: Map of 1500-1580 Mission Street



Block 3516, Lots 02 and 03

Source: Real Estate Division

On October 21, 2014, Goodwill SF Urban Development LLC, a subsidiary of Related³, purchased the subject site, including closing costs, from Goodwill Industries for a total of \$65,946,090, which includes \$30,448,123 for the City’s office site, as summarized in Table 1 below.

Table 1: Total Acquisition Costs

	Office Site	Residential Site	Total
Total Acquisition Costs	\$30,448,123	\$35,497,967	\$65,946,090

² According to Mr. Updike, approximately 110 of the total 550 units, or 20%, will be classified as affordable. The Mayor’s Office of Housing and Community Development is also further targeting middle-income residents, or those classified as earning between 80-120% of Area Median Income, for some of the remaining units.

³ Prior to its acquisition of the 1500-1580 Mission Street parcel on October 21, 2014, Related created the subsidiary “Goodwill SF Urban Development, LLC” to acquire the parcel. Mr. Updike notes that this is standard practice in property acquisition and development as it limits the liability of the parent company. This report references Related, as the developer and primary parent company.

The City anticipates consolidating office space for five major departments into this new City-owned office building, including the (a) Department of Public Works (DPW), (b) Department of Building Inspection (DBI), (c) City Planning Commission (CPC), (d) Retirement (RET) and (e) Health Services Systems (HSS), which are currently in City-owned space or leasing office space in the Civic Center. Attachment I, prepared by the Office of the Controller, City Services Auditor staff, provides an analysis of the existing full-time equivalent (FTE) employees in the FY 2014-15 budget and existing square footage for these five City departments, plus projections of staffing and gross square foot area needed by 2018, when the new City office building would likely be completed. As shown in Attachment I, the proposed new office building would contain a total of 463,300 square feet, including a new 30,738 square foot permit center on the ground floor, which would be staffed by various City departments. This new City office building will add approximately 100,000 square feet of new City office space.

DETAILS OF PROPOSED LEGISLATION

File 14-1117: The proposed ordinance would appropriate \$8,072,300 from the Department of Building Inspection Capital Project and One-Time Expenditure Reserves in FY 2014-15 for preliminary site development as a conditional loan for the City office project at 1500-1580 Mission Street.

File 14-1120: The proposed ordinance would:

- (a) approve and authorize the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC for the proposed City acquisition of a portion of 1500-1580 Mission Street, for approximately \$30,296,640⁴ plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400⁵ gross square foot office building anticipated to cost \$270,510,181 for a total anticipated project cost of \$326,690,953;
- (b) exempt the project from contracting requirements in Administrative Code, Chapter 6 and Chapter 14B; and
- (c) approve the developer, architect and general contractor without competitive bidding, but require payment of prevailing wages, implementation of a local business enterprise program and compliance with the City's local hire policy and first source hiring ordinance.

Conditional Land Disposition and Acquisition and Construction Management Agreements

Under the proposed Conditional Land Disposition and Acquisition Agreement, Related, the developer, who has recently purchased the site at 1500-1580 Mission Street, would sell the City the land for \$30,448,123 to construct a new City office building, and would be committing to design the City's office project, and pay for the required environmental review, while seeking

⁴ The actual cost of the land to the City is \$30,296,640. However, the amount the City will pay to actually acquire the property is \$31,009,931, with the additional \$713,291 reflecting the closing costs and real estate commissions.

⁵ The proposed ordinance (File 14-1120) references an approximately 466,400 gross square foot size, although the current estimate is 463,300 square feet. Therefore, the proposed ordinance should be amended to change all references to the square footage to 463,300 square feet.

the necessary project entitlements. Under this Agreement, Related would be obligated to pay upfront for these environmental review and project entitlement costs as they are incurred. The City would then reimburse Related for these costs upon the City's acquisition of the land.

Under this Agreement, Related, as the construction manager, would also be agreeing to enter into a Construction Management Agreement with the City at the time the City acquires the land. The City can only proceed with acquiring the land and entering into the Construction Management Agreement upon subsequent approval by the Board of Supervisors of the required environmental documents and financing of the City office project.

Under the proposed Conditional Land Disposition and Acquisition Agreement, the City would be committing to purchase the fully-entitled property from Related for \$30,296,640 plus approximately \$25,884,132 for predevelopment costs, or a total of \$56,180,772, after the mitigated environmental review is completed and approved by the Board of Supervisors, including approval of the necessary financing, to complete the construction of the City's office building for a maximum total project cost of \$326,690,953.

Environmental Review and Entitlements

The City has not completed the required environmental review of the proposed office project, as required under the California Environmental Quality Act (CEQA) or the City's Administrative Code Chapter 31. Under the proposed Conditional Purchase Agreement, the developer (Related) would be required to complete the necessary environmental review documents in accordance with state and local law, which is estimated to be completed in mid to late 2016. The City's obligation to purchase the subject office site and proceed with construction of the office building is conditioned on the completion of such environmental review in compliance with state and local law.

In accordance with the proposed Agreement, Mr. Updike advises that the Board of Supervisors could only decide not to proceed with the City's acquisition of the subject office parcel if the environmental impacts of the proposed office project that are disclosed in the environmental review documents are not adequately avoided, mitigated or overridden under CEQA. According to Mr. Updike, the Board of Supervisors could not elect to reject the purchase agreement after completion of the environmental documents on the basis of any other terms, as long as the conditions and economic provisions as drafted in the proposed Agreements remain the same.

The developer would also be required to seek the necessary project entitlements for the proposed City office project, including amendments to the City's General Plan, Planning Code and Zoning Map to adjust height and bulk restrictions. The proposed ordinance specifies that the City's Director of Property will work with the developer to seek such project entitlements; however, there is nothing in the Conditional Purchase Agreement that requires the City's Planning Commission or Board of Supervisors to approve any of the requested project entitlements. If the developer is not able to secure the necessary entitlements, the Conditional Purchase Agreement would terminate.

When the approval of the environmental documents is requested from the Board of Supervisors, the Director of Property working with the City's Director of Public Finance will also be required to request approval of the necessary Certificates of Participation (COPs) and/or

other financing mechanisms to pay for the total costs of the project. As noted above, the land acquisition, development and total construction costs are \$326,690,953. In addition, City furnishings, fixtures and equipment (FFE), moving and Department of Technology costs are estimated at \$12,298,400 for a total project cost of \$338,989,353.

Construction Manager, Architect and General Contractor

The proposed ordinance would approve (a) Related as the developer and construction manager, (b) Skidmore, Owings and Merrill (SOM) as the architect and (c) Swinerton Builders Inc. as the general contractor without competitive bidding. Mr. Updike advises that the developer, Related, was selected by the City because Related was already in negotiations to purchase and develop the entire site. Related selected SOM as their primary architect due to their familiarity and past experience with this firm and is considering using Swinerton as its general contractor. Mr. Updike notes that although neither contract has been formally awarded by Related to SOM or Swinerton, the proposed ordinance would approve each of these firms without competitive bidding, if selected by Related. Mr. Updike further notes that the architect and general contractor will be designing and constructing both the City office building and the residential portion of the site, to realize economies of scale.

Under the proposed ordinance, Related, the developer would negotiate and enter into contracts with the architect and general contractor for the design and construction of the City's office building, with assistance from the Director of Property and the Director of Public Works. As the construction manager, Related would also enter into a Construction Management Agreement with the City, which would be approved under the proposed ordinance, to manage, monitor and oversee all contracts required to complete the City office building project. As noted above, this Construction Management Agreement would not become effective until after the Board of Supervisors approves the CEQA documents and the financing for the entire project, and acquires the site.

Administrative Code Exemptions

The proposed ordinance would exempt the design and construction of this City office building project from the City's contracting requirements under Administrative Code, Chapter 6 (Public Works Contracting Policies and Procedures) and Chapter 14B (Local Business Enterprise and Non-Discrimination in Contracting). Although the developer, architect and general contractor would be exempt from these requirements, all other contractors and subcontractors on the project would not be exempt from these provisions. In addition, the subject Construction Management Agreement specifies that the payment of prevailing wages, implementation of a local business enterprise utilization program and compliance with the City's local hire policy and first source hiring ordinance under Administrative Code Chapter 83 will apply.

FISCAL IMPACT

As noted above, on July 29, 2014, the Board of Supervisors authorized nonrefundable payments of \$1,000,000 toward land acquisition and up to \$250,000 for schematic design from the DBI's FY 2014-15 capital budget. On October 21, 2014, the City paid Related \$1,000,000 toward the purchase of the site. Mr. Joshua Keene of the Real Estate Division advises that the schematic

design is being conducted currently, but the City has not yet been billed or paid for this work. If the project is completed as anticipated, the total \$1,250,000 will be credited back to the City against (a) the purchase price when the City actually acquires the land; and (b) to reduce the design development costs. However, if the contract terminates as a result of default, the \$1,250,000 will not be refunded by Related to the City.

\$8,072,300 Supplemental Appropriation

The proposed ordinance (File 14-1117) would appropriate \$8,072,300 from the Department of Building Inspection Capital Project and One-Time Expenditure Reserves in FY 2014-15 to pay for the preliminary design and entitlement budget shown in Table 2 below, as a conditional loan for this City office building project. DBI’s Capital Project and One-Time Expenditure Reserve are funded by developer fees and have a current balance of \$14,738,163. Approval of the proposed \$8,072,300 supplemental appropriation ordinance would leave a remaining balance of \$6,665,863. As noted above, DBI is one of the primary five City departments that would occupy the proposed new City office building.

Table 2: Preliminary Design and Entitlement Budget

Architectural & Engineering (geotechnical, design, environmental, electrical, civil, etc.)	\$5,494,802
Consultants (Code, IT, Leed, Utility, EIR, etc.)	1,133,353
Professional Fees (lighting, planning, testing, etc.)	978,394
Permits and Fees	465,751
Supplemental Appropriation Request	\$8,072,300

With the proposed supplemental appropriation ordinance, the Board of Supervisors would authorize a conditional loan of up to \$8,072,300 with the subject DBI appropriated funds. If these funds are used, the City would be required to repay the borrowed funds to DBI’s Building Inspection Fund within five years of the date of borrowing, with interest based on the Treasurer’s Pooled Funds, calculated by the Controller, likely from the City’s General Fund.

The requested \$8,072,300 supplemental appropriation plus the previously authorized \$1,250,000 total \$9,322,300 of City funds for design and entitlement costs for this project.

Potential Financial Obligations

Table 3 below summarizes alternative financial obligations if the developer defaults, the City defaults, and/or both mutually decide to terminate at three major decision points. As shown in Table 3, up until now, the City could forfeit a total of \$1,250,000. The City would not be required to expend any additional funds prior to the acquisition of the property, once the developer completes the environmental documents and the land is fully entitled for development. However, if the Agreement terminates prior to the City’s acquisition of the site, the City could be liable for the amounts shown in Table 3 below.

If the proposed ordinances are approved and the developer is not able to secure the necessary project entitlements, the Conditional Purchase Agreement would terminate and the City could be liable for up to \$3,036,150, in addition to the \$1,250,000 previously approved. This is the City's contractual requirement to reimburse the developer for 50% of the design and entitlement costs. If the Board of Supervisors does not authorize the issuance of the COPs on the CEQA approval date, or the sale of the COPs does not occur, or alternative funding is not provided, the City would be required to reimburse the developer 100% of the design and entitlement costs, unless the developer is able to secure an exemption to construct the office despite the City no longer being the tenant. In that scenario, the City would only reimburse 50% of the design and entitlement costs.

Table 3: Financial Obligations under the Proposed Purchase and Sale Agreement

Date of Termination	Developer Default	City Default	Mutually Decide to Terminate	Comments
After Letter of Intent (10/21/2014)	\$1,250,000 returned to City	City forfeits \$1,250,000	City forfeits \$1,250,000	
After subject ordinances approved (Est 12/16/14)	Owes City damages up to \$8,322,000	Owes Developer damages up to \$8,322,000	City pays Developer additional \$2,911,150 or \$3,036,150*	City also forfeits \$1,250,000
After future Ratification Date (Est 10/1/16)	Owes City damages up to \$8,322,000	Owes Developer damages up to \$8,322,000	City pays Developer additional \$3,036,150 (50%), \$5,054,225 (75%) or \$7,072,300 (100%) depending on conditions**	City also forfeits \$1,250,000

*After approval of the proposed ordinances, if the agreement terminates not because outside CEQA date passing, City would owe developer \$2,911,150; if agreement terminates because outside CEQA date passing, City would owe developer \$3,036,150.

**After project entitlements are granted, if the agreement terminates and the (a) Developer has City Exemption⁶ and Proposition M Allocation⁷, City would owe the Developer 50% or \$3,036,150; (b) Developer has City Exemption and no Prop M Allocation, City would owe the Developer 75% or \$5,054,225; and (c) Developer has no City Exemption, City would owe Developer 100% or \$7,072,300.

⁶ If the agreement terminates, the developer would need a City Exemption because the Market and Octavia Plan only permits construction of office building for City purposes.

⁷ If the agreement terminates, the developer would potentially need a Proposition M allocation to allow for the office construction on this site.

Project Timeline

As noted above, under the proposed Agreement, the City would be committing to purchase the fully-entitled property from Related for \$30,296,640 plus estimated predevelopment costs of \$25,884,132 and construction costs of \$270,510,181 for a total anticipated project cost of \$326,690,953. Table 4 below summarizes the current proposed project timeline and key payments to be made by the City.

Table 4: Proposed Project Timeline and City Costs

Project Milestone	Date	Financial Action	City Cash Outflow	Cumulative City Obligation
Board Approves LOI Resolution	7/29/14	Related pays schematic design costs	\$0	N/a
Closing Date	10/21/14	\$1m Availability Payment City reimburses \$250k in schematic design costs (if/as incurred)	\$1,250,000	\$1,250,000
Endorsement of the Purchase and Sale Agreement*	Est. 12/9/14	City incurs design development and construction document costs	0	\$4,286,150
CEQA**	10/1/16	City increases obligation for design costs (50%/75%/100%)	0	Up to \$8,072,300
Final Purchase and Sale Agreement**	10/1/16	N/A	0	Up to \$8,072,300
City Acquires Land	12/1/16	City purchases land (\$30,296,640) and pays predevelopment costs (Est \$25,884,132); City receives credit of \$1,250,000	\$54,930,772	\$56,180,772
Construction Begins	12/1/16	City funds construction and development	270,510,181	\$326,690,953
Project Completion	2018/Early 2019	N/A	\$0	\$326,690,953

*Subject of the proposed legislation. **Will require Board of Supervisors approval
Source: Real Estate Division

Project Budget

When the Board of Supervisors approved the related resolution in July 2014, the estimated total project cost was \$253,285,080, or \$548 per square foot for 462,354 square feet. The proposed ordinance now estimates a total anticipated project cost of \$326,690,953, or \$705 per square foot, based on the current estimated 463,300 square feet. The current estimated \$326,690,953 is \$73,405,873 or 29% more than the \$253,285,080 estimate provided four months ago.

The costs increased by \$73,405,873 primarily due to (a) \$4.2 million increased design costs from more refined bids for architectural and design scope of work, (b) \$21 million for additional City

building permits and fees previously not estimated, (c) \$40 million for comprehensive bidding based on schematic drawings and specifications instead of general assumptions, such as increased seismic work, technology infrastructure and LEED Gold standard; (d) \$10 million for a 5% design and construction contingency, and (e) \$1.1 million for 4% carrying cost of land acquisition, offset by some reductions in costs, as itemized in Attachment II, provided by Mr. Updike. The \$326,690,953 total project cost is now a maximum not to exceed amount specified in the proposed Agreement. Therefore, Mr. Updike notes that this maximum amount cannot be exceeded without subsequent approval by the Board of Supervisors.

As shown in Attachment II, the developer, Related, would be paid a fixed fee of \$26,500,000 for management, financing and profit, including (a) \$7,250,000 on the effective date of the Construction Management Agreement, (b) \$12,000,000 in equal installments over the 26-month construction period, and (c) \$7,250,000 upon project completion. These developer fees represent 8.1% of the \$326,690,952 total project costs.

Estimated Total Project Costs and Sources of Project Funds

In addition to the \$326,690,953 project cost, the Office of Public Finance notes that there would be additional furniture, fixture and equipment (FF&E), moving and Department of Technology costs to complete and occupy this City-owned building, or total City project costs of \$338,989,353. As shown in Table 5 below, the sources of funding would be the \$1,250,000 previously approved, \$83,180,000 net sales revenue from existing City-owned buildings and an estimated \$254,559,353 from the issuance of Certificates of Participation (COPs).

Table 5: Total Project Costs and Sources of Funding

	Amount
Total City Project Costs	
Total Development Costs	\$326,690,953
Estimated FF&E and Moving	9,500,000
Department of Technology	<u>2,798,400</u>
Total City Project Costs	\$338,989,353
Sources of Funding	
Sales Proceeds of City-owned Buildings	122,000,000
Less bond defeasance	(35,160,000)
Less sales costs	<u>(3,660,000)</u>
Subtotal from Sale of City Buildings	\$83,180,000
Funds Previously Approved	<u>\$1,250,000</u>
Subtotal Available Funds	\$84,430,000
Estimated Certificates of Participation (COPs)*	254,559,353
Total	\$338,989,353

* Excludes commercial paper interest and fees during construction that are funded through the issuance of COPs described below.

Source: Office of Public Finance.

Proposed Sale of Existing City Office Buildings

To help finance the purchase of the new building, the City anticipates offering the existing City-owned office building at 30 Van Ness for sale in 2015, with a leaseback to the City until late 2018. Sale of 30 Van Ness would be subject to Board of Supervisors approval.

The City will also offer for sale, at a time dependent on market conditions to maximize revenue, the City-owned 1660 Mission Street, the current location of the Department of Building Inspection, and the City-owned 1680 Mission Street, the current location of some staff in the Department of Public Works.

As shown in Table 5 above, these three City-owned properties have an aggregate potential net sales value of \$83,180,000 depending on market conditions and future negotiations with potential buyers, according to Mr. Updike.

Certificates of Participation (COPs)

According to Ms. Nadia Sesay, Director of Public Finance, and as shown in Table 5 above, the \$254,559,353 source of funding for the new City office building would be realized from the City issuing COPs. Mr. Anthony Ababon of the Office of Public Finance advises that in order to receive an estimated \$254,559,353 in funding for this project, an estimated \$300,105,000 of COPs would need to be issued. The \$300,105,000 includes the cost of issuance, underwriter's discount, debt service reserve fund and costs associated with using commercial paper as an interim funding source until the COPs could be issued in 2019, after the completion of the building. Assuming a 5.5% annual interest over 30 years on the COPs, results in annual debt service payments of approximately \$20,877,000 per year, for a total COP cost to the City of \$605,430,000. Ms. Sesay notes that the General Fund impact to repay the COPS will depend on the precise mix of tenants in the new building, with the balance paid by non-General Fund tenant sources.

Fiscal Feasibility

Although not mentioned in the title of the proposed ordinance, page 7, lines 13-15 state that based upon the information provided by the Office of Public Finance and the Real Estate Director, the Board of Supervisors finds that the proposed office project is financially feasible consistent with Administrative Code Chapter 29.

Administrative Code Chapter 29 requires findings of fiscal responsibility and feasibility by the Board of Supervisors for City projects that exceed \$25,000,000 and require more than \$1,000,000 of City funds, prior to the submittal to the Planning Department for environmental evaluation. In accordance with Chapter 29, the project sponsor is responsible for submitting project and financial information to the Board of Supervisors. The Board of Supervisors is required to consider the fiscal feasibility of a project, based on the following evaluation criteria: (1) direct and indirect financial benefits of the project to the City, including to the extent applicable costs savings or new revenues, including tax revenues, generated by the proposed project; (2) cost of construction; (3) available funding for the project; (4) long term operating and maintenance costs of the project; and (5) debt load to be carried by the City department or agency.

(1) Direct and Indirect Financial Benefits of the Project to the City

As detailed in Attachment III provided by Mr. Ababon, the rents and expenses on existing owned and leased City buildings for the next 33 years, including \$30 million of capital improvements at 30 Van Ness, and expansion of City space to reflect a total of 466,000 square feet to be comparable to the proposed new City office building, would cost a total of \$759,040,000. In comparison, Attachment III shows the total projected costs for the new City office building, including offsetting revenues from the sale of the three existing buildings at 30 Van Ness and 1660 and 1680 Mission Street, and COPs debt service payments and operating expenses for the new office building over the next 33 years, for a total cost of \$884,870,000. Based on the estimated cash flows, the proposed new City office building would have a net financial cost of \$105,830,000 to the City.

However, the sale of 30 Van Ness, and 1660 and 1680 Van Ness will result in new transfer taxes and annual property taxes to the City. In addition, the construction of the new residential units on the Goodwill site, adjacent to the City office building, will generate additional annual property taxes, beginning in 2019. Together, over the next 33 years, these properties are projected to generate a total of \$150,300,000 of transfer and property taxes for the City. Comparing the net financial cost of \$105,830,000 from the new City office building to the \$150,300,000 revenues to be realized from new transfer and property taxes results in net positive \$44,470,000 revenues to the City over the next 33 years.

In addition, the City will receive an estimated \$34 million of fees, permits and tax revenues from the construction of this office building and Real Estate estimates that more than \$30 million of contract and subcontract work will be awarded to local business enterprises (LBEs) to complete the City's office building. When complete the City will have a new Class A office building in the Civic Center, with an improved one-stop permit center, adding over 100,000 net square feet of space, to replace with older City buildings that would otherwise require significant capital improvements to upgrade and maintain.

(2) Cost of Construction

Attachment II provided by Mr. Updike, shows the updated value of \$326,690,952 for the total project budget, including \$30,296,640 for the land, \$25,884,132 for predevelopment costs and the remaining \$270,510,181 attributed to the cost to complete the development and construction of the City office building.

(3) Available Funding for the Project

As shown in Table 5 above, based on information provided by the Office of Public Finance, the sale of three City-owned office buildings is estimated to generate net revenues after bond defeasance of approximately \$83,180,000 to partially offset the cost of the City office project. In addition, the proposed new City office building will require approximately \$300,105,000 of COPs, which would likely be issued in 2019 after the completion of the building, resulting in total costs of \$605,430,000 to the City.

(4) Long Term Operating and Maintenance Costs of the Project

As shown in Attachment III, the new City office building is estimated to cost \$4,720,000 to operate in 2019, when the building is completed, and a total of \$224,450,000 over 30 years, or an average of \$7,481,667 per year. According to Mr. Keene, the newly constructed, LEED Gold certified office building should provide substantial operational expense reductions and will have significantly lower capital project replacement costs compared to the existing, older City-owned buildings.

(5) Debt Load to be Carried by City Departments

Attachment III identifies the debt service payments from the COPs issued in 2019, which are anticipated to be approximately \$20,877,000 per year over 30 years assuming a 5.5% annual interest rate, for a total cost of \$605,430,000. The annual debt service payments of approximately \$20,877,000 over 33 years would be allocated to the City departments that occupy the new City office building, most notably DBI, Planning, DPW, Retirement and HSS as well as other City departments in the permit center. The specific allocation would be determined based on the actual occupancy of the building, once completed in 2019.

POLICY CONSIDERATION

According to Mr. Updike, the Real Estate Division is proposing the purchase the property located at 1500-1580 Mission Street in order to address several long-term City priorities, particularly in the Civic Center area. These priorities include:

- 1) Developing more consolidated space for departments currently housed in multiple locations;
- 2) Making available underutilized City sites for more intense mixed-use developments where possible;
- 3) Addressing the lack of space for growth, as the City-owned buildings in Civic Center are currently over 99 percent occupied;
- 4) Allowing core City functions to be centralized in a facility specifically built to meet City needs; and
- 5) Allowing the City to purchase new Class A office building at a fair market price⁸.

As noted above, the proposed transaction is complex and will be executed over several years. The proposed Agreement will authorize the City to move forward with the environmental review and entitlement phase, and authorize a future Construction Management Agreement,

⁸ According to the Q1 and Q2 2014 office market reports from real estate services firm Avison Young, the top sales of Class A office space in San Francisco have seen prices ranging from \$447 to \$765 per square foot. In addition, Mr. Updike noted that the recent sale of 50 Fremont Street, which was constructed in the 1980s, to Salesforce for \$640 million reflects a \$780 per square foot rate and the Public Utilities Commission (PUC) building on Golden Gate which was completed approximately three years ago had costs totaling \$1,000 per square foot. As noted above, the proposed purchase price of 1500-1580 Mission Street by the City would total \$705 per square foot.

which will lead to subsequent approvals required by the Board of Supervisors. In addition, there are several significant unknowns the City must contend with, including:

- Total potential equity contributions, including the final sales prices of the three existing City office buildings;
- The necessary proceeds from COPs and additional debt service required by the City;
- Total General Fund and non-General Fund impacts; and
- Final design, occupancy mix, and negotiated office leases.

If the Board of Supervisors and Mayor do not approve the proposed ordinances, then either the City or the developer may terminate negotiations and the City would forfeit \$1,250,000. Because of the future commitment of significant City funds, the Budget and Legislative Analyst considers approval of the proposed ordinance authorizing the Conditional Land Disposition and Acquisition Agreement to be a policy matter for the Board of Supervisors. According to Mr. Updike, if the Board of Supervisors does not approve the proposed ordinances, the City will likely lose the opportunity to purchase 1500-1580 Mission Street.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 14-1120) in various places to change the reference from 466,400 gross square feet to 463,300 gross square feet, the most recent estimated size of the City's office building.
2. Approval of the proposed ordinances, as amended, are policy matters for the Board of Supervisors.

Table 3: Project Budget

Development Costs to Related	Original Value	Updated Value	Difference	Notes
Land Price	\$30,000,000	\$ 30,296,640	\$ 296,640	**Actual land price increased from \$65M to \$65.6M
Real Estate Commissions	2,412,239	2,000,000	(412,239)	**Reduced once City acquires land in advance of construction
Closing Costs	N/a	151,483	151,483	**Not previously included in estimate
Soft Costs	8,322,300	12,552,500	4,230,200	**Increased costs for architecture and design after bids received and consultant scope refined
Fees, Permits Taxes	13,167,471	34,191,861	21,024,390	**Increased estimate of imposed Development / Building Fees imposed by City
Core and Shell	139,263,450	179,258,112	39,994,662	**Needed to bring interiors from a "Cold Shell" to a "Warm Shell"; increased seismic, LEED Gold, etc.
Tenant Improvements	23,117,500	21,568,318	(1,549,182)	**Some tenant improvements on lower levels were picked up in Core and Shell. Still remains \$50 psf
Owner's Contingency (5%)	N/a	10,041,322	10,041,322	**Added increased contingency for construction
Finance Costs	14,352,821	8,633,333	(5,719,488)	**Saved by issuing our own financing
Soft Costs Cont.	644,693	376,575	(268,118)	**Reduced contingency as bids were received
Developer Cost of Equity	N/a	1,120,808	1,120,808	**Per LOI, must reimburse Developer carrying costs of land
Subtotal, Development Costs	\$231,280,474	300,190,952	68,910,478	
Related Development Fee (Management)	7,954,729	Fixed Fee		
Related Development Fee (Financing)	1,988,682			
5% Profit	12,061,194			
Fee Subtotal	22,004,605	26,500,000	4,495,395	**Negotiated fee reduction during PSA negotiations. LOI stated 10% of total project Costs
Total	\$253,285,080	\$ 326,690,952	\$ 73,405,872	

odwill Site Development Estimated Cash Flow -- 5.5% Interest Rate; No COPs for 1660, 1680 Mission Improvements; FY 2015 a partial year

	Rents & Expenses on Existing Buildings & Expansion (466K Gross sqft)				Goodwill Site Development & related costs (466K Gross sqft)				Net Impact		GF & NGF - Net Impact			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
	Existing Buildings	Existing Building Improvements	Growth (100K Gross sqft)	City Tenants Expansion	Total	DS Payments	Over Exp (F&V)	Total	Net Impact (before Prop Taxes)	GF Property Taxes 1660 & 1680 Mission; 30 VN; Goodwill	Net Impact (after Prop Taxes)	General Fund	Non-General Fund	
-15	1,550,000	-	-	1,550,000	1,550,000	-	-	1,000,000	650,000	4,200,000	4,850,000	220,000	430,000	430,000
-16	6,810,000	-	-	6,810,000	6,810,000	-	-	4,110,000	2,700,000	800,000	3,500,000	890,000	1,770,000	1,770,000
-17	7,020,000	-	-	7,020,000	7,020,000	-	-	7,040,000	(20,000)	1,900,000	1,880,000	(10,000)	(10,000)	(10,000)
-18	7,290,000	-	-	7,290,000	11,420,000	-	-	11,420,000	2,460,000	1,100,000	3,560,000	850,000	1,500,000	1,500,000
-19	7,490,000	2,300,000	6,850,000	16,640,000	16,140,000	-	4,720,000	16,140,000	4,500,000	4,600,000	5,050,000	150,000	300,000	300,000
-20	7,670,000	3,900,000	7,060,000	18,630,000	23,870,000	21,010,000	4,860,000	23,870,000	(7,240,000)	3,100,000	(4,140,000)	(2,490,000)	(4,750,000)	(4,750,000)
-21	7,900,000	3,900,000	7,070,000	18,870,000	26,000,000	21,000,000	5,000,000	26,000,000	(6,930,000)	3,200,000	(3,730,000)	(4,550,000)	(4,550,000)	
-22	8,140,000	3,900,000	7,490,000	19,530,000	26,160,000	20,990,000	5,150,000	26,160,000	(6,310,000)	3,300,000	(3,410,000)	(4,940,000)	(4,940,000)	
-23	8,360,000	3,900,000	7,710,000	19,970,000	26,300,000	20,980,000	5,310,000	26,300,000	(5,980,000)	3,400,000	(2,580,000)	(3,920,000)	(3,920,000)	
-24	8,690,000	3,900,000	7,940,000	20,470,000	26,450,000	20,970,000	5,470,000	26,450,000	(5,630,000)	3,500,000	(2,130,000)	(3,650,000)	(3,650,000)	
-25	8,890,000	3,900,000	8,180,000	20,970,000	26,600,000	20,970,000	5,630,000	26,600,000	(5,280,000)	3,600,000	(1,680,000)	(3,240,000)	(3,240,000)	
-26	9,160,000	3,900,000	8,430,000	21,490,000	26,770,000	20,950,000	5,800,000	26,770,000	(4,930,000)	3,700,000	(1,230,000)	(2,890,000)	(2,890,000)	
-27	9,430,000	3,900,000	8,680,000	22,010,000	26,960,000	20,950,000	6,160,000	26,960,000	(4,580,000)	3,800,000	(750,000)	(1,570,000)	(1,570,000)	
-28	9,710,000	3,900,000	8,940,000	22,550,000	27,150,000	20,930,000	6,340,000	27,150,000	(4,170,000)	4,000,000	(1,290,000)	(1,430,000)	(1,430,000)	
-29	10,010,000	3,900,000	9,210,000	23,120,000	27,290,000	20,930,000	6,530,000	27,290,000	(3,780,000)	4,100,000	(2,060,000)	(1,150,000)	(1,150,000)	
-30	10,310,000	3,900,000	9,490,000	23,700,000	27,460,000	20,920,000	6,730,000	27,460,000	(3,360,000)	4,200,000	(2,060,000)	(1,150,000)	(1,150,000)	
-31	10,610,000	3,900,000	9,770,000	24,280,000	27,660,000	20,910,000	6,930,000	27,660,000	(2,950,000)	4,300,000	(2,060,000)	(1,150,000)	(1,150,000)	
-32	10,920,000	3,900,000	10,060,000	24,890,000	27,850,000	20,900,000	7,140,000	27,850,000	(2,540,000)	4,400,000	(2,060,000)	(1,150,000)	(1,150,000)	
-33	11,260,000	3,900,000	10,360,000	25,520,000	28,050,000	20,890,000	7,350,000	28,050,000	(2,130,000)	4,500,000	(1,380,000)	(1,150,000)	(1,150,000)	
-34	11,650,000	3,900,000	10,670,000	26,220,000	28,250,000	20,880,000	7,570,000	28,250,000	(1,720,000)	4,600,000	(820,000)	(1,150,000)	(1,150,000)	
-35	12,090,000	3,900,000	10,990,000	26,990,000	28,460,000	20,870,000	7,800,000	28,460,000	(1,310,000)	4,700,000	(440,000)	(1,150,000)	(1,150,000)	
-36	12,580,000	3,900,000	11,320,000	27,800,000	28,670,000	20,860,000	8,030,000	28,670,000	(900,000)	4,800,000	(440,000)	(1,150,000)	(1,150,000)	
-37	13,050,000	3,900,000	11,660,000	28,610,000	28,890,000	20,850,000	8,270,000	28,890,000	(480,000)	4,900,000	(440,000)	(1,150,000)	(1,150,000)	
-38	13,550,000	3,900,000	12,010,000	29,460,000	29,120,000	20,840,000	8,520,000	29,120,000	(60,000)	5,000,000	(1,140,000)	(1,150,000)	(1,150,000)	
-39	14,080,000	3,900,000	12,370,000	30,350,000	29,360,000	20,830,000	8,780,000	29,360,000	(240,000)	5,100,000	(1,760,000)	(1,220,000)	(1,220,000)	
-40	14,650,000	3,900,000	12,740,000	31,290,000	29,600,000	20,820,000	9,040,000	29,600,000	(360,000)	5,200,000	(2,490,000)	(1,300,000)	(1,300,000)	
-41	15,270,000	3,900,000	13,120,000	32,290,000	29,850,000	20,810,000	9,310,000	29,850,000	(480,000)	5,300,000	(3,140,000)	(1,390,000)	(1,390,000)	
-42	15,940,000	3,900,000	13,510,000	33,350,000	30,100,000	20,790,000	9,590,000	30,100,000	(600,000)	5,400,000	(4,000,000)	(1,480,000)	(1,480,000)	
-43	16,660,000	3,900,000	13,910,000	34,470,000	30,360,000	20,770,000	9,880,000	30,360,000	(720,000)	5,500,000	(5,000,000)	(1,580,000)	(1,580,000)	
-44	17,430,000	3,900,000	14,320,000	35,650,000	30,630,000	20,750,000	10,170,000	30,630,000	(840,000)	5,600,000	(6,200,000)	(1,680,000)	(1,680,000)	
-45	18,260,000	3,900,000	14,740,000	36,900,000	30,910,000	20,740,000	10,470,000	30,910,000	(960,000)	5,700,000	(7,500,000)	(1,790,000)	(1,790,000)	
-46	19,150,000	3,900,000	15,170,000	38,220,000	31,200,000	20,720,000	10,780,000	31,200,000	(1,080,000)	5,800,000	(8,800,000)	(1,900,000)	(1,900,000)	
-47	17,030,000	-	15,210,000	31,750,000	31,480,000	20,690,000	10,780,000	31,480,000	1,230,000	6,800,000	8,030,000	800,000	800,000	
-48	17,560,000	-	16,140,000	33,660,000	31,790,000	20,670,000	11,230,000	31,790,000	1,880,000	7,000,000	8,880,000	1,240,000	1,240,000	
total	376,910,000	49,600,000	352,930,000	759,040,000	864,870,000	605,430,000	224,450,000	864,870,000	(105,830,000)	150,300,000	44,470,000	(86,400,000)	(69,430,000)	(69,430,000)

Net Present Value @ 6% (22,870,000) After Property Taxes (9,590,000)

es:

- (1) - Revenues Include City Tenant Revenues or Rents from 30 VN, 1660 & 1680 Mission at \$22.56 psf (2014) and 3% annual growth; FY 2015 is a partial year
- (2) - 30 VN Improvements total \$30.0million starting 2018, debt service over 15 year term.
- (3) - Current market rents estimated at \$54 psf (2014) and 3% annual growth for incremental 108k sf growth
- (4) - 30 VN sale in 2015 and lease back at \$22.56 psf (2015), adjusted to \$40 psf in 2017 thru occupancy of Goodwill in 2019; FY 2015 is a partial year
- 1660, 1680 Mission sales in 2017 and lease back at \$40 psf in 2017 thru occupancy of Goodwill in 2019
- Sale proceeds total \$122mm, of which \$35.2mm is applied to COPs defeasance and \$83.2mm is applied towards Goodwill development costs
- (5) - Gross development costs to City total \$339.0mm, before application of net sale proceeds
- COPs issued in Jun 2019 of \$300.1mm towards \$254.6mm in development costs, etc. (after defeasances) and \$22.0mm in CP Interest & fees; net sale proceeds of \$83.2mm applied as equity towards development costs
- (6) - Operating expenses at \$8.64 psf (G)
- (7) - 30 VN property taxes include transfer tax in 2015 and annual property tax thru occupancy of Goodwill in 2019; FY 2015 is partial year
- 30 VN conversion (with another infusion of transfer tax) to residential (300 Units) assumed in 2019 thru 2048
- 1660, 1680 Mission property taxes include transfer taxes in 2017 and annual property tax thru occupancy of Goodwill in 2019
- 1660, 1680 Mission maintained as office from 2019 (with another infusion of transfer tax) thru 2048
- Goodwill site property taxes include Related acquisition at \$65mm in 2015 and Residential (550 Units) in 2019 thru 2048
- (8) - General Fund property taxes revenues accrue to General Fund departments / tenants.



Space Standard	FTE Actual 2014 ¹	FTE Budget 2014-15	GSF Area 2014 ²	FTE Actual 2018 ³	FTE Budget 2018-19	GSF Area 2018 ⁴	Project Chess Site Total GSF Area 2018 ⁵	Remarks
CPC	175.80	192.95	51,685	183.42	201.31	52,926	52,926	Gross square feet for all 1650 Mission office space. FTE counts include permitting personnel.
DBI	210.74	265.56	54,598	264.86	322.06	67,351	67,351	Gross square feet for 1660 Mission and 1650 Mission office space. FTE Count 2018 includes allocation for 45 unfilled DBI positions, in addition to expected average rate of increase applied to all departments. (Space for 45 unfilled positions accounts for about 12,000 GSF increase.) FTE counts include permitting personnel.
DPW	668.58	816.51	188,727	697.53	851.87	193,257	193,257	Gross square feet for 30 Van Ness, 1155 Market, and 1680 Mission. FTE counts include permitting personnel. Conference rooms for RPD division and 3rd floor of 30 Van Ness not captured.
HSS	45.84	53.44	19,478	47.83	55.75	19,945	19,945	Gross square feet for 1145 Market. Roughly 3,000 SF Wellness Center located to lower floors in GSF Area 2014 baseline.
RET	86.63	106.40	36,865	90.38	111.01	97,751	97,751	Gross square feet for 1145 Market. Roughly 3,800 SF Board Room and Presentation Room located to lower floors in GSF Area 2014 baseline.
ADDITIONAL SPACE AVAILABLE (OR DISCREPANCY IF IN PARENTHESES)	N/A	N/A	N/A	N/A	N/A	5,770	5,770	Potentially: If space available, DEM to locate from 30 Van Ness, plus Misc. Department Space of approximately 10,000 square feet TBD.
TENANT FLOORS 3-18 TOTAL	1,187.58	1,434.86	351,354	1,284.02	1,542.00	377,000	377,000	Building is currently allocated 377,000 SF for floors 3-18. Tenant GSF Area 2018 programming assumes reallocation of 30% of departmental conference and training room space to Common Use Space in floors 1-2. Reallocation projects total GSF Area 2018 for conference and training by holding current departmental conference-to-space ratios constant from 2014; thus, the reallocated conference area simply assumes that a portion of the tenant space will be moved to another part of the building (a tenant does not lose space due to consolidation, but the likelihood of increased space utilization improves by introducing a shared conference center). See assumptions below. ⁶
CPC	N/A	N/A	1584	N/A	N/A	1,423	1,423	Includes CPC permitting at 1650 and 1660 Mission
DBI	N/A	N/A	21,448	N/A	N/A	22,377	22,377	Includes DBI permitting at 1650 Mission, including ground floor and fifth floor intake, support, and common use functions. Only public counter and lobby/waiting area included for all other 1660 Mission floors with permitting functions.
DPH	N/A	N/A	104	N/A	N/A	1,000	1,000	DPH has one permit station at 78 SF in the current 1660 Mission permitting center. Because DPH Environmental Health Unit, which handles DPH's permits (over 20 permits), is planned to relocate to Laguna Honda, it would make sense to relocate at least a collection and processing arm for permits in the Permit Center
DPW	N/A	N/A	1,085	N/A	N/A	1,132	1,132	Includes DPW permitting at 1155 Market and 1660 Mission
FIR	N/A	N/A	660	N/A	N/A	689	689	Includes FIR permitting at 1660 Mission
PUC	N/A	N/A	208	N/A	N/A	217	217	Includes PUC permitting at 1660 Mission
ENT (non-1660 Mission)	N/A	N/A	0	TBD	TBD	1,000	1,000	0 SF allocated in current 1660 Mission permitting center. Because ENT only has 3 FTE total reported, this may involve shifting the entire unit.
ENVH (Small Business, non-1660 Mission)	N/A	N/A	0	TBD	TBD	900	900	0 SF allocated in current 1660 Mission permitting center. Currently located at City Hall.
POL (non-1660 Mission)	N/A	N/A	0	TBD	TBD	1,000	1,000	0 SF allocated in current 1660 Mission permitting center. Currently located at Hall of Justice. POL has anywhere between 5-8 FTE staffed at a given time.
TTX (non-1680 Mission)	N/A	N/A	0	TBD	TBD	1,000	1,000	0 SF allocated in current 1660 Mission permitting center. Currently located at City Hall. TTX is being allocated space to accommodate for a centralized payment function for all permitting departments located at the Chess Permit Center.
PERMIT CENTER TOTAL	N/A	N/A	24,869	N/A	N/A	30,738	30,738	A) GSF Area 2014 values are based on space currently present at permitting areas at 1650 Mission, 1660 Mission, and 1155 Market. For programs that are not currently located at 1660 Mission, the GSF value does not reflect the existing size of their program, which may be located in other areas. B) The proposal is to include a permit intake and information arm for departments not already included in 1660 Mission, as relocating these programs' entire staff would require significantly more space and, potentially, a study of how to streamline each permitting process. Intake stations may include anywhere from 1-3 FTE.
MISC. COMMON USE SPACE AVAILABLE (Unassigned Conference Center, Childcare, Cafeteria, Other Circulation/Lobby, etc.) ⁷	N/A	N/A	N/A	N/A	N/A	32,817	32,817	A) Remainder from 86,300 GSF allocated to Floors 1-2 after accounting for Permit Center and Concourse. Important to note that Floors 3-18 programming takes current departmental programs as departmental program standard and does not reallocate space to common use functions, unless explicitly noted. After programming for more efficient office space, departmental number may shrink slightly and be reallocated to Miscellaneous Common Use Space. B) Includes Hearing Rooms, meeting rooms and 11,000 SF training from Cesar Chavez. May be repositioned to include Wellness. May include childcare facility of approximately 5,000 SF, as mandated by City (however, childcare may be built on the developer's side of the site).
CONFERENCE AND TRAINING CENTER (Minimum Size) ⁸	N/A	N/A	3,830	N/A	N/A	6,599	6,599	Baseline Conference and Training Center sizing based on RET Board and Presentation Room reallocation. Projected 2018 sizing based on 30% reallocation of conference and training room space from Tenant Space on floors 3-18. This is only a minimum size, based on 30% reallocation rate from tenant floors, and would change based on reallocation rate. (To note, if 100% of large conference rooms, i.e. those measuring greater than 500 SF, were reallocated, the minimum Conference and Training Center size would be 18,985 SF. This would free up space in Tenant Space and take space from Misc. Common Use.)
WELLNESS CENTER	N/A	N/A	3,015	N/A	N/A	3,147	3,147	HSS Wellness Center removed from HSS office space footprint
EXTERIOR USE	N/A	N/A	N/A	N/A	N/A	12,600	12,600	Concourse is open to the Public
SHARED SPACE TOTAL (Permit + Common Use)	N/A	N/A	31,715	N/A	N/A	86,300	86,300	Shared Space Total 2018 based on estimates of 82,400 total GSF on Floors 1-2, as well as an additional 12,200 GSF allocation for the Concourse
SITE TOTAL FTE	1,187.58	1,434.86		1,284.02	1,542.00			
SITE TOTAL GSF			383,069			463,300		

Notes:
 (1) FTE Actual 2014 based on eMerge data for FY2014-15, for period 07/01/2013 - 10/24/2014 (last pay period in October 2014). FTE Budget 2014-15 is based on the FY2014-15 budget. Permit Center FTEs for 1600 Mission departments (CPC, DBI) captured in tenant floors 3-18 FTE counts. For non-1660 Mission permitting departments, FTE values are excluded because no existing centralized permitting location exists for them that is comparable to what would be present at the Chess Permit Center; organizational re-programming may be needed. See comment 8 under Permit Center Total.
 (2) GSF Area is Gross Square Footage. The initial 2014 number based on Real Estate Department (RED) and departmental reporting. Numbers were supplemented with measurements estimated from departmental floor plans, where necessary. Where GSF data was not available, Usable Square Footage (USF) was determined from floor plans and GSF was calculated by summing USF with Estimated Circulation Factor (circulation calculated at 33% of USF).
 (3) FTE Actual and Budget 2018-19 based on 1.06556% average FTE growth rate per year applied to all departments, unless otherwise noted. FTE growth rate based on 20-year average growth rate. Determined from CA Dept. of Finance local government labor historical values and projections, for period 1997-2018.
 (4) GSF Area 2018 based on projected actual FTE growth, keeping GSF-to-FTE space ratio for 2014 constant for 2018. Budgeted FTE presented for reference, but we should expect attrition to remain relatively constant - so projecting space based on actual FTEs is more reliable than projecting based on budgeted FTEs.
 (5) Tenant space calculations include back-office functions and existing conference rooms. Only where noted has common use space been taken out of the department's footprint. Public permit-related space has been taken out for all departments and included in Permit Center section.
 (6/7) Only Rentable Square Footage (RSF) known for HSS and RET. 15% core factor assumed for areas where only RSF known, in order to determine GSF.
 (8) 30% allocation of conference and training room space from Tenant Space floors 3-18 to Common Use Space on floors 1-2 based on:
 A) On average, conference and training room space takes up roughly 6.17% of total tenant GSF for each of the five main tenant departments. The average estimated Conference Area-to-Total GSF ratios for all departments are: 4.25% (CPC), 3.90% (DBI), 11.81% (DPW), 4.62% (HSS), and 6.27% (RET). An average was used under the assumption that all departments would be equally impacted by common room reallocation.
 B) Large conference and training rooms (over 500 SF) take up, on average, roughly 47.78% of each of these departments' total conference and training room area. Conference rooms larger than 500 SF generally have lower utilization rates and are more conducive to sharing. Thus, it is a conservative estimate that only 30% of this space would be reallocated from Tenant Space to Common Use Space - the remaining 17.78% of conference and training space could still be programmed on tenant floors. Even if the reallocated conference and training space is 100% utilized by a given department from which the space was transferred, an additional 32,817 SF is available for Miscellaneous Common Use programming. (Common space is not lost, only transferred - and additional space is available.)
 C) 33% circulation factor assumed for areas where only Usable Square Footage (USF) known, in order to determine GSF.
 (9) Misc. Common Use Space is currently unprogrammed space, but could be allocated to the Conference and Training Center, Permit Center, or other Common Use functions.
 (10) Conference and Training Center sizing is based on the existing program of each tenant department being "right-sized." Where a minimum Conference and Training Center size is provided, based on space which was reallocated from tenant floors 3-18 in this scenario, it is probable that additional space savings could be attained both on tenant floors and in common use areas through more

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Attachment 1



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

October 28, 2014

**Civic Center Office Space Development Opportunity
1500 Mission Street at South Van Ness Avenue (Goodwill site)**

Through Naomi Kelly,
City Administrator

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 224
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is an Ordinance approving and authorizing the Director of Property to execute a conditional purchase and sale agreement (conditional "PSA") with Goodwill SF Urban Development, LLC ("Developer") for the proposed City acquisition of a portion of real property at 1500 Mission Street, located at the corner of South Van Ness and Mission (commonly known as the "Goodwill Site"). The Developer acquired the Goodwill Site on October 21, 2014 to develop the 2.5 acres with approximately 50% office space and 50% residential, with ground level retail fronting South Van Ness and Mission. This represents a true mixed-use development and an opportunity to activate the area while creating a vibrant gateway to the Civic Center.

The Developer plans to develop a 466,400 square foot, 17 or 18 story office building on behalf of the City (the proposed City "Office Project"), including a one-stop permitting center on the ground floors; shared City conference, meeting, training and boardroom facilities; and child care facilities for City employees located on the Goodwill Site. The remainder of the Goodwill Site will be developed for 550 residential units ("Residential Project"), including approximately 110 affordable units. The Office Project alone is expected to generate over \$30 million in local business participation.

Background

The Board of Supervisors approved a letter of intent and exclusive negotiating agreement between the City and Developer by Resolution No. 312-14 on July 29, 2014 to negotiate this conditional PSA and introduce it to the Board by no later than October 31, 2014. The Real Estate Division negotiated this agreement through continual guidance and assistance from our City Attorney's Office, Office of Public Finance, Planning Department, Contract Monitoring Division, Department of Public Works, SFMTA and the Controller's Office, and countless other City departments and agencies.

The Office Parcel

Board Approval of this Ordinance will conditionally approve the City's purchase of a 52,900 sq. ft. portion of the Goodwill Site (the "Office Parcel"). The Board still must vote at a later date whether to ratify this conditional PSA on the basis that the environmental impacts have been adequately avoided, mitigated, or overridden under CEQA. The Developer has already started the design and environmental review process with our Planning Department and anticipates returning to the Board to seek project entitlements in mid-late 2016 (this date is referred to in the conditional PSA as the "CEQA Date"). If the Board elects to grant entitlements and by doing so, certifies the CEQA findings, then under separate action, the Board would vote whether to ratify the PSA. If the PSA is ratified, staff would concurrently seek authorization for the City's issuance of certificates of participation or another form of indebtedness (such as use of our commercial paper program) in an amount needed to pay for the acquisition of the Office Parcel. Through that appropriation, the City would also seek authorization to fund the construction of the Office Project, the true hallmark of the City's participation in this endeavor.

New City Office Building

If the Board votes to ratify the PSA on the CEQA Date and authorizes the necessary funding, the City and Developer will promptly finalize the City's acquisition of the Office Parcel in late 2016 or early 2017 (the "Closing Date"). On the Closing Date, the Director of Property and Developer will concurrently execute a Construction Management Agreement (the "CMA") in substantially the same form attached as Exhibit P to the PSA, for the Developer to construct the Office Project on the City's Office Parcel. The Developer would also enter into the general contract for the construction of the Office Project with construction expected to commence immediately after. Depending on the actual CEQA Date, the projected 26-month construction period should expect to start immediately and is expected to be completed, and thus allowing for the City's occupancy of its new building, in late 2018 or early 2019.

Project Costs / Obligations

Through its acquisition of the Office Parcel on the Closing Date, the City anticipates expending approximately \$56 million to acquire the entitled land (inclusive of pre-development costs). The construction and development costs under the CMA, including remaining soft costs and Developer fees, are expected to cost an additional \$271 million. The total not-to-exceed expense for both the acquisition of the Office Parcel and completion of the Office Project is \$326,690,953. The detailed budget of both the Office Parcel and construction of the Office Project is attached as Exhibit D to the PSA. The estimated "all-in" cost of just over \$700 per square foot is comparable to recent sales of existing office buildings, whereas here, the City secures a new, LEED Gold, Class-A office building.

Project Benefits

Upon completion of the Office Project, the City would add an approximate 466,400 square foot office building to the emerging Civic Center neighborhood. The City could terminate approximately 60,000+ square feet of City-as-tenant leases and sell three City-owned buildings in the Civic Center that may be repositioned for other more appropriate uses, such as housing.

Most importantly, the City finally consolidates the Departments of Public Works, Building Inspection, and Planning into one location with a robust one-stop permit center on the ground floor. Retirement & Health Services System, General Fund training facilities, and others would also relocate to the new City Office Building to consolidate the City's benefit services within the same City block. This is all part of the City's goal to ~~help transition the City from rented to owned space, reducing long-term exposure to fluctuations in the Civic Center rental market, while improving customer services.~~

The Process Ahead

Upon enactment of this Ordinance, the City and Developer will work with regulatory agencies during the environmental review and CEQA processes to seek the office and residential entitlements of the Goodwill Site. Concurrently, the City and Developer will finish designing the City Office Building and finalize the scope of work for inclusion in the CMA. So long as the PSA does not prematurely terminate, the City would incur no additional expenses until it acquires the land on the Closing Date.

Through a companion Ordinance, the City seeks to appropriate \$8,072,300 in the unlikely event that the conditional PSA terminates as a result of City default where the City must reimburse the Developer for design development costs attributable to the Office Project. The City will receive credit for the \$1,250,000 approved by the Board and Mayor in July of 2014 for any Design Development Costs owed due to termination.

Future Efforts Associated with the Project

The City will be offering for sale in early 2015 an existing office building located at 30 Van Ness Avenue (at Market Street), with a leaseback to the City until late 2018 (including contingencies beyond that date). The City will also offer for sale 1660 Mission Street (current home of Dept. of Building Inspection) and 1680 Mission Street (current home of some Dept. of Public Works staff). Net proceeds from all three sales are an essential equity source of the Office Project. Prior to the CEQA Date, or the date which the Board must vote whether to ratify this PSA, we will return to the Board with the results of those sales offerings for consideration and approval of sale.

If you have questions regarding this conditional PSA or CMA, please do not hesitate to contact me.

Respectfully,



John Updike
Director of Property

Approval of this Ordinance obligates the City to pay Developer up to \$8,072,300 in project development costs.

CONDITIONAL LAND DISPOSITION AND ACQUISITION AGREEMENT

by and between

GOODWILL SF URBAN DEVELOPMENT, LLC.
as Developer

and

CITY AND COUNTY OF SAN FRANCISCO,
as the City

For the purchase and sale of

A Portion of Block 3506, Lots 02 and 03 at 1500-1580 Mission Street
San Francisco, California

October __, 2014

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- EXHIBIT B - Office Parcel Description
- EXHIBIT B-1 - Existing Plans and Estimated Construction Costs
- EXHIBIT C - Residential Parcel
- EXHIBIT D - Project Budget, including Entitlement Budget and Development Services Fee
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- EXHIBIT N - Developer's General Disclosures
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- EXHIBIT T - Form of [Developer/City] Closing Certificate
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EXECUTION VERSION

CONDITIONAL LAND DISPOSITION AND ACQUISITION AGREEMENT (Portion of Block 3506, Lots 02 and 03 at 1500-1580 Mission Street, San Francisco)

THIS CONDITIONAL LAND DISPOSITION AND ACQUISITION AGREEMENT (this "**Agreement**") dated for reference purposes only as of October __, 2014 is by and between GOODWILL SF URBAN DEVELOPMENT, LLC, a Delaware limited liability company ("**Developer**"), and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county (the "**City**").

RECITALS

A. Developer currently owns, or shortly hereafter will acquire, that certain improved real property at 1500-1580 Mission Street (Lot 2 and Lot 3, Block 3506), located at Van Ness Avenue and Mission Street, as more particularly described in Exhibit A (the "**Goodwill Site**"). Developer has designated an approximately 52,900 square foot portion of the Goodwill Site described in Exhibit B (the "**Office Parcel**") for the development of a 17 or 18 story administrative office building with approximately 462,000 gross square feet generally as reflected in the Existing Plans (as defined below) (the "**Office Project**"). Schematic plans (the "**Existing Plans**") and a construction cost estimate for the Office Project are attached as Exhibit B-1. Developer has designated the remainder of the Goodwill Site described in Exhibit C (the "**Residential Parcel**") for a high density multifamily residential complex of approximately 550 units with retail on the ground floor (the "**Residential Project**"). Twenty percent (20%) of the residential units in the Residential Project will be Affordable Units under San Francisco Planning Code section 415 (the Inclusionary Housing).

B. Developer and the City have entered into an exclusive negotiations agreement and letter of intent (collectively, the "**ENA**") for the Developer's completion of the Office Project and the City's potential acquisition of the same, which were approved by the City's Board of Supervisors (the "**Board**") by Resolution No. 312-14 on July 29, 2014. This Agreement is entered into following negotiations between Developer and the City consistent with the ENA. Upon the Effective Date, the ENA shall terminate.

C. Under the ENA, the City made or will make the following payments to Developer: (i) up to Two Hundred Fifty Thousand Dollars (\$250,000) for work performed by Developer's architects and engineers to develop a project description and feasibility analysis for environmental review, and (ii) One Million Dollars (\$1,000,000) for Developer's purchase of the Goodwill Site (collectively, the "**Non-Refundable Payments**"). The Non-Refundable Payments shall be used by Developer to offset costs incurred by Developer for the Design and Entitlement Costs and accordingly, shall be credited against the Purchase Price.

D. Developer intends to pursue the following entitlements for the Office Project: certification or adoption of a final environmental review document; amendments to the City's General Plan, Planning Code and Zoning Map to adjust height and bulk regulations; amendments to the City's Planning Code to lift the current restriction limiting commercial development to the lower four (4) floors for non-public entity tenant occupancy (the "**City Exception**"); Planning Code Section 309 project review approval; lot merger and subdivision maps; and demolition and building permits (collectively, the "**Proposed Entitlements**").

E. Pursuant to Ordinance No. __-14, File No. __, the City's Board of Supervisors and Mayor have authorized City's Director of Property (the "**Director of Property**") to execute this Agreement.

F. City has not yet completed environmental review under the California Environmental Quality Act ("CEQA") (California Public Resources Code sections 21000 et seq.), the CEQA Guidelines (California Code of Regulations, title 14, sections 15000 et seq.), and Chapter 31 of the San Francisco Administrative Code (hereinafter referred to as "Environmental Review") for the Office Project. Section 15004(b)(2) of the CEQA Guidelines directs that "public agencies shall not undertake actions concerning the proposed public project that would have a significant adverse effect or limit the choice of alternatives or mitigation measures, before completion of CEQA compliance. For example, agencies shall not: (A) Formally make a decision to proceed with the use of a site for facilities which would require CEQA review, regardless of whether the agency has made any final purchase of the site for these facilities, except that agencies may designate a preferred site for CEQA review and may enter into land acquisition agreements when the agency has conditioned the agency's future use of the site on CEQA compliance." The parties intend that this Agreement is a conditional land acquisition agreement as described in CEQA Guidelines section 15004(b)(2)(A) to conditionally designate a preferred site for the Office Project and the City's potential acquisition of the same on the terms set forth in this Agreement, and the City shall have completed Environmental Review of the Office Project before taking any approval action for the Office Project as set forth in Sections 1.4 through 1.6. The City's obligation to consummate the purchase transaction under this Agreement is conditioned upon the City's completion of Environmental Review in compliance with state and local law, and City's election to proceed with this transaction following such completion as set forth in Sections 1.4 through 1.6.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Developer and the City agree as follows:

1. ENVIRONMENTAL APPLICATION AND REGULATORY APPROVALS; NON-REFUNDABLE PAYMENTS

1.1 Environmental Application and Regulatory Approvals

(a) Regulatory Approvals. Developer shall make commercially reasonable efforts to propose and submit an application to the City's Planning Department for environmental review of the Office Project within ninety (90) days following the Effective Date of this Agreement, and shall thereafter initiate the process to obtain the Proposed Entitlements, including the City Exception, and any additional approvals from any local, State or Federal governmental agency having jurisdiction needed to develop the Office Project (collectively, the "**Regulatory Approvals**"). Developer shall diligently make commercially reasonable efforts to thereafter continue to refine and develop the plans for the Office Project and prepare, sign and submit such materials and pay such fees as may be necessary to obtain all Regulatory Approvals on or before the CEQA Date, subject to delay caused by Unavoidable Delay. Developer shall make commercially reasonable efforts for the Regulatory Approvals to include the City Exception. It is understood and agreed that Developer's sole obligation with respect to procuring the Regulatory Approvals is to use commercially reasonable efforts to do so, there being no assurances that it will be successful in doing so.

(b) Collaboration. Developer shall use commercially reasonable efforts to obtain and shall be solely responsible for obtaining all Regulatory Approvals required for the Office Project. Developer shall not seek any Regulatory Approval from any party other than the City without first notifying the Director of Property. Throughout the permit process, Developer shall consult and coordinate with the Director of Property in Developer's efforts to obtain such permits and approvals, and the Director of Property shall cooperate reasonably with Developer. Developer

and the City (acting through the Director of Property and a City project manager designated by the Director of Property) agree to work together in good faith to complete all environmental review and seek all Regulatory Approvals for so long as this Agreement remains in effect. The parties agree to hold regular meetings, as needed or upon either party's request, so as to coordinate all efforts relating to environmental review and the procurement of Regulatory Approvals. Developer shall not agree to the imposition of conditions or restrictions in connection with a permit from any regulatory agency other than the City without the Director of Property's prior approval, which approval will not be unreasonably withheld.

(c) Project Budget. Throughout the term of this Agreement, Developer shall refine and modify the design of the Office Project in response to and consistent with the environmental review, design and entitlement processes, and consistent with such direction as may be reasonably given by the Director of Property from time to time in order to accommodate the City's operational needs and the project budget attached as Exhibit D (the "**Project Budget**"). The parties agree to update the Project Budget, and seek Board of Supervisors' approval of the same if the Project Budget exceeds the Maximum Cost, on the PSA Ratification Date. The parties agree to work together with the Architect during the Design and Entitlement Work process described below to revise the Office Project as needed to keep the cost below the Maximum Cost. All submittals for Regulatory Approvals shall be subject to the prior review and approval of the Director of Property. Developer shall not, without the Director of Property's prior written consent or direction, propose material modifications to the Office Project or Residential Project that would (i) alter the proposed use of the Office Project, (ii) materially decrease or increase the proposed height of the Office Project, (iii) materially reduce or increase the square footage of the Office Project, (iv) take actions or propose designs that would materially increase the cost of developing the Office Project or otherwise increase the Project Budget, or (v) delay development of, or limit or restrict the availability of, necessary infrastructure serving the Office Project.

1.2 Proprietary Capacity

Developer understands and agrees that the City is entering into this Agreement in its proprietary capacity and not as a regulatory agency with certain police powers. Developer understands and agrees that neither entry by the City into this Agreement nor any approvals given by City under this Agreement shall be deemed to imply that Developer will obtain any required Regulatory Approvals from City departments, boards or commissions with jurisdiction over the Office Project or the Residential Project. Nothing in this Agreement shall affect or limit the rights and responsibilities of the City's Planning Department, Planning Commission, other City departments or the Board of Supervisors with respect to the Regulatory Approvals for some or all of the Office Project, or their discretionary rights with respect to the review, approval, imposition of conditions, or rejection of any Regulatory Approvals. The City's Regulatory Approvals shall be issued or denied, by the appropriate City department, in keeping with its standards and customary practices and without regard to this Agreement.

1.3 Design and Entitlement Before CEQA Date

(a) Design and Entitlement Work. Developer has prepared, and the City hereby approves, the Existing Plans. Developer prepared, and the City hereby approves, a detailed cost estimate and schedule for completion of all of the design and engineering work required to obtain final pricing for the Office Project consistent with the Existing Plans and all fees and costs associated with environmental review and the procurement of the Regulatory Approvals to the CEQA Date (collectively, the "**Design and Entitlement Work**"), which cost estimate and

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schedule shall be a component part of the Project Budget (the "**Entitlement Budget**"). The City and the Developer shall work together in formulating a time line for the preparation of construction drawings to enable the City and Developer to estimate pricing for the work to be performed under the Construction Contract so that the City can authorize the issuance of COPs in an appropriate amount on the PSA Ratification Date. By approving this Agreement, the City authorizes Developer to proceed with the Design and Entitlement Work consistent with the Entitlement Budget, the Existing Plans and this Agreement. Unless otherwise directed by the Director of Property, Developer shall design the Office Project so as to achieve LEED Gold certification. The City will determine, however, whether and when to seek any such certification. The City approves SOM, a New York limited liability partnership (the "**Architect**"), as the architect for the Office Project. The City also approves Swinerton Builders Inc., a California corporation, as the general contractor for the Office Project (the "**General Contractor**"). During the period that the Design and Entitlement Work is being undertaken, the City and Developer shall work with the Architect and the General Contractor to design the Office Project within the Project Budget.

(b) Project Contracts. Developer shall negotiate, with the City's active participation, (i) a contract between Developer and the Architect (the "**Architect Contract**"), (ii) a not to exceed maximum price contract, or a modified design-build integrated-project delivery contract, between Developer and the General Contractor (the "**Construction Contract**"), and (iii) such other project contracts that Developer determines are necessary and appropriate to complete the Office Project (each of such contracts referenced in clauses (i), (ii) and (iii), a "**Project Contract**" and collectively, the "**Project Contracts**"). Developer and the City each agree to act reasonably and in good faith to reach agreement on the terms of each Project Contract, including the Architect Contract and the Construction Contract, but excluding any Pre-Approved Project Contract (as defined below), consistent with the terms of this Agreement, as soon as possible. If Developer and the City cannot reach agreement during negotiations with the Architect, the General Contractor or any other Project Contractor for Project Contracts other than any Pre-Approved Project Contract, Developer and the City may agree to begin negotiations with an alternative party acceptable to both. Except for any Pre-Approved Project Contract, the Project Contracts are each subject to review and approval by Developer and the City, each acting in their reasonable discretion (and taking into account required City contracting requirements); provided if Board of Supervisor approval of the Architect Contract or the Construction Contract is required by ordinance to exempt any City municipal code requirement that would otherwise apply, the parties shall use good faith efforts to expedite negotiations and seek Board of Supervisors approval of the required ordinance. If, despite their respective good faith efforts, the parties cannot reach agreement on the Architect Contract or the form of the Construction Contract on or before the PSA Ratification Date, then either party may terminate this Agreement upon thirty (30) days' notice to the other party (provided that if the party giving such notice is Developer, no Developer Event of Default exists, and if the party giving such notice is the City, no City Event of Default exists), without cost or liability, provided the City shall pay to Developer the City's Share of the Design and Entitlement Costs as set forth in Section 1.3(h); provided, however, if a Developer Event of Default or a City Event of Default exists, the parties shall have the rights in Section 9.6. Notwithstanding anything to the contrary above, if the Architect Contract or the Construction Contract is brought to the Board of Supervisors for approval as set forth above and the Board does not approve either contract, then the parties shall seek in good faith to negotiate such changes as may be necessary to obtain the Board of Supervisor's approval for a period of not less than sixty (60) days. For purposes of this Agreement, a "**Pre-Approved Project Contract**" shall mean any Project Contract where the amount of such Project Contract is less than \$50,000 and which includes the applicable provisions set forth in Section 2.9. A Pre-Approved Project Contract shall not require the City's approval.

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(c) Changes to the Size of the Office Project. In connection with completion of the Design and Entitlement Work, the City may increase the overall footage of the Office Project by up to five percent (5%) with the approval of Developer and a commensurate increase in the Project Budget, which approval shall not be withheld unless the increase would (i) reduce the size of or otherwise materially negatively impact the Residential Project, (ii) materially impact the timing or process of procuring the entitlements, or (iii) cause the Project Costs to exceed the Maximum Cost (unless the City agrees to increase the Maximum Cost as needed). The City may, at any time, decrease the square footage at its option but any decrease will not reduce the land cost allocated to the Office Parcel. Any dispute regarding City adjustments to the square footage of the Office Project shall be an Arbitration Matter under Section 3.1.

(d) City's Reasonable Approvals. Developer's submittals in connection with the Design and Entitlement Work shall be subject to the approval of the City, which shall not be unreasonably withheld or delayed. When reviewing Developer's submittals, (i) it will not be unreasonable for the City to require changes to reduce the Purchase Price as set forth in this Agreement provided such change does not materially reduce the quality of the exterior of the Office Project and (ii) it will not be unreasonable for the City to require changes to the extent the City is willing to pay for the change or extend any completion date or other date required to accommodate the change, if necessary. If the City does not approve a submittal, the City will indicate in writing the reason for the disapproval and the steps or changes to be made to obtain its approval. The City will approve, disapprove or approve conditionally each submittal of the Design and Entitlement Work in accordance with the procedures set forth in Section 14.8; provided, the provisions of Section 14.8 shall not apply to any Board of Supervisors approval of the Architect Contract and the Construction Contract.

(e) Design and Entitlement Costs. Developer shall pay or cause to be paid when due all fees and costs associated with the environmental review and the procurement of the Regulatory Approvals, together with any design development or other costs for the Office Project incurred by Developer that Developer intends to include as part of the Purchase Price (collectively, the "**Design and Entitlement Costs**"). Before engagement of any contractor, Developer shall deliver to the City, for review and approval which shall not be unreasonably withheld, the name and qualifications of the third-party consultants and contractors to be engaged by Developer in connection with work on the Office Project (upon the City's approval, all such consultants being defined collectively as the "**Approved Contractors**"). Developer shall also deliver to the City on a monthly basis a detailed summary (a "**Design and Entitlement Cost Report**") of Developer's expenditures of Design and Entitlement Costs during the previous month. Each Design and Entitlement Cost Report shall include a description of the services performed, the number of hours worked (when applicable) and rates charged, and costs paid by Developer. The Design and Entitlement Cost Report shall also notify the City as soon as Developer has reason to believe that the Design and Entitlement Costs will likely exceed the Entitlement Budget so that the parties can mutually discuss any cost savings methods or practices. Developer agrees that the Design and Entitlement Costs shall not exceed the Entitlement Budget unless approved by the City.

(f) Apportionment. If and to the extent there are Design and Entitlement Costs that properly cover or relate to both the Office Project and the Residential Project, then those costs shall be apportioned fifty percent (50%) to the Residential Project and fifty percent (50%) to the Office Project, unless Developer can demonstrate to the reasonable satisfaction of the Director of Property, or the Director of Property can demonstrate to the reasonable satisfaction of Developer, that a different allocation should be used in the interest of fairness based upon the extent to which the cost primarily relates to or arises from the Residential Project or the Office Project (the "**Apportionment**").

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(g) Records and Approval of Cost Reports. Developer shall maintain records, in reasonable detail, with respect to all Design and Entitlement Costs, and shall provide such supporting documentation as the City may reasonably request to verify Design and Entitlement Costs. Developer will also make all records available for inspection, copying and audit by the City. The City shall review and approve or disapprove each Design and Entitlement Cost Report within fifteen (15) days following receipt; provided, for any disapproval, the City shall state its reasons for the disapproval in writing and the parties agree to meet and confer in good faith for a period to discuss any areas of disagreement. If the parties are not able to reach agreement on the appropriateness, apportionment or amount of any Design and Entitlement Cost within twenty (20) days following a disapproval by the City, either party can refer the matter to binding arbitration as set forth in Section 3.1.

(h) City Share of Design and Entitlement Costs. Except as otherwise provided in Sections 1.6(b) and 1.9(d) of this Agreement, if this Agreement terminates for any reason and no City Event of Default nor Developer Event of Default exists as of the date of termination, then the City shall reimburse Developer for fifty percent (50%) (the "City's Share") (or such larger percentage as set forth in Section 1.6(b) or Section 1.9(d)) of the Design and Entitlement Costs incurred by Developer to the date of termination, provided (i) the City shall receive a credit for the Non-Refundable Payments and (ii) if Developer elects to proceed with the design and entitlement of the Office Parcel with a project materially similar to the Office Project following such termination, then the City shall not be required to reimburse Developer for the City's Share. If Developer elects not to proceed with the design and entitlement of the Office Parcel with a project materially similar to the Office Project, and the City pays to Developer the City's Share, but then Developer subsequently elects to proceed with the design and entitlement of the Office Project with a project materially similar to the Office Project, as reflected in the Design and Entitlement Work, within five (5) years following payment of the City's Share, then Developer shall reimburse the City's Share to City (without interest). In no event shall the City's Share of the Design and Entitlement Costs upon such termination exceed the lower of (a) the increased amount of the City's Share of the Design and Entitlement Costs approved by the City in writing at any time before the date of termination of this Agreement, and (b) Four Million One Hundred Sixty One Thousand One Hundred Fifty Dollars (\$4,161,150) including the Non-Refundable Payment of \$1,250,000; subject to the higher amount set forth in Section 1.6(b) or Section 1.9(d). If this Agreement is terminated by the City or the Developer before the PSA Ratification Date due to a City Event of Default or a Developer Event of Default, as applicable, the non-defaulting party shall have the remedies set forth in Section 9.6.

(i) Ownership of Work. Developer shall own, or have a license to use, the Design and Entitlement Work, but Developer shall ensure that all rights of Developer in the Design and Entitlement Work are transferable to the City without limitation, payment to or the consent of the applicable architects and engineers, and will be transferred to the City upon completion of the Office Project or upon any payment by the City to Developer of the full Design and Entitlement Costs (for the avoidance of doubt, Developer is not required to transfer the Design and Entitlement Work upon payment of only the City's Share of Design and Entitlement Costs).

1.4 CEQA Review

Following receipt of Developer's application for Environmental Review, the City's Planning Department, acting in its regulatory capacity, shall undertake and complete Environmental Review of the Office Project before review and consideration by any City department or commission of the Proposed Entitlements, and before review and consideration by the Board, of the Planning Code and/or Zoning Map amendments for the Office Parcel to permit the Office Project, construction of the Office Project, and demolition or alteration of the existing improvements on the Office Parcel. Acting in its regulatory capacity, the City will review and consider the final environmental documents (the "**CEQA Document**") relating to the Office Project before deciding whether to approve the Office Project, including any associated Municipal Code, Zoning Map or General Plan amendments. Before the CEQA Date, the City, acting in its regulatory capacity, retains the sole and absolute discretion to: (i) make such modifications to the proposed Office Project as are deemed necessary to mitigate significant environmental impacts; (ii) select other feasible alternatives to avoid such impacts; (iii) balance the benefits against unavoidable significant impacts before taking final action if such significant impacts cannot otherwise be avoided; or (iv) determine not to proceed with the proposed purchase based solely upon environmental impacts disclosed by the environmental review process (collectively, the "**CEQA Contingency**").

1.5 CEQA Date

The effective date by which City completes all required environmental review for the Office Project and the City's Planning Commission and Board (i) adopt or certify the adequacy of the CEQA Document, and (ii) grant all City Regulatory Approvals for the Office Project, including (a) demolition or alteration of existing buildings on the Office Parcel as may be required for the Office Project, (b) Zoning Map and/or Planning Code amendments for the Office Parcel to permit the Office Project, and (c) Planning Code Section 309 project approval shall be referred to as the "**CEQA Date**". The parties agree to work diligently and in good faith to cause the CEQA Date to occur as soon as reasonably possible, and currently anticipate that the CEQA Date will be on or before June 30, 2016; provided, if following adoption, there is an administrative appeal of the adoption or certification of the CEQA Document or of the entitlements, the CEQA Date shall be the effective date when the adoption, certification and/or entitlements have been finally determined or granted following the exhaustion of any administrative appeals. The parties may agree, subject to any injunction that prevents the City or Developer from taking the actions, to continue to process approvals or commence work notwithstanding the initiation of a legal challenge. If the initial adoption or certification of the CEQA Document and grant of all City Regulatory Approvals has not occurred by June 30, 2017 (the "**Outside CEQA Date**"), despite the best efforts of the parties, then either party may terminate this Agreement by providing sixty (60) day notice of termination to the other party, provided (i) the parties may agree to extend the Outside CEQA Date during the above sixty (60) day period, and (ii) if this Agreement is terminated by the City or the Developer and no Developer Event of Default exists, then the City shall reimburse Developer for the City's Share of the Design and Entitlement Costs incurred by Developer up to Four Million Thirty-Six Thousand One Hundred Fifty Dollars (\$4,036,150) to the extent not previously paid by the City (i.e., City shall receive credit against this amount equal to the Non-Refundable Payments for the Design and Entitlement Costs previously paid by the City, not including the \$250,000 that the City paid for the existing schematic designs) previously paid by the City) within thirty (30) days following the termination. If the certification of the CEQA Document or the grant of all City Regulatory Approvals does not occur by the Outside CEQA Date due to a Developer Event of

Default or a City Event of Default, as applicable, then the non-defaulting party shall have the remedies, if any, set forth in Section 9.6.

1.6 PSA Ratification Date

(a) On the CEQA Date, the Board shall take an action, by resolution, to either (i) ratify this Agreement, remove the CEQA Contingency, authorize the issuance of COPs and proceed with the City's acquisition of the Office Parcel, subject only to satisfaction or waiver of the City's Conditions Precedent, or (ii) reject this Agreement and elect not to proceed with the City's acquisition of the Office Parcel solely on the basis of the environmental impacts of the Office Project disclosed in the CEQA Document that have not been adequately avoided, mitigated or overridden under CEQA (the "CEQA Rejection"). The effective date of any such resolution shall be the "PSA Ratification Date".

(b) If the Office Project obtains all City Regulatory Approvals but not the City Exception such that Developer cannot proceed without City or other public agency occupancy, and the CEQA Rejection occurs, then Developer shall have the right to terminate this Agreement without cost or liability to either party, except that upon such termination the City shall pay the Design and Entitlement Costs incurred by Developer up to Eight Million Seventy-Two Thousand Three Hundred Dollars (\$8,072,300) to the extent not previously paid by the City (i.e., City shall receive a credit against this amount equal to the Non-Refundable Payments previously paid by the City, not including the \$250,000 the City paid for the existing schematic designs).

(c) If the Office Project obtains all Regulatory Approvals, including the City Exception, but the CEQA Rejection occurs, then the City shall pay to Developer the City's Share of the Design and Entitlement Costs and this Agreement shall terminate without additional cost or liability to either party.

Notwithstanding the foregoing, if on the CEQA Date, the Board ratifies this Agreement, but the Board does not authorize the issuance of the COPs, and provided this Agreement is not otherwise terminated pursuant to the provisions of this Section 1.6, the parties shall follow the procedures set forth in Section 1.9(c).

1.7 CEQA and Other Litigation

Developer and City shall each pay any and all costs and fees relating to any litigation or proceeding before any court or other judicial, adjudicative or legislative decision-making body, including any administrative appeal, to defend this Agreement, the Office Project, the Regulatory Approvals, and actions taken by the City in its proprietary or regulatory capacity in furtherance of this Agreement, including any challenge to the adequacy of the City's environmental review in granting Regulatory Approvals or approving this Agreement. In the event of any such action or proceeding, the parties shall each proceed with due diligence and shall cooperate with one another to defend the action or proceeding or take other measures to resolve the dispute that is the subject of such action or proceeding. The City shall use attorneys in the City Attorney's Office for any such defense, and shall provide to Developer monthly invoices of costs and fees as they are incurred at the same rates charged by the City to outside third party developers (currently, \$365 per hour); provided the City may elect, at its option, to pay for the City Attorney's time and thereby not add such costs to the Purchase Price. If the City and Developer are both named defendants, respondents or real parties in interest in any action, then the parties shall endeavor to enter into a joint defense agreement to protect any confidential and privileged communications among them regarding the defense of the action. If a challenge relates to both

the Office Project and the Residential Project, costs and fees shall be divided in accordance with the Apportionment and the costs allocated to the Office Project shall be added to the Purchase Price. If a challenge relates to the Residential Project only, it shall not affect this Agreement or the Purchase Price. If a challenge relates to the Office Project only, then all reasonable costs and fees associated with the same shall be added to the Purchase Price.

1.8 Post-CEQA Completion of Design and Plans and Specifications for Office Project

If, on the PSA Ratification Date the City elects to remove the CEQA Contingency and proceed with the City's acquisition of the Office Parcel, Developer and the City shall work together with the Architect and Contractor to complete the design, plans and specifications for the Office Project in accordance with Section 1.3, and all such Design and Entitlement Costs incurred from and after the PSA Ratification Date shall be included in the Purchase Price.

1.9 COPs Funding and Potential Construction Loan

(a) City Funding. The City intends to issue certificates of participation ("COPs") or other indebtedness in the amount of the Project Cost to purchase the Office Parcel and pay the Purchase Price, to pay all amounts payable under the Construction Management Agreement and to pay all costs of developing the Office Project. The Director of Property and the City's Director of Finance shall seek authorization from the Board of Supervisors to proceed with the COPs funding on the PSA Ratification Date. Following such authorization, the Director of Property and the City's Director of Finance will seek Board of Supervisor approval of the offering documents, including the City's disclosures, promptly upon the completion of the same. If the Board of Supervisors removes the CEQA Contingency and authorizes the COPs funding, the parties agree to work together in good faith to cause the COPs or other financing transaction as required to satisfy the Financing Contingency to occur as soon as reasonably possible, but in no event later than seven (7) months following the PSA Ratification Date. Upon issuance of the COPs or other indebtedness, the proceeds shall be held in a separate account and used to pay only the following: (i) the Purchase Price upon transfer of the Office Parcel to the City, (ii) all development costs for the construction of the Office Project as and when incurred by the City or Developer, as required under the Construction Management Agreement and (iii) the Development Services Fee, as set forth in Exhibit D and the Construction Management Agreement. The City shall have the right to issue COPs or other indebtedness in one or more phases, provided (x) the City agrees to, and does in fact, remove the Financing Contingency on or before the Closing Date, and (y) on or before the Closing Date, the City has appropriated and authorized funds to pay the Project Costs, as evidenced by the City Controller's certification of funds for the City's payment of Project Costs.

(b) Financing Contingency. In connection with the COPs financing, fee simple title to the Office Parcel (and/or other City real estate) will be taken in the name of a nominee of City which, as landlord, will lease the Office Parcel (and such other City real estate) to the City. The nominee, which will be a bank or other fiduciary, will act as trustee for holders of the COPs. Developer hereby consents to the use of a nominee to take title, and further consents to City's assignment to the nominee, at Closing, of City's rights under this Agreement, except that City shall not be released from its obligations under this Agreement and such nominee shall assume the City's obligations under this Agreement in accordance with Section 14.3. The City's obligation to purchase the Office Parcel is contingent upon, and subject to, the successful issuance, sale and delivery of the COPs or other indebtedness (the "Financing Contingency"). The City will use commercially reasonable efforts to satisfy the Financing Contingency as set

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forth above, provided that the interest rate on the COPs is no greater than twelve percent (12%) per annum. However, the City makes no representation, warranty or assurance such COPs will be successfully issued, delivered or sold. Developer agrees to execute and deliver to the City upon request, at no cost to Developer (other than costs included in the Purchase Price) or potential liability to Developer, any and all certificates, agreements, authorizations or other documents as the City may deem reasonably necessary or appropriate in connection with the issuance, delivery and sale of the COPs.

(c) Potential Construction Loan and Developer Completion of the Office Project. Following the Board of Supervisors' authorization of the COPs issuance on the PSA Ratification Date, the City shall keep Developer reasonably informed of all material issues relating to the COPs issuance as offering and other documents are prepared. If, following the COPs authorization, the City's other Closing Conditions are satisfied but the City does not satisfy the Financing Contingency by the Anticipated Closing Date (as it may be extended) despite the City's good faith efforts to do so, then the City shall promptly notify Developer. If the Board of Supervisors fails to authorize the COPs on the PSA Ratification Date, or if the City subsequently fails to timely satisfy the Financing Contingency, the City and Developer shall negotiate in good faith, for a period of not less than three (3) months, and for such additional time as may be agreed upon by the parties, on the terms and conditions for the Developer's completion of the Office Project and the sale or lease of the Office Project to the City upon completion (the "**Private Loan Transaction Terms**"). Such negotiation shall include the terms of a private construction loan, the City's thirty percent (30%) equity contribution, the City's and the lender's security, the terms on which the City's equity contribution will be returned to the City, the relationship between the City, Developer and the construction lender (including any subordination and/or intercreditor agreement), and the terms of a backup lease if the City cannot purchase the Office Project upon completion. The Private Loan Transaction Terms will be subject to the approval of the City and Developer, each in their sole discretion. For the City, such terms shall be subject to the approval of the City's Board of Supervisors and Mayor, in their sole discretion. If the parties are not able to reach agreement on the Private Loan Transaction Terms within the three (3) month negotiation period referred to above, as it may be extended, then either party may, upon thirty (30) days' notice to the other party (provided that if the party giving such notice is Developer, no Developer Event of Default exists, and if the party giving such notice is the City, no City Event of Default exists), terminate this Agreement without cost or liability, provided the City shall pay to Developer the City's Share of the Design and Entitlement Costs as set forth in Section 1.3(h).

(d) Proposition M. If the building is occupied by the City, Developer would not need to obtain a Planning Code Section 321 office allocation (the "**Prop M Allocation**") to entitle or construct the Office Project. However, if the Board of Supervisors does not authorize the issuance of the COPs on the PSA Ratification Date, or following such authorization, the Closing does not occur because the City does not satisfy the Financing Contingency and the parties do not reach agreement on the Private Loan Transaction Terms under Section 1.9(c), then Developer shall seek a Prop M Allocation for the Office Project. If Developer does not obtain a Prop M Allocation for the Office Project within one (1) year following the PSA Ratification Date and the City has not issued COPs by that date, then the City shall pay to Developer seventy-five percent (75%) of the total Design and Entitlement Costs less any amounts already paid to Developer pursuant to the last sentence of Section 1.9(c).

1.10 Environmental and Other Due Diligence

Developer has performed environmental due diligence of the Property before Developer's acquisition. Developer has delivered to the City all of the environmental reports and documents it acquired or procured in connection with its acquisition of the Property.

1.11 Payment of Non-Refundable Deposits

The City shall pay to Developer the Non-Refundable Payments as follows: (1) One Million Dollars (\$1,000,000) on Developer's acquisition of the Goodwill Site, and (2) Two Hundred Fifty Thousand Dollars (\$250,000) upon Developer's presentation and the City's approval of invoices for the applicable work in accordance with this Agreement.

2. CONSTRUCTION OF THE OFFICE PROJECT

2.1 Construction Management

(a) Construction Management Agreement. On the Closing Date, (i) the City and Developer shall enter into a construction management agreement in substantially the form attached hereto as Exhibit P (the "**Construction Management Agreement**"), and (ii) City shall pay to Developer the portion of the Development Services Fee that is, pursuant to the terms of the Construction Management Agreement, payable to Developer concurrently with the execution and delivery of the Construction Management Agreement. Developer understands and agrees that in entering into this Agreement, the City is relying on Developer's development experience and expertise and Developer's commitment to take such actions as needed to manage the Office Project construction consistent with other similar projects completed by Related California. Under the Construction Management Agreement, Developer shall (x) consistent with industry standards for similar projects and Developer's Affiliate's work on the Residential Project, closely monitor, oversee, and review General Contractor's work throughout the construction of the Office Project, (y) promptly identify and notify the City of any defaults, deficiencies or violations it discovers, (z) enforce Developer's rights and remedies against the Architect under the Architect Contract and against the General Contractor under the Construction Contract.

(b) Project Cost and Maximum Cost. Based on detailed pricing estimates performed to date, the parties estimate that the total aggregate cost to pay the Purchase Price, pay all amounts due under the Construction Management Agreement, and to develop the Office Project (collectively, the "**Project Cost**") will be approximately Three Hundred Twenty-Six Million Six Hundred Ninety Thousand Nine Hundred Fifty-Three Dollars (\$326,690,953), as shown in Exhibit D, and the City has established a maximum cost of Three Hundred Twenty-Six Million Six Hundred Ninety Thousand Nine Hundred Fifty-Three Dollars (\$326,690,953) (the "**Maximum Cost**"). From the start of construction until completion of the Office Project, Developer shall, as provided in the Construction Management Agreement, review and monitor the Construction Contractor's monthly construction cost report of expenditures on the Office Project during the previous month (the "**Construction Cost Report**"). The Construction Cost Report shall include an update to the Office Project schedule, including critical path items. Pursuant to the terms of the Construction Management Agreement, (1) the parties will agree to review the Project Budget, as compared to actual expenditures, throughout the development to ensure that the Project Cost does not exceed the Maximum Cost, (2) if Developer reasonably believes at any point that the Project Cost will likely exceed the Maximum Cost, Developer shall notify the City of such fact and the parties shall discuss alternatives to design, overall square footage, finishes, and other items that may be changed or eliminated from the Office Project so

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as to not exceed the Maximum Cost, and (3) upon City's request, Developer shall provide to the City good faith detailed estimates of the cost of various proposed alternatives in order for City to initiate needed change orders to keep the Project Cost below the Maximum Cost.

2.2 Architect Contract and Construction Contract

Developer shall use commercially reasonable efforts to include the applicable provisions of this Article 2 in the Architect Contract, the Construction Contract and all other Project Contracts, except for any Pre-Approved Project Contract which only needs to include the applicable provisions of Section 2.9, each subject to such revisions or deletions as may be agreed to by the City in approving the Project Contract. If the Architect or the General Contractor or other contractor under a Project Contract (each, a "Project Contractor") refuses to include any provision, Developer shall consult with the City on how to proceed with the contract negotiations, including whether to seek Board of Supervisors approval of an ordinance exempting such provision. Notwithstanding anything stated to the contrary in this Agreement, any failure to include in any Project Contract any of the provisions provided for in this Article 2 shall not constitute a default or breach by Developer under this Agreement. However, the City shall not be required to approve any Project Contract that does not include the applicable provisions of this Article 2. In no event and under no circumstances, shall Developer be liable for any breach or default by a Project Contractor, or for a Project Contractor's failure to comply with any of the provisions of this Article 2 or applicable law including any City law. Upon a default by a Project Contractor, and following consultation with the City and upon the City's request, Developer shall use commercially reasonable efforts to take specific remedial action against the defaulting Project Contractor, including termination of the applicable Project Contract and replacement of the applicable Project Contractor. All third party costs incurred by Developer in enforcing rights and remedies against the Architect or the General Contractor (a) before the Closing shall be included in the Purchase Price, and (b) after the Closing shall be paid by the City in accordance with the Construction Management Agreement.

2.3 Compliance with Laws

Developer shall use commercially reasonable efforts to cause each Project Contractor to remain fully informed of and comply with the applicable provisions of the Charter, ordinances and regulations of the City and other local agencies having jurisdiction over the work, and all federal and state laws and regulations in any manner affecting the contract documents, the performance of the work, or those persons engaged therein. Developer shall require compliance with, and shall use good faith efforts to ensure all construction and materials provided under the contract documents shall be in full accordance with, the applicable provisions of the latest laws and requirements, as the same may be amended, updated or supplemented from time to time, of the Code specified in the contract documents, Americans with Disability Act Accessibility Guidelines, CAL-OSHA, the State Division of Industrial Safety of the Department of Industrial Relations, the Division of the State Architect - Access Compliance, the Public Utilities Commission of the State of California, the State Fire Marshal, the National Fire Protection Association, the San Francisco Department of Public Health, state and federal laws and regulations, and of other bodies or officials having jurisdiction or authority over same, and they shall be observed and complied with by Developer and any and all persons, firms and corporations employed by or under it. The City and its agents may at any time, following written notice to Developer, enter upon any part of the work to ascertain whether such laws, ordinances, regulations or orders are being complied with, provided that the City shall have no obligation to do so under this Agreement and no responsibility for such compliance. Architect and General Contractor shall comply with the applicable provisions of San Francisco Administrative Code

Chapter 6 that are incorporated into the Architect Contract and the Construction Contract, respectively. To the extent applicable to Developer, Developer shall comply with all laws including the applicable provisions of the Charter, ordinances and regulations of the City and local agencies having jurisdiction over the work.

2.4 Completion Date

Unless otherwise agreed to by the City, the Construction Contract shall require that (a) all work be substantially complete within nine hundred (900) consecutive calendar days following the start of work, subject to unavoidable delay, and (b) final completion of the work shall occur within 60 consecutive calendar days after the date the City issues a notice of substantial completion, subject to unavoidable delay.

2.5 Liquidated Damages

Unless otherwise agreed to by the City, the Construction Contract shall provide that time is of the essence in all matters relating to completion of the Office Project, and that the City will suffer financial loss if the work is not completed within the time frames set forth in Section 2.4, plus any extensions allowed in accordance with the general conditions. Accordingly, the Construction Contract shall include liquidated damages for delay (but not as a penalty), as the City's sole remedy for such delay, payable by the General Contractor to the City, for each calendar day of delay.

2.6 Labor Requirements for Construction

(a) Applicable Labor Laws and Agreements. Compensation and working conditions for labor performed or services rendered (excluding professional design services) under the Project Contracts shall be in accordance with the San Francisco Charter, and applicable sections of the San Francisco Administrative Code, including section 6.22(E). Developer shall include the requirements of this Section 2.6 (collectively, the "**Labor Requirements**") in the Project Contracts (as applicable), and require Project Contractors to include the Labor Requirements in all subcontracts relating to the work, as applicable, unless otherwise agreed to by the City. The Project Contracts shall expressly acknowledge the City's right to monitor and enforce the Labor Requirements in all respects and at all times, and Developer agrees (1) to reasonably cooperate with City in all monitoring and enforcement measures initiated by City, including but not limited to the withholding of payments as directed by the City when permitted under the provisions of the Labor Requirements, with any third party costs incurred by Developer being added to the Purchase Price, and (2) to promptly inform the City of any known violations or known alleged violations of the Labor Requirements. A Project Contractor's violation of the Labor Requirements will not be considered a Developer default under this Agreement.

(b) Prevailing Wages. The Project Contracts shall require payment of the latest Wage Rates for Private Employment on Public Contracts in the City and County of San Francisco, as determined by the San Francisco Board of Supervisors, as same may be changed during the term of this Agreement. Developer shall include in each applicable Project Contract a requirement that all persons performing labor under such Project Contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Developer shall require any Project Contractor to provide, and shall deliver to City every month during any construction period, certified payroll reports with respect to all persons performing labor in the provision of the work. Copies of the latest prevailing wage rates are on file at the Department of Public Works, City and

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County of San Francisco, Bureau Manager, Bureau of Engineering, 30 Van Ness Avenue, 5th Floor, San Francisco, CA, 94103.

(c) Penalties. The Construction Contract shall provide for payment to the City back wages due plus fifty dollars (\$50.00), for: (i) each laborer, workman, or mechanic employed in the provision of the work, for each calendar day or portion thereof during which such laborer, workman, or mechanic is not paid the highest general prevailing rate of wage for the work performed; or (ii) each laborer, mechanic or artisan employed in the provision of the work, for each calendar day or portion thereof during which such laborer, mechanic or artisan is compelled or permitted to work for a longer period than five days (Monday-Friday) per calendar week of eight hours each, and not compensated in accordance with the prevailing overtime standard and rate.

(d) First Source and Local Hiring. The Construction Contract shall require compliance, as applicable, with the First Source Hiring and Local Hiring requirements set forth in Exhibit F, unless otherwise agreed to by the City.

2.7 Indemnity

Developer shall use commercially reasonable efforts to have the Architect Contract include the following indemnity (or indemnity language similar in all material respects) for the benefit of the City, unless otherwise agreed to by the City:

"General. To the fullest extent permitted by law, Architect shall assume the defense of (with legal counsel subject to approval of the City), indemnify and save harmless the City, its boards, commissions, officers, and employees (collectively "Indemnitees"), from and against any and all claims, loss, cost, damage, injury (including, without limitation, injury to or death of an employee of the Contractor or its subconsultants), expense and liability of every kind, nature, and description (including, without limitation, incidental and consequential damages, court costs, attorneys' fees, litigation expenses, fees of expert consultants or witnesses in litigation, and costs of investigation), that arise out of, pertain to, or relate to, directly or indirectly, in whole or in part, the negligence, recklessness, or willful misconduct of the Architect, any subconsultant, anyone directly or indirectly employed by them, or anyone that they control (collectively, "Liabilities").

Limitations. No insurance policy covering the Architect's performance under this Agreement shall operate to limit the Architect's Liabilities under this provision. Nor shall the amount of insurance coverage operate to limit the extent of such Liabilities. The Architect assumes no liability whatsoever for the sole negligence, active negligence, or willful misconduct of any Indemnitee or the contractors of any Indemnitee.

Copyright infringement. Architect shall also indemnify, defend and hold harmless all Indemnitees from all suits or claims for infringement of the patent rights, copyright, trade secret, trade name, trademark, service mark, or any other proprietary right of any person or persons in consequence of the use by the City, or any of its boards, commissions, officers, or employees of articles or services to be supplied in the performance of Architect's services under this Agreement. Infringement of patent rights, copyrights, or other proprietary rights in the performance of this Agreement, if not the basis for indemnification under the law, shall nevertheless be considered a material breach of contract."

2.8 Rights and Remedies During Construction

Developer shall use commercially reasonable efforts to include the following provisions (or provisions similar to the following provisions in all material respects) in the Project Contracts for the benefit of the City, unless otherwise agreed to by the City:

(a) General. The provisions of the Project Contract shall not limit the duties, obligations, rights and remedies otherwise imposed or available by law or in equity. No action or failure to act shall in any way abridge the rights and obligations of the parties to the Project Contract, or condone a breach thereunder, unless expressly agreed to by the parties in writing. All remedies provided in the Project Contract shall be taken and construed as cumulative; that is, in addition to each and every other remedy herein provided, the City shall have any and all equitable and legal remedies that it would in any case have.

(b) No Waiver. No waiver of any breach of any provision of the Project Contract shall be held to be a waiver of any other or subsequent breach. The only waiver by the City shall be a waiver in writing that explicitly states the item or right being waived.

(c) City's Remedies for False Claims and Other Violations. Under San Francisco Administrative Code section 6.22(M), a Project Contractor that fails to comply with the terms of the Project Contract, violates any provision of Local Hire and Prevailing Wages for Construction (San Francisco Administrative Code sections 6.22 through 6.45), submits false claims, or violates against any governmental entity a civil or criminal law relevant to its ability to perform under or comply with the terms and conditions of the Project Contract, may be declared an irresponsible bidder and debarred according to the procedures set forth in San Francisco Administrative Code section 6.80, et seq. Additionally, a Project Contractor that submits a false claim may be subject to monetary penalties, investigation, and prosecution as set forth in Administrative Code section 6.80, et seq.

(d) Interpretation. The Project Contract shall be interpreted in accordance with the laws of the State of California and the provisions of the City's Charter and Administrative Code.

2.9 Other City Requirements

Developer shall use commercially reasonable efforts to include in each Project Contract language requiring compliance, as applicable, with the provisions specified in the San Francisco municipal codes, including but not limited to: Non Discrimination in City Contracts and Benefits Ordinance (Admin. Code sections 12B, and 12C), Tropical Hardwood and Virgin Redwood Ban (Envir. Code sections 802(b) and 803(b)), Preservative-Treated Wood Containing Arsenic (Environment Code chapter 13), Bicycle Storage (Planning Code article 1.5), Resource Efficient City Building (Admin. Code sections 82.1-82.8), MacBride Principals (Admin. Code section 12F.1 et seq.), Controller's Certification of Funds (SF City Charter section 3.105), Conflicts of Interest (article III chapter 2 of City's Campaign and Governmental Conduct Code), and Campaign Contribution Limitations (section 1.126 of City's Campaign and Governmental Conduct Code). Developer shall comply with the above requirements insofar as they relate to Developer's work under this Agreement.

3. RESOLUTION OF CERTAIN DISPUTES

3.1 Binding Arbitration.

(a) Arbitration Matters. Each of the following is an “**Arbitration Matter**” following written notice from one party to another party that a dispute exists as to such matter: (i) the City’s adjustment to the size of the Office Project, (ii) the appropriateness, apportionment or amount of any Design and Entitlement Cost or the City’s failure to approve any Design and Entitlement Cost Report, (iii) the amount of City’s Share for any Design and Entitlement Cost, (iv) disputes under provisions set forth in sections or exhibits to this Agreement that call for arbitration, and (v) the City’s or Developer’s failure to approve any matter in this Agreement for which it is required to act reasonably (following mediation on the matter, if either party invokes mediation to resolve the dispute), but not including the failure to approve the Architect Contract or the Construction Contract. Following the receipt of notice of an Arbitration Matter, the parties will have thirty (30) days (or such longer time as they may agree) to attempt to resolve the Arbitration Matter through informal discussions. Notwithstanding anything stated to the contrary in this Agreement, whether an Event of Default has occurred, and the available remedies following an Event of Default, shall not be an Arbitration Matter and the provisions of this Section 3.1 shall not apply.

(b) Arbitration Notice. If an Arbitration Matter is not resolved by discussion as set forth in Section 3.1, then either party may submit the Arbitration Matter to a single qualified arbitrator at JAMS in the City (“**JAMS**”) in accordance with the applicable rules of JAMS. The party requesting arbitration shall do so by giving notice to that effect to the other party or parties affected (the “**Arbitration Notice**”). The Arbitration Notice must include a summary of the issue in dispute and the reasons why the party giving the Arbitration Notice believes that the other party is incorrect in its or in breach.

(c) Selection of Arbitrator. The parties will cooperate with JAMS and with one another in selecting an arbitrator with appropriate expertise in the Arbitration Matter from a JAMS panel of neutrals, and in scheduling the arbitration proceedings as quickly as reasonably feasible. If the parties are not able to agree upon the arbitrator, then each will select one arbitrator, and the two selected arbitrators shall select a third arbitrator. The third arbitrator selected shall resolve such dispute in accordance with the laws of the State pursuant to the JAMS Streamlined Arbitration Rules and Procedures for disputes of \$250,000 or less, and the JAMS Comprehensive Arbitration Rules and Procedures for disputes of more than \$250,000 (as applicable, the “**Rules**”).

(d) Arbitration Process. The parties shall bear their own attorneys’ fees, costs and expenses during the arbitration proceedings, and each party shall bear one-half of the costs assessed by JAMS. The parties shall use good faith efforts to conclude the arbitration within sixty (60) days after selection of the arbitrator, and the arbitrator shall be requested to render a written decision and/or award consistent with, based upon and subject to the requirements of this Agreement as soon as reasonably possible in light of the matters in dispute. The arbitrator shall have no right to modify any provision of this Agreement. If a party chooses to submit any documents or other written communication to the arbitrator or JAMS, it shall deliver a complete and accurate copy to the other party at the same time it submits the same to the arbitrator or JAMS. Neither party shall communicate orally with the arbitrator regarding the subject matter of the arbitration without the other party present.

(e) Final Determination. Subject to this Section 3.2, the parties will cooperate to provide all appropriate information to the arbitrator. The arbitrator will report his or her determination in writing, supported by the reasons for the determination. As part of that determination, the arbitrator shall have the power to determine which party or parties prevailed, wherein the prevailing party or parties shall recover all of their reasonable fees, costs and expenses (including the fees and costs of attorneys) from the non-prevailing party or parties, to be paid within ten (10) days after the final decision of the arbitrator with regard to such fees, costs and expenses, and the arbitrator shall also determine whether the time spent for the Arbitration Matter is to be treated as Unavailable Delay. Except as provided in Sections 1286.2, 1286.4, 1286.6 and 1286.8 of the California Code of Civil Procedure, the determination by the arbitrator shall be conclusive, final and binding on the parties. Additionally, notwithstanding anything to the contrary contained in the Rules (i) the arbitrator, in deciding any Claim, shall base his or her decision on the record and in accordance with this Agreement and applicable law, (ii) in no event shall the arbitrator make any ruling, finding or award that does not conform to the terms and conditions of this Agreement, is not supported by the weight of the evidence, or is contrary to statute, administrative regulations or established judicial precedents, (iii) the arbitration award shall be a factually detailed, reasoned opinion stating the arbitrator's findings of fact and conclusions of law, (iv) any such arbitration shall be held in San Francisco, California, unless the parties mutually agree upon some other location. By agreeing to this provision, the parties are waiving all rights to a trial by judge or jury with respect to any Arbitration Matter. The arbitrator's decision and/or award may be entered as a judgment in any court having competent jurisdiction and shall constitute a final judgment as between the parties and in that court.

3.2 Non-Binding Mediation

(a) Mediation Matter. Each of the following is a "**Mediation Matter**" following written notice from one party to another party that a dispute exists as to such matter: (i) the City's failure to approve any Design Submittal or Construction Document, (ii) changes to the Office Project or the Project Budget as required to keep the Purchase Price below the Maximum Cost, and (iii) the City's or Developer's failure to approve any other matter as to which it is required by this Agreement to be reasonable.

(b) Mediation Request. A party may request non-binding mediation by delivering a written request for mediation ("**Mediation Request**") to the other party. The Mediation Request must include a summary of the issue in dispute and the position of the parties, together with any backup information or documentation it elects to provide. Within fifteen (15) days after receipt of the Mediation Request, the responding party may agree to meet and confer promptly with the requesting party to attempt to resolve the matter. In the absence of such agreement, or if the meet and confer does not resolve the matter promptly, the party who requested approval may submit the matter for mediation to JAMS in the City.

(c) Selection of Mediator and Process. The parties will cooperate with JAMS and with one another in selecting a mediator from a JAMS panel of neutrals and in scheduling the mediation proceedings as quickly as feasible. The parties agree to participate in the mediation in good faith. Neither party may commence or if commenced, continue, a civil action with respect to the matters submitted to mediation until after the completion of the initial mediation session. The parties will each pay their own costs and expenses in connection with the mediation, and the party that requested mediation will pay all costs and fees of the mediator. Without limiting the foregoing, the provisions sections 1115 through 1128 of the California Evidence Code, inclusive, will apply in connection with any mediation.

(d) Use of Evidence. The provisions of sections 1152 and 1154 of the California Evidence Code will apply to all settlement communications and offers to compromise made during the mediation or arbitration.

4. PURCHASE AND SALE

4.1 Property Included in Sale

Upon satisfaction (or waiver) of the City's Conditions Precedent and Developer's Conditions Precedent on the Anticipated Closing Date (or on such other date to which the Closing shall be extended as provided in this Agreement), the Closing shall occur and Developer agrees to sell and convey to City, and City agrees to purchase from Developer, subject to the terms, covenants and conditions hereinafter set forth, the following:

(a) the real property consisting of the Office Parcel, together with any improvements located on the Office Parcel (the "**Improvements**");

(b) the Developer's interest in Assumed Contracts that Developer and the City agree should be assigned by Developer and assumed by the City at Closing, if any;

(c) any and all rights, privileges, and easements incidental or appurtenant to the Office Parcel or Improvements, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Office Parcel, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Office Parcel, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Office Parcel or Improvements, and any and all of Developer's right, title and interest in and to all roads and alleys adjoining or servicing the Office Parcel, subject to the Reciprocal Easement (collectively, the "**Appurtenances**");

(d) all personal property owned by Developer located on or in or used in connection with the Office Parcel or Improvements as of the Closing Date (the "**Personal Property**"); and

(e) any intangible personal property now or hereafter owned by Developer and used in the ownership, use or operation of the Office Parcel, Improvements or Personal Property; to the extent assignable to the City, and including the Assumed Contracts (collectively, the "**Intangible Property**").

All of the items referred to above in this Section 4.1 are collectively referred to as the "**Property**."

5. PURCHASE PRICE

5.1 Purchase Price

(a) Determination of Price. The purchase price for the Property shall equal (i) Thirty Million Two Hundred Ninety-Six Thousand Six Hundred Forty Dollars (\$30,296,640) for the Office Parcel, plus (ii) all actual costs incurred by Developer after June 4, 2014, without mark-up, in connection with the design, entitlement, and development of the Office Project as set forth in this Agreement, including costs incurred in connection with environmental review, architectural and engineering costs, and legal and regulatory fees, plus (iii) all reasonable and

customary carrying and operating costs for the Goodwill Site that are allocated to the Office Parcel (to be calculated based on the Office Parcel's pro-rata share of the carrying costs and operating costs for the Goodwill Site as set forth in Exhibit D) incurred between the Developer's acquisition of the Goodwill Site and the Closing and reasonably necessary for maintenance of the Goodwill Site and fulfillment of Developer's obligations under this Agreement (including four percent (4%) interest per annum on Developer's equity invested in the Office Parcel or used to pay predevelopment costs, as shown in Exhibit D) plus (iv) brokerage commissions due to Cassidy Turley for the sale of the Office Parcel to the City, plus (v) all other costs to be included in the Purchase Price as provided in this Agreement, including the closing costs referenced in Sections 10.1 through 10.3 (as finally determined, the "**Purchase Price**"). Concurrently with the Closing, City shall be entitled to a credit towards the Purchase Price equal to (1) any City payments previously made by the City to the Developer under this Agreement, including any Non-Refundable Payments, plus (2) any receipts, payments or proceeds received by Developer during the term of this Agreement relating to the Office Parcel, including insurance or condemnation proceeds, if any, to the extent not used for the Office Project or, if used, to the extent included in the Purchase Price. Any costs incurred due to Developer's errors or negligence above customary amounts in keeping with a project of this size and complexity, and Developer's negotiation costs (including attorneys' fees) in connection with any arbitration or other implementation of this Agreement that are not a part of the design of the Office Project, will not be included in the Purchase Price.

(b) Apportionment. When possible and practical, Developer will maintain separation of the Design and Entitlement Costs for the Office Project and for the Residential Project, and where costs are appropriately attributable to both, they will be divided in accordance with the Apportionment.

5.2 Payment

On the Closing Date, City shall pay the Purchase Price, adjusted pursuant to the provisions of Article 10 [Expenses and Taxes], and reduced by any credits due City under this Agreement. Developer acknowledges and agrees that if Developer fails at Closing to deliver to City the documents required under Sections 9.3(f) and (g), City may be required to withhold a portion of the Purchase Price pursuant to section 1445 of the United States Internal Revenue Code of 1986, as amended (the "**Federal Tax Code**"), or section 18662 of the California Revenue and Taxation Code (the "**State Tax Code**"). Any amount properly so withheld by City in accordance with applicable law shall be deemed to have been paid by City as part of the Purchase Price, and Developer's obligation to consummate the transaction contemplated herein shall not be excused or otherwise affected thereby.

5.3 Funds

The Purchase Price, and all other amounts payable under this Agreement, shall be paid in legal tender of the United States of America, in cash or by wire transfer of immediately available funds to Title Company (as defined below), as escrow agent.

6. TITLE TO THE PROPERTY

6.1 Conveyance of Title to the Property

At the Closing, Developer shall convey to City, or its nominee (subject to such nominee's complying with the provisions of Section 14.3), marketable and insurable fee simple title to the

Office Parcel, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit H (the "**Deed**"), subject to the Accepted Conditions of Title.

6.2 Title Insurance

Delivery of title in accordance with Section 6.1 shall be evidenced by the commitment of Fidelity Title Insurance Company (the "**Title Company**") to issue to City, or its nominee, an ALTA extended coverage owner's policy of title insurance (2006 Form) (the "**Title Policy**") in the amount of the Purchase Price insuring fee simple title to the Office Parcel, the Appurtenances and the Improvements in City, or its nominee, free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, creditors' claims, rights of tenants or other occupants, and all other exceptions, liens and encumbrances except solely for exceptions listed in Exhibit I (the "**Accepted Conditions of Title**"). The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of the Property prior to the Closing, and shall contain an affirmative endorsement that there are no violations of restrictive covenants, affecting the Property and such special endorsements as City may reasonably request.

6.3 Bill of Sale

At the Closing Developer shall transfer title to the Personal Property by bill of sale in the form attached hereto as Exhibit J (the "**Bill of Sale**"), such title to be free of any liens, encumbrances or interests.

6.4 Assignment of Intangibles

At the Closing Developer shall transfer title to the Intangible Property by an assignment of Intangible Property in the form attached hereto as Exhibit K (the "**Assignment of Intangible Property**"). As part of the Assignment of Intangible Property, Developer shall assign to the City all of Developer's rights, title and interest in contracts approved by the City during the term of this Agreement that Developer and the City expressly agree should be assigned to the City at Closing (collectively, the "**Assumed Contracts**"). All of Developer's Project Contracts, including the Architect Contract and the Construction Contract, together with all warranties and guarantees under the Project Contracts, will be assigned to the City upon the completion of the Office Project, without further consent of the Project Contractor and without additional payment to the Project Contractor, as set forth in the Construction Management Agreement. Any such contracts agreed to be assumed by City at Closing shall be included in the Assignment of Intangible Property. At or before the Closing, Developer shall terminate any contracts or agreements (expressly excluding any Project Contracts or agreements that are Accepted Conditions of Title) not agreed to be assumed by City, without any liability to City. During the term of this Agreement, Developer shall use commercially reasonable efforts to monitor and enforce all of Developer's rights under the Assumed Contracts and any Project Contracts, and shall notify the City as soon as it learns of any material default or material work defect or deficiency.

7. DUE DILIGENCE INVESTIGATIONS; RELEASE

7.1 Developer's Due Diligence and Representations

Developer will have acquired the Office Parcel by October 21, 2014, and in connection with the acquisition, Developer performed standard due diligence and obtained or procured various environmental reports, studies, surveys, tests and assessments; soils and geotechnical reports; site plans; and inspection reports by engineers or other licensed professionals (collectively, the "**Documents**"). All of the material Documents in Developer's possession are listed in Exhibit L, and Developer has delivered true and complete copies of the Documents listed in Exhibit L to the City. At the Closing, Developer shall assign (to the extent assignable) to the City all of Developer's rights, warranties, guaranties, and interests in the Documents, except as and to the extent they relate to the Residential Parcel and the Residential Project.

7.2 City's Due Diligence

The City has been given before October 21, 2014 (the "**Due Diligence Period**"), a full opportunity to investigate the Property, either independently or through agents of the City's own choosing, including, without limitation, the opportunity to conduct such appraisals, inspections, tests, audits, verifications, inventories, investigations and other due diligence regarding the economic, physical, environmental, title and legal conditions of the Property as the City deems fit, as well as the suitability of the Property for the City's intended uses. The City and its Agents may continue their due diligence investigations on the Property on or after the date this Agreement is executed by both parties hereto. Following the expiration of the Due Diligence Period, the City shall be deemed to have approved of the existing conditions of the Property and all items which could reasonably be discovered on or before the Due Diligence Period. Developer agrees to keep the City informed of any and all matters of significance with respect to the Property during the term of this Agreement, and to provide such additional information relating to the Property that is specifically reasonably requested by City of Developer from time to time.

7.3 Entry

Developer shall afford the City and its Agents reasonable access to the Property and all books and records relating to the Property at all times before the Closing Date; provided, however, the City shall not be entitled to undertake any invasive inspection of the Property without Developer's prior consent. The City hereby agrees to indemnify and hold Developer harmless from any damage or injury to persons or property caused by the actions or inactions of City or its Agents during any such entries onto the Office Parcel before the Closing, except to the extent such damage or injury is caused by the acts or omissions of Developer or any of its agents. The foregoing indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions except to the extent the City aggravates any pre-existing environmental conditions on, in, under or about the Property. The provisions of this section shall survive the Closing and the termination of this Agreement for the applicable statute of limitations.

7.4 City Release

By proceeding with the Closing in accordance with the terms and conditions of this Agreement, concurrently with the Closing, the City shall be deemed to have made its own independent investigation of the Office Parcel and the Documents and the presence of any

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Hazardous Materials in or on the Office Parcel as City deems appropriate. Accordingly, subject to the representations and warranties of Developer expressly set forth in Section 11.1, City, on behalf of itself and all of its officers, directors, shareholders, employees, representatives and affiliated entities (collectively, the “**City Releasers**”) hereby, effective concurrently with the Closing, expressly waives and relinquishes any and all rights and remedies the City Releasers may now or hereafter have against Developer, its successors and assigns, partners, shareholders, officers and/or directors (the “**Developer Parties**”), whether known or unknown, which may arise from or be related to (a) the physical condition, quality, quantity and state of repair of the Office Parcel and the prior management and operation of the Office Parcel, (b) the Documents, (c) the Property’s compliance or lack of compliance with any federal, state or local laws or regulations (including, without limitation, the failure of Developer to comply with any energy disclosure requirements), and (d) any past or present existence of Hazardous Materials in or on the Office Parcel or with respect to any past or present violation of any rules, regulations or laws, now or hereafter enacted, regulating or governing the use, handling, storage or disposal of Hazardous Materials in or around the Office Parcel, including, without limitation, (i) any and all rights and remedies the City Releasers may now or hereafter have under the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, and the Toxic Substance Control Act, all as amended, and any similar state, local or federal environmental law, rule or regulation, and (ii) any and all claims, whether known or unknown, now or hereafter existing, with respect to the Office Parcel under Section 107 of CERCLA (42 U.S.C.A. §9607).

7.5 Developer Release

By proceeding with the Closing, Developer, on behalf of itself and all of its officers, directors, shareholders, employees, representatives and affiliated entities (collectively, the “**Developer Releasers**”), effective concurrently with the Closing, expressly waives and relinquishes any and all rights and remedies the Developer Releasers may now or hereafter have against the City, its successors and assigns, officers, members, commissioners and/or employees (the “**City Parties**”), whether known or unknown, which may arise from or be related to the Regulatory Approvals, including all acts and omissions by the City Parties in granting, conditioning or denying any City approval relating to the Office Project.

7.6 General Release Under Section 1542

WITH RESPECT TO THE RELEASES IN SECTION 7.4 AND SECTION 7.5, CITY, ON BEHALF OF ITSELF AND THE OTHER CITY RELEASERS, AND DEVELOPER, ON BEHALF OF ITSELF AND THE OTHER DEVELOPER RELEASERS, EACH ACKNOWLEDGE THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH IS SET FORTH BELOW:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

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BY INITIALING BELOW, THE CITY, ON BEHALF OF ITSELF AND THE OTHER CITY RELEASERS, AND DEVELOPER, ON BEHALF OF ITSELF AND THE OTHER DEVELOPER RELEASERS, WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS THAT ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

City's Initials: _____ Developer's Initials: _____

THE FOREGOING WAIVERS, RELEASES AND AGREEMENTS SHALL SURVIVE THE CLOSING AND THE RECORDATION OF THE DEED (WITHOUT LIMITATION) AND SHALL NOT BE DEEMED MERGED INTO THE DEED UPON ITS RECORDATION. THE FOREGOING RELEASES SHALL NOT APPLY TO ANY RIGHTS THE PARTIES MAY HAVE UNDER THIS AGREEMENT TO THE EXTENT SUCH RIGHTS EXPRESSLY SURVIVE THE CLOSING, OR AGAINST GENERAL CONTRACTOR OR ARCHITECT UNDER THE TERMS OF THE CONSTRUCTION CONTRACT OR THE ARCHITECT CONTRACT.

8. CLOSING CONDITIONS

8.1 City's Conditions to Closing

The following are conditions precedent to the City's obligation to purchase the Property (collectively, "**City's Conditions Precedent**"):

- (a) The City's ratification of this Agreement on the PSA Ratification Date.
- (b) The City's approval of the Architect Contract and the Construction Contract, and any increase in the Maximum Cost (if required) for the Office Project required by the Construction Contract.
- (c) The Title Company's commitment to issue at the Closing to the City or its nominee the Title Policy (in the amount of the Purchase Price) and an ALTA extended coverage leasehold policy insuring City's leasehold estate under any financing lease in the amount of the Purchase Price (or such lesser amount to the extent the insurable value of such leasehold estate is less than the Purchase Price) and subject only to the Accepted Conditions of Title as set forth in Section 6.2.
- (d) Developer's delivery of an ALTA survey of the Office Parcel prepared by a licensed surveyor (the "**Survey**"). The Survey shall be reasonably acceptable to, and certified to, the City and Title Company and in sufficient detail to provide the basis for and the Title Policy without any boundary, encroachment or survey exceptions that would have a Material Adverse Effect.
- (e) City's review and approval of the Assumed Contracts to be assigned to the City under the Assignment of Intangible Property. There shall be no contracts other than the Assumed Contracts, the Project Contracts and the Accepted Conditions of Title affecting or encumbering the Property, and no third party occupancy rights, as of the Closing Date. At the time of Closing there will be no outstanding written or oral contracts made by Developer for any of the Improvements that have not been fully paid for and Developer shall cause to be discharged

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(or bonded over) all mechanics' or materialmen's liens arising from any labor or materials furnished to the Property before the time of Closing. There are no obligations in connection with the Property which will be binding upon City after Closing except for the Accepted Conditions of Title and the Assumed Contracts.

(f) There shall be no change in the physical and environmental condition of the Office Parcel since the date of the expiration of the Due Diligence Period (subject to the changes contemplated and required for development of the Office Project) that would have a Material Adverse Effect.

(g) No Developer Event of Default shall exist (and no notice of default shall have been given by the City that remains uncured) and all of Developer's representations and warranties contained in or made pursuant to this Agreement shall be true and correct in all material respects or, if such is not the case (i.e., the existence of an Event of Default or a representation or warranty is untrue), such failure does not have a Material Adverse Effect. At the Closing Developer shall deliver to the City a certificate in the form attached hereto as Exhibit T certifying whether each of Developer's representations and warranties contained in this Agreement continue to be true and correct in all material respects as of the Closing Date.

(h) As of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding that has been filed against the City, the Office Parcel or this Agreement which after the Closing could have a Material Adverse Effect.

(i) The satisfaction of the Financing Contingency on or before the Closing Date, as evidenced by the City Controller's certification of funds for the City's payment of the Project Costs.

The City's Conditions Precedent contained in this Section 8.1 are solely for the benefit of City. If any City's Condition Precedent is not satisfied, the City shall have the right in its sole discretion to waive in writing the City's Condition Precedent in question and proceed with the purchase. The waiver of any City's Condition Precedent shall not relieve Developer of any liability or obligation with respect to any covenant or agreement of Developer (except that, if the Closing occurs, any breached representation or warranty of which City has knowledge will be deemed waived and shall not survive the Closing). In addition, the date of the Closing may be extended as provided in Section 9.2 herein, to allow the City's Conditions Precedent to be satisfied. Any additional costs incurred by Developer as a result of such extension shall be paid by the City as part of the Purchase Price unless and except to the extent the need for the extension was caused by Developer or its Agents.

If the sale of the Property is not consummated because of an Event of Default by Developer or if a City Condition Precedent cannot be fulfilled because Developer frustrated such fulfillment by some bad faith act or bad faith omission, the City may exercise all rights and remedies available, following applicable notice and cure periods, as set forth in Section 9.6.

8.2 Developer's Conditions to Closing

The following are conditions precedent to the Developer's obligation to consummate the Closing as provided under this Agreement (collectively, "**Developer's Conditions Precedent**," and, together with the City's Conditions Precedent, the "**Conditions Precedent**"):

(a) Developer's approval of the Architect Contract and the Construction Contract.

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(b) No City Event of Default shall exist and all of the City's representations and warranties contained in or made pursuant to this Agreement shall be true and correct in all material respects or, if such is not the case, such failure does not have a Material Adverse Effect. At the Closing, the City shall deliver to Developer a certificate in the form attached as Exhibit T certifying whether each of the City's representations and warranties contained in this Agreement continue to be true and correct as of the Closing Date.

(c) As of the Closing Date, the City shall have delivered all documents and monies to Escrow required for Closing, including delivery of the closing documents required to be delivered in accordance with this Agreement and the deposit with the Title Company of the remaining portion of the Purchase Price and other amounts that may be payable by the City under the terms of this Agreement.

(d) As of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding that has been filed against Developer, the Office Parcel or this Agreement which after the Closing could have a Material Adverse Effect.

(e) The Lease (the "Goodwill Lease") entered into between Developer and Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc. has terminated and Goodwill has vacated its premises under the Goodwill Lease. ("Goodwill").

The Developer's Conditions Precedent contained in this Section 8.2 are solely for the benefit of Developer. If any Developer's Conditions Precedent is not satisfied, the Developer shall have the right in its sole discretion to waive in writing the Developer's Conditions Precedent in question and proceed with the Closing contemplated hereunder. The waiver of any Developer's Conditions Precedent shall not relieve City of any liability or obligation with respect to any covenant or agreement of City (except that, if the Closing occurs, any breached representation or warranty of which Developer has knowledge will be deemed waived and shall not survive the Closing). In addition, the date of the Closing may be extended as provided in Section 9.2, to allow the Developer's Conditions Precedent to be satisfied. Any additional costs incurred by Developer as a result of such extension shall be paid by the City as part of the Purchase Price unless and except to the extent the need for the extension was caused by Developer or its Agents.

If the sale of the Property is not consummated because of an Event of Default by the City or if a Condition Precedent cannot be fulfilled because the City frustrated such fulfillment by some bad faith act or bad faith omission, Developer may exercise all rights and remedies available, following applicable notice and cure periods, as set forth in Section 9.6.

For purposes of this Agreement, "Material Adverse Effect" shall mean any item or occurrence that (i) for the City, has a material adverse effect on the value of the Office Parcel and Developer does not elect (with no obligation to so elect) to fully mitigate such adverse effect by reducing the Purchase Price or the Development Services Fee to cover such reduction in the value of the Office Parcel, or the cost (and Developer does not elect (with no obligation to so elect) to fully mitigate such increased cost by reducing the Purchase Price and/or the Development Services Fee to cover such increased cost) or timing of, or the City's ability to complete, the Office Project, (ii) for the Developer, if the same reduces the Development Services Fee payable to Developer, and the City does not elect (with no obligation to so elect) to pay Developer such shortfall as part of the Purchase Price, and (iii) for both parties, has a

material adverse effect on that party's ability to perform its obligations under this Agreement or the Construction Management Agreement.

8.3 Cooperation

Developer and City shall cooperate with each other and do all acts as may be reasonably requested (except that Developer shall not be required to pay any third party cost unless included in the Purchase Price or unless the need for such payment is due to Developer's acts or omissions, and neither party shall be required to incur any liability or potential liability as a result of such cooperation) by the other or as reasonably needed or expected to fulfill the Conditions Precedent including, without limitation, execution of any documents, applications or permits. Developer's representations and warranties to the City shall not be affected or released (except as expressly provided above) by the City's waiver or fulfillment of any City's Condition Precedent and City's representations and warranties to Developer shall not be effected or released (except as expressly provided above) by the Developer's waiver or fulfillment of any Developer's Condition Precedent. Developer hereby irrevocably authorizes the City and its Agents to make all inquiries with and applications to any person or entity, including, without limitation, any regulatory authority with jurisdiction as the City may reasonably require to complete its due diligence investigations.

9. ESCROW AND CLOSING

9.1 Opening of Escrow

No less than ninety (90) days prior to the date scheduled for Closing, the parties shall open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Developer and City agree to execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

9.2 Anticipated Closing Date

The consummation of the purchase and sale contemplated hereby (the "**Closing**") shall be held and delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Title Company located at 601 California Street, Suite 1501, San Francisco, California 94108, on the date that the City expects to satisfy the Financing Contingency, but not later than seven (7) months following the PSA Ratification Date as set forth in Section 1.6 (the "**Anticipated Closing Date**"), or such other date as may be mutually agreed upon in writing by the parties in their sole discretion. The actual date that the Closing occurs shall be hereinafter referred to as the "**Closing Date**". If, despite City's good faith efforts, the City is unable to close on the Anticipated Closing Date due to the Financing Contingency or due to the failure of any of the other City's Conditions Precedent, then the City shall have the one time right to extend the Closing by no more than one hundred twenty (120) days (the "**City Extension**"). The City shall pay all third party costs incurred by Developer due to the City Extension, unless the need for the City Extension was caused by Developer or its Agents. In connection with any City exercise of the City Extension, Developer shall notify the City of the third party costs to be incurred by Developer as Developer becomes aware of the same.

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In addition, if despite Developer's good faith efforts, the Developer is unable to Close on the Anticipated Closing Date, or on the date designated pursuant to the City Extension, if any, due to the failure of any Developer's Conditions Precedent, then the Developer shall have the right to extend the Closing by no more than one hundred (120) days ("**Developer Extension**"). Developer shall pay all third party costs incurred by the City due to the Developer Extension and such costs will not be included in the Purchase Price, unless the need for the Developer Extension was caused by the City or its Agents. In connection with any Developer exercise of the Developer Extension, the City shall notify Developer of the third party costs to be incurred by the City as the City becomes aware of the same. For avoidance of doubt, the Parties agree that any carrying costs and operating costs incurred by Developer during any Developer Extension that is exercised due to the failure of Goodwill to vacate its premises under the Goodwill Lease shall not be included in the Purchase Price.

9.3 Developer's Delivery of Documents

At or before the Closing, Developer shall deliver through escrow to the City, or its nominee, the following:

- (a) a duly executed and acknowledged Deed in the form attached hereto as Exhibit H;
- (b) duly executed Bill of Sale in the form attached hereto as Exhibit J;
- (c) four (4) duly executed counterparts of the Assignment of Intangible Property in the form attached hereto as Exhibit K;
- (d) originals or copies of the Documents, Assumed Contracts and any other items relating to the ownership or operation of the Property not previously delivered to City;
- (e) a duly executed and acknowledged Reciprocal Easement, in a form to be agreed upon by City and Developer prior to the PSA Ratification Date (the "**Reciprocal Easement**") which shall address the easement rights generally set forth in Exhibit S attached hereto.
- (f) a properly executed affidavit pursuant to section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit M, and on which City is entitled to rely, that Developer is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code;
- (g) a properly executed California Franchise Tax Board Form 590 certifying that Developer is a California resident if Developer is an individual or Developer has a permanent place of business in California or is qualified to do business in California if Developer is a corporation or other evidence satisfactory to City that Developer is exempt from the withholding requirements of section 18662 of the State Tax Code;
- (h) such resolutions, authorizations, or other documents or agreements relating to Developer and its partners as the City or the Title Company may reasonably require to demonstrate the authority of Developer to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Developer to act for and bind Developer;
- (i) closing statement in form and content satisfactory to the City and Developer;

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(j) the duly executed certificate in the form of Exhibit T attached hereto regarding the continued accuracy of Developer's representations and warranties as required by Subsection 8.1(f) hereof;

(k) the duly executed Construction Management Agreement; and

(l) the duly executed Memorandum of Construction Management Agreement.

9.4 City's Delivery of Documents and Funds

At or before the Closing, the City or its nominee shall deliver to Developer through escrow the following:

(a) an acceptance of the Deed executed by the City's Director of Property;

(b) four (4) duly executed counterparts of the Assignment of Intangible Property in the form attached hereto as Exhibit K;

(c) a closing statement in form and content satisfactory to the City and Developer, executed by City;

(d) the duly executed certificate in the form of Exhibit T attached hereto regarding the accuracy of the City's representations and warranties as required by Subsection 8.2(a) hereof;

(e) the balance of the Purchase Price, as provided in Article 5;

(f) such resolutions, authorizations, or other documents or agreements relating to City as Developer or the Title Company may reasonably require to demonstrate the authority of City to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of City to act for and bind City;

(g) the Reciprocal Easement, duly executed by the City;

(h) the duly executed Construction Management Agreement; and

(i) the duly executed Memorandum of Construction Management Agreement.

9.5 Other Documents

Developer and City shall each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof, including, without limitation, an agreement (the "**Designation Agreement**") designating Title Company as the "Reporting Person" for the transaction pursuant to section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder, and executed by Developer, City and Title Company. The Designation Agreement shall be substantially in the form attached hereto as Exhibit R and, in any event, shall comply with the requirements of section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

9.6 Default and Remedies

(a) Default. The City and Developer agree to use good faith efforts to amicably resolve any disputes that may arise concerning the performance by either party of their obligations under this Agreement. If the parties are not able to resolve any dispute (not including Arbitration Matters), either party can refer the matter to nonbinding mediation in accordance with Section 3.2. If the parties cannot resolve a dispute through such mediation, or if neither party initiates mediation within ten (10) days of notification of the dispute, then the party alleging a breach or default by the other shall send to the other party a notice of default. Any notice of default given by a party shall specify the nature of the alleged default and, where appropriate, the manner in which the default may be satisfactorily cured (if at all). The following shall constitute a default or breach of this Agreement (subject to expiration of all notice and cure periods as set forth below and subject to the limitations set forth below):

(i) the failure to make any payment (between the parties only) within sixty (60) days following written notice that such payment was not made when due and demand for compliance, excluding the Purchase Price (and for payments of the Purchase Price, the City shall be in default if the required payment is not made within thirty (30) days following written notice that such payment was not made when due);

(ii) a Developer failure to diligently seek all required Regulatory Approvals for the Office Project, and the continuation of such failure for thirty (30) days following receipt of notice from the City;

(iii) the appointment of a receiver to take possession of all or substantially all of the assets of a party (but not a receiver appointed at the request of the other party), or an assignment for the benefit of creditors, or any action taken or suffered by a party under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, if any such receiver, assignment or action is not released, discharged, dismissed or vacated within sixty (60) days;

(iv) a failure to abide by the judgment or decision of the arbitrator following any Arbitration under Section 3.1, and such failure continues for thirty (30) days following written notice, plus any additional time necessary to appeal any arbitration decision to the extent permitted in Section 3.1(e) herein;

(v) a breach of a material representation or warranty under this Agreement, which breach is not or cannot be corrected by the breaching party within sixty (60) days following notice;

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(vi) a transfer or attempted transfer or assignment of a party's rights or obligations under this Agreement without the prior consent of the other party (except as expressly permitted under this Agreement, such as any transfer to a Lender, which shall be permitted), and the failure to cancel or reverse the transfer or assignment within sixty (60) days following written notice and demand for compliance; and

(vii) the failure to perform or fulfill any other material term, provision, obligation, or covenant of this Agreement and the continuation of such failure for a period of sixty (60) days following written notice and demand for compliance, or if such obligation cannot reasonably be cured within sixty (60) days, then the party fails to initiate the cure within thirty (30) days and diligently prosecutes the same to completion within such time as is reasonably required.

Notwithstanding anything to the contrary above, the item listed in clauses (iii) and (iv) above shall not be subject to mediation under Section 3.2 and there will be no cure periods beyond the time period listed above. For purposes of this Agreement, (1) "City Event of Default" shall mean the occurrence of any of the events in Sections 9.6(a)(i), 9.6(a)(iii), 9.6(a)(iv), 9.6(a)(v), 9.6(a)(vi) or 9.6(a)(vii); and (2) "Developer Event of Default" shall mean the occurrence of any of the events in Section 9.6(a); provided, however, notwithstanding the foregoing, neither City nor Developer shall be in default of this Agreement unless the notice and cure period set forth above in this Section 9.6(a) shall have expired (regardless whether the default or breach is curable).

(b) Remedies.

(i) City Remedies Upon Developer Event of Default. Upon the occurrence of a Developer Event of Default, the City shall have as its sole and exclusive remedy the right to elect one of the following:

(A) to terminate this Agreement, and bring an action against Developer for actual damages (including the Non-Refundable Payments made by the City), expressly excluding special, indirect, consequential, remote, incidental or punitive damages or damages for lost profits or opportunities; provided, however, under no circumstances shall Developer's liability for any damages incurred by the City in connection with one or more Developer Events of Default exceed, in the aggregate, the sum of \$8,322,000 (and, for the breach of a representation or warranty, shall not exceed \$1,250,000 as set forth in Section 14.5), or

(B) to bring a suit for specific performance provided that any suit for specific performance must be brought within sixty (60) days following the occurrence of the Developer Event of Default.

(ii) Developer Remedies Upon City Event of Default. Upon the occurrence of a City Event of Default, Developer shall have as its sole and exclusive remedy the right to elect one of the following:

(A) to terminate this Agreement, and bring an action against the City for actual damages (including Design and Entitlement Costs expended by Developer) expressly excluding special, indirect, remote, incidental or punitive damages or damages for lost profits or opportunities; provided, however, under no circumstances shall City's liability for any damages incurred by the Developer in connection with one or more City Events of Default exceed, in the aggregate, the sum of \$8,322,000, and Developer shall be entitled to retain, and City shall not be entitled to receive a credit for, the Non-Refundable Payments made by the City (and, for the

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breach of a representation or warranty, shall not exceed \$1,250,000 as set forth in Section 14.5), or

(B) to bring a suit for specific performance provided that any suit for specific performance must be brought within sixty (60) days following the occurrence of the City Event of Default.

(c) No Personal Liability. Notwithstanding anything to the contrary in this Agreement, (i) no individual board member, director, commissioner, officer, employee, official or agent of the City, direct or indirect, shall be personally liable to Developer in the event of any default by the City, or for any amount which may become due to Developer under this Agreement, and (ii) no individual board member, director, officer, employee, official, partner, member, employee or agent of Developer, direct or indirect, shall be personally liable to the City in the event of any default by Developer or for any amount which may become due to the City under this Agreement.

10. EXPENSES AND TAXES

10.1 Apportionments

The following are to be apportioned through escrow as of the Closing Date:

(a) Utility Charges. Developer shall cause all the utility meters to be read on the Closing Date, and will be responsible for the cost of all utilities used before the Closing Date. Utility charges incurred by Developer prior to the Closing Date shall be included in the Purchase Price.

(b) Other Apportionments. Amounts payable under any contracts approved by the City and liability for other normal Property operation and maintenance expenses and other recurring costs shall be apportioned as of the Closing Date. Developer shall pay all amounts due for the period before Closing, and carrying costs properly incurred in connection with the Office Parcel as generally contemplated by the Project Budget will be included in the calculation of the Purchase Price as set forth in Section 5.1.

10.2 Closing Costs

The City shall pay the cost of the Survey, the premium for the Title Policy and the cost of the endorsements thereto, and escrow and recording fees to the extent not included in the Purchase Price. The cost of any transfer taxes applicable to the sale, if any, and any sales tax on Personal Property shall be paid by the City as part of the Purchase Price. Developer shall be responsible for all costs incurred in connection with the prepayment or satisfaction of Developer's acquisition and development loan, provided such costs shall be included in the Purchase Price. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section or elsewhere in this Agreement shall be allocated in accordance with the closing customs for San Francisco County, as determined by Title Company, and, to the extent payable by Developer and incurred by Developer to perform its obligations under this Agreement (and not caused by Developer's negligence or error as set forth in Section 5.1), shall be included in the Purchase Price.

10.3 Real Estate Taxes and Special Assessments

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General real estate taxes payable for the tax year prior to the year of Closing and all prior years shall be paid by Developer at or before the Closing and shall be included in the Purchase Price. General real estate taxes payable for the tax year of the Closing shall be prorated through escrow and paid by Developer and City as of the Closing Date, and, with respect to amounts payable by Developer, shall be included in the Purchase Price. At or before the Closing, as part of the Purchase Price, Developer shall pay the full amount of any special assessments against the Property, including, without limitation, interest payable thereon, applicable to the period prior the Closing Date.

10.4 Post-Closing Reconciliation

If any of the foregoing prorations cannot be calculated accurately on the Closing Date, then they shall be calculated as soon after the Closing Date as feasible. Either party owing the other party a sum of money based on such subsequent prorations shall promptly pay such sum to the other party.

10.5 Survival

The provisions of this Section shall survive the Closing.

11. REPRESENTATIONS AND WARRANTIES; RELEASE

11.1 Representations and Warranties of Developer

Except as set forth in Exhibit N ("Developer's General Disclosures"), Developer represents and warrants to and covenants with the City as follows:

(a) To Developer's actual knowledge, there are no material physical or mechanical defects of the Property, and no violations of any laws, rules or regulations applicable to the Property, including, without limitation, any earthquake, life safety and handicap laws (including, but not limited to, the Americans with Disabilities Act); provided, this representation shall not apply as to the existing improvements on the Property that are to be demolished as part of the Office Project.

(b) To Developer's actual knowledge, the Documents furnished to the City are all of the relevant documents and information pertaining to the condition and operation of the Property. The Assumed Contracts delivered to the City are true, correct and complete copies of such Assumed Contracts, and at the time of Closing, except as disclosed to City at Closing, will be in full force and effect without default by (or notice of default to) any party.

(c) To Developer's actual knowledge, except as disclosed to City, no document or instrument furnished by the Developer to the City in connection with this Agreement contains any untrue statement of material fact or is materially misleading.

(d) Developer has not received written notification from any governmental agency of any condemnation, either instituted or planned to be instituted, by any governmental or quasi-governmental agency other than the City, which could detrimentally affect the use, operation or value of the Property.

(e) To Developer's actual knowledge, all water, sewer, gas, electric, telephone, and drainage facilities and all other utilities required by law or by the normal use and operation of the

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Property will be installed to the property lines of the Property at the time the Office Project is completed, and are expected to be, at the time the Office Project is completed, adequate to service the Office Project.

(f) To Developer's actual knowledge, other than the REA that will be executed at Closing, there are no easements or rights of way burdening the Property which are not of record with respect to the Property, and, except as disclosed to City in writing and except for the REA that will be executed at Closing, to Developer's actual knowledge, there are no easements, rights of way, permits, licenses or other forms of agreement which afford third parties the right to traverse any portion of the Property to gain access to other real property. To Developer's actual knowledge, there are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

(g) Developer has not received service of process with respect to any litigation that might detrimentally affect the use or operation of the Office Parcel for its intended purpose or the value of the Property or the ability of Developer to perform its obligations under this Agreement.

(h) Developer is the legal and equitable owner of the Property, with full right to convey the same, and without limiting the generality of the foregoing, and, except as provided in this Agreement, Developer has not granted any option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Property.

(i) Developer is a limited liability company duly organized and validly existing under the laws of the State of Delaware and is in good standing under the laws of the State of California; this Agreement and all documents executed by Developer which are to be delivered to the City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by Developer, are, or at the Closing will be, legal, valid and binding obligations of Developer, enforceable against Developer in accordance with their respective terms, are, and at the Closing will be, sufficient to convey good and marketable title (if they purport to do so), and do not, and at the Closing will not, violate any provision of any agreement or judicial order to which Developer is a party or to which Developer or the Property is subject.

(j) Developer represents and warrants to the City that it has not been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Developer has been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by the City.

(k) To Developer's actual knowledge, (i) except as described in the Documents or in Exhibit O ("**Developer's Environmental Disclosure**") the Property is not in violation of any Environmental Laws; (ii) the Property is not now, nor has it ever been, used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except as described in the Documents or in Exhibit O and except for the use of such substances in such limited amounts as are customarily used in the construction or operation of office buildings and which are used in compliance with Environmental Laws; (iii) except as disclosed in the Documents or Exhibit O, there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property in violation of Environmental Laws; (iv) except as disclosed in the Documents or Exhibit O, there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store Hazardous Material located in, on or under

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the Property, or if there have been or are any such tanks or wells located on the Property, their location, type, age and content has been specifically identified in Developer's Environmental Disclosure, they have been properly registered with all appropriate authorities, they are in full compliance with all applicable statutes, ordinances and regulations, and they have not resulted in the release or threatened release of any Hazardous Material into the environment; (v) except as disclosed in the Documents or Exhibit O, the Property does not consist of any landfill or of any building materials that contain Hazardous Material in violation of Environmental Laws; and (vi) except as disclosed in the Documents or Exhibit O, the Property is not subject to any claim by any governmental regulatory agency or third party related to the release or threatened release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from or to other property. As used herein, the following terms shall have the meanings below:

(i) "Environmental Laws" shall mean any present or future federal, state or local laws, ordinances, regulations or policies relating to Hazardous Material (including, without limitation, their use, handling, transportation, production, disposal, discharge or storage) or to health and safety, industrial hygiene or environmental conditions in, on, under or about the Property, including, without limitation, soil, air and groundwater conditions.

(ii) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. section 9601 et seq.) or pursuant to section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Improvements or are naturally occurring substances on or about the Property; petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids; and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. section 3011 et seq.

(iii) "Release" or "threatened release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any of the improvements, or in, on, under or about the Property. Release shall include, without limitation, "release" as defined in section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601).

(l) There are no contracts encumbering the Property that will be binding on the City after the Closing except for the Assumed Contracts (including contracts approved by the City during this Agreement for assumption at Closing), the Accepted Conditions of Title, and any Project Contracts.

(m) Developer is not a "foreign person" within the meaning of section 1445(f)(3) of the Federal Tax Code.

For purposes hereof, the phrase "to Developer's actual knowledge" shall mean the actual knowledge of Matt Witte, William Witte, and Frank Cardone, and includes information obtained

by Developer during its due diligence in the acquisition of the Goodwill Site. Developer represents that these are the persons within Developer's organization that have the most knowledge of the Goodwill Site and the Office Parcel, and are therefore in the best position to give these representations.

11.2 Representations and Warranties of City

The City represents and warrants to and covenants with Developer as follows:

(a) The City is a charter city and county, duly organized and validly existing under the laws of the State of California; this Agreement and all documents executed by the City which are to be delivered to the City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by the City, are, or at the Closing will be, legal, valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, and at the Closing will not, violate any provision of any agreement or judicial order to which the City is a party or to which the City is subject.

(b) The City has not received service of process with respect to any litigation that might detrimentally affect the ability of the City to perform its obligations under this Agreement.

11.3 Acknowledgements by City

Although the City is not authorized to commit, as of the date of this Agreement, to issue COPs, the City confirms that it fully intends to seek authorization on the PSA Ratification Date to enter into the Construction Management Agreement and pay all amounts payable thereunder when due, and to issue COPs and thereafter to seek issuance of COPs in order to satisfy the Financing Contingency. The City also agrees that it is not entitled to claim, and shall not claim, sovereign immunity under applicable laws in any breach of contract action or action for specific performance that may be initiated by Developer under the terms of this Agreement.

12. RISK OF LOSS, INSURANCE, AND POSSESSION

12.1 Risk of Loss

If any of the Property is damaged or destroyed before the Closing Date, or if condemnation proceedings are commenced against any of the Property, then the rights and obligations of Developer and City hereunder shall be as follows:

(a) If the Property is damaged or destroyed, then Developer shall notify the City of any potential increases (to the extent not covered by insurance) or decreases in Project Costs resulting from such damage. As the existing improvements are intended to be destroyed, Developer shall not be responsible under this Agreement to rebuild such improvements but instead shall take appropriate steps to ensure the safety of all occupants and surrounding property. If any damage is not repaired by Developer, and such damage or destruction is estimated by the Construction Contractor to cause the City's cost of constructing the Office Project to exceed the Maximum Cost and Developer does not elect (with no obligation to so elect) to cover such increase in the Maximum Cost by reducing the Purchase Price or the Development Services Fee, then the City may elect to either terminate this Agreement or increase the Maximum Cost as needed. The City shall make its election of whether to increase the Maximum Cost within forty-five (45) days of learning of the amount of the increase (and any

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such increase in the Maximum Cost will be subject to the approval of the Board of Supervisors by resolution).

(c) In the event of any threatened condemnation proceedings, the parties shall meet and confer in good faith to discuss the potential condemnation and the appropriate response. If the proposed condemnation does not cause a Material Adverse Effect, as reasonably determined by the City, then the parties shall proceed with the Office Project, making any necessary adjustments, and any and all condemnation proceeds will be used by the City in connection with the construction of the Office Project. If the proceeds have not been paid as of the Closing, Developer shall assign to City at Closing all of Developer's rights in and to the condemnation proceeds. If the proposed condemnation causes a Material Adverse Effect, then the City shall have the right to terminate this Agreement on forty-five (45) days prior written notice.

(d) Upon any termination under this Section 12.1, the City shall pay to Developer the City's Share of the Design and Entitlement Costs. Upon such payment, this Agreement shall terminate without cost or liability to either party.

13. MAINTENANCE; CONSENT TO NEW CONTRACTS

13.1 Maintenance of the Property by Developer

During the term of this Agreement (a) so long as the Goodwill Lease is in effect, Developer shall enforce its rights under the Goodwill Lease to require Goodwill to maintain the Property consistent with Goodwill's obligations under the Goodwill Lease, and (b) upon termination of the Goodwill Lease and Goodwill vacating its premises thereunder, Developer shall use commercially reasonable efforts to maintain the Property in good order, condition and repair, reasonable wear and tear excepted, as if Developer were retaining the Property. Developer shall not extend the existing term of the Goodwill Lease without City's approval.

13.2 City's Consent to New Contracts Affecting the Property; Termination of Existing Contracts

Except for the REA, the Assumed Contracts, the Project Contracts approved by the City, the Pre-Approved Project Contracts, and the Accepted Conditions to Title, Developer shall not enter into any lease or contract, or any amendment thereof, that will affect the Property after the completion of the Office Project, without in each instance obtaining the City's prior written consent thereto. The City agrees that it shall not unreasonably withhold any such consent and, in connection therewith, acknowledges that there are likely to be easements that Developer must provide in order to develop and operate the Office Project, all of which shall be considered Accepted Conditions to Title upon the City's approval of the same (which approval will not be unreasonably withheld or delayed). Developer shall terminate before the Closing, at no cost or expense to City, any and all agreements affecting the Property except for the Assumed Contracts, the Project Contracts, the Pre-Approved Project Contracts and the Accepted Conditions to Title, and shall use commercially reasonable efforts to cause any tenants or other occupants to vacate the Office Parcel before the Closing. The provisions set forth in the foregoing sentence of this Section shall survive the Closing with respect to any agreements Developer fails to terminate as required by such sentence, but only to the extent City did not have actual knowledge of any such agreement or the Developer's failure to terminate the same as of the Closing.

14. GENERAL PROVISIONS

14.1 Notices

Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, against receipt, (ii) one (1) day after being deposited with a reliable overnight courier service, or (iii) two (2) days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

City:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: **Goodwill Office Building**
Facsimile No.: (415) 552-9216

with copy to:

Charles Sullivan
Deputy City Attorney
Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Re: **Goodwill Office Building**
Facsimile No.: (415) 554-4755

Developer:

c/o Related California Urban Housing, LLC
18201 Von Karman Ave., Suite 900
Irvine, CA 92612
Attn: Bill Witte and Frank Cardone
Facsimile No.: ()

with a copy to:

Greenberg Traurig LLP
3161 Michelson Drive, Suite 1000
Irvine, California 92612
Attention: L. Bruce Fischer, Esq.
Telephone No.: (949) 732-6670
Fax No.: (949) 732-6501

and a copy by email to:

Matthew Witte
100 Bayview Circle
Suite 550
Newport Beach, California 92660
Telephone No.: (949) 697-8123
Email Address: mwwitte360@gmail.com

or to such other address as either party may from time to time specify in writing to the other upon five (5) days prior written notice in the manner provided above. For convenience of the parties, copies of notices may also be given by telefacsimile, to the telephone number listed

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above, or such other numbers as may be provided from time to time. However, neither party may give official or binding notice by facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice.

14.2 Brokers and Finders

Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the purchase and sale contemplated herein, except for Tom Christian of the brokerage firm of Cassidy Turley ("CT") and neither buyer nor developer has engaged any other broker in connection with this proposed transaction. CT shall have earned a fee of up to \$2 million, which fee shall be included in the Purchase Price and shall be paid to CT from Developer's proceeds at the Closing for the City's acquisition of the Office Parcel. Developer shall be responsible for payment of any fee to CT in connection with this transaction, and in no event shall City or Developer be responsible for payment to CT if the City fails to acquire the Office Parcel for any reason. Developer shall hold the City harmless from any claims by CT against the City related to the Office Parcel. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his or her claim shall be responsible for such commission or fee and shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section shall survive the Closing for the applicable statute of limitations.

14.3 Successors and Assigns

Neither party shall assign or transfer its rights or obligations under this Agreement without first obtaining the prior written consent of the other party; provided (i) the City shall have the right, upon notice to Developer, to assign its right, title and interest in and to this Agreement to a nominee to satisfy the Financing Contingency at the Closing except that the City shall not be released from its obligations under this Agreement and any such assignee shall assume all of City's obligations under this Agreement in accordance with an assignment and assumption agreement reasonably acceptable to Developer and (ii) Developer shall have the right to assign this Agreement to an entity in which an affiliate of Developer is the managing member, the manager or the sole member, except that Developer shall not be released from its obligations under this Agreement and such assignee shall assume all of Developer's obligations under this Agreement pursuant to an assignment and assumption agreement reasonably acceptable to the City.

14.4 Amendments

Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by the City and Developer.

14.5 Continuation and Survival of Representations and Warranties; Survival of Certain Covenants and Conditions.

All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement shall, subject to the terms and conditions of this Agreement,

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be deemed to be material, and, (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing for a period of one (1) year following the Closing (and shall survive in any action for termination and/or damages based upon the alleged breach of the representation or warranty that is filed within the time frames permitted under this Agreement); provided, however, in no event shall the City's or Developer's liability, if any, following the Closing, with respect to the breach of any representations and warranties, exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) in the aggregate. Except as otherwise expressly provided in this Agreement, none of the covenants or conditions of the Developer or the City under this Agreement shall (a) survive the termination of this Agreement, except in connection with an action by such party for termination of this Agreement and damages based on the alleged breach of such covenant or condition, or (b) survive the Closing. In addition, notwithstanding anything to the contrary in this Agreement, to the extent either Developer or the City has actual knowledge of a breached representation or warranty at the time of the Closing, such party with actual knowledge of such breached representation or warranty shall have no right to assert a claim against the other party after the Closing to the extent such claim relates to such breached representation or warranty.

14.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

14.7 Merger of Prior Agreements

The parties intend that this Agreement (including all of the attached exhibits and schedules, which are incorporated into this Agreement by reference) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

14.8 Parties and Their Agents; Approvals

As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party. Notwithstanding anything stated to the contrary herein, all approvals, consents or other determinations required by City hereunder shall be made by or through City's Director of Property and any approval by the City's Director of Property shall constitute the approval by the City (as noted above, the City is acting in its proprietary capacity under this Agreement, so any City regulatory actions, including the issuance or denial of any Regulatory Approval, shall not be a City approval or action under this Agreement). All approvals, consents or other determinations required by the City or Developer must be in writing except to the extent deemed approved in accordance with the terms of this Agreement. Notwithstanding anything stated to the contrary in this Agreement, with respect to all approvals and/or consents required under this Agreement, if a party fails to approve, disapprove or approve conditionally any approval or consent requested by the other party in writing within seven (7) business days following receipt of a written request for approval or consent, so long as the applicable documents are complete (and if such documents are not complete, the recipient shall so notify the sender in writing within three (3) business days following receipt of the documents), then the requesting party may submit a second written

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notice to the other party requesting approval of the submittal within three (3) business days after the second notice. If the recipient fails to respond to the second notice within such three (3) business day period, and the item will increase the Project Cost by Two Hundred Fifty Thousand Dollars (\$250,000) or less (for a request to the City) or reduce the Developer Fee by Two Hundred Fifty Thousand Dollars (\$250,000) or less (for a request to Developer), then the submittal and documents shall be deemed approved. A party's failure to timely respond to the other party's request for an approval, consent or determination of any matter shall constitute a failure by such party to comply with a material term of this Agreement.

14.9 Interpretation of Agreement

The article, section and other headings of this Agreement and the table of contents are for convenience of reference only and shall not affect the meaning or interpretation of any provision contained herein. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa, and each gender reference shall be deemed to include the other and the neuter. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

14.10 Attorneys' Fees

In the event that either party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

14.11 Sunshine Ordinance

Developer understands and agrees that under the City's Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (Gov. Code section 6250 et seq.), this Agreement and any and all records, information, and materials submitted to the City hereunder are public records subject to public disclosure. Developer

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hereby acknowledges that the City may disclose any records, information and materials submitted to the City in connection with this Agreement.

14.12 Memorandum of Agreement; Memorandum of Construction Management Agreement.

(a) Memorandum of Agreement.

Promptly following the Effective Date, the parties shall execute and acknowledge a memorandum hereof, on the form attached hereto as Exhibit Q, which will be recorded in the Official Records of the County in San Francisco, California. The City agrees, upon no less than ten (10) business days prior written notice from Developer, to execute, deliver and record in the Official Records of the County of San Francisco, California, a subordination agreement substantially in the form attached hereto as Exhibit U, in favor of a lender that has provided to Developer a predevelopment and acquisition loan (the "**Initial Lender**") for the Goodwill Site (subordinating the memorandum and the terms of this Agreement) to the lien of any deed of trust or other security interest securing a loan made by the Initial Lender.

(b) Release of Memorandum of Agreement.

Following the subdivision of the Residential Parcel, and within five (5) business days following Developer's written request, the City shall execute and record in the Official Records of the County of San Francisco, California, a release, releasing the memorandum referenced in Section 14.12(a) above from the Residential Property.

(c) Memorandum of Construction Management Agreement. Concurrently with the Closing, the City and Developer shall execute and acknowledge a memorandum ("**Memorandum of Construction Management Agreement**") of the Construction Management Agreement, on the form attached hereto as Exhibit V, which will be recorded against the Office Parcel in the Official Records of the County of San Francisco, California.

14.13 Counterparts

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

14.14 Effective Date

As used herein, the term "**Effective Date**" shall mean the date on which (i) the City's Board of Supervisors and Mayor adopt an ordinance approving and authorizing this Agreement and the transactions contemplated hereby, including authorization to proceed with the Design and Entitlement Work, and (ii) each party executes and delivers this Agreement to the other party. The Effective Date of this Agreement is _____, 2014 [*to be inserted when the date is determined*].

14.15 Severability

If any provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this

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Agreement shall be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Agreement without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Agreement.

14.16 Agreement Not to Market

Developer agrees that unless and until this Agreement terminates pursuant to its terms, neither Developer, nor any Agent on behalf of Developer, shall negotiate with any other parties pertaining to the sale of the Property and shall not market the Property to third parties. The City agrees that unless and until this Agreement terminates pursuant to its terms, neither the City, nor any Agent on behalf of the City, shall negotiate with any other party for the lease or purchase of any other property (site or building) in which to relocate the City personnel intended to occupy the Office Project. The City can elect different City departments for intended occupancy of the Office Project at any time.

14.17 Confidential Information

Developer understands and agrees that, in the performance of its obligations under this Agreement, Developer may have access to the City's proprietary or confidential information, the disclosure of which to third parties may be damaging to the City. City understands and agrees that, in the performance of its obligations under this Agreement, City may have access to Developer's proprietary or confidential information, the disclosure of which to third parties may be damaging to Developer. Each party agrees to identify any information it gives to the other that it deems proprietary or confidential, and each party agrees to use reasonable care to safeguard any proprietary or confidential information from public disclosure. Notwithstanding the foregoing, if and to the extent any document or information is subject to disclosure under federal, state, or local law, including the California Public Records Act or the San Francisco Sunshine Ordinance, or a court order, such disclosure shall not be deemed a violation of this Agreement. Each party shall use reasonable efforts to notify the other of any disclosure request relating to any document marked as proprietary or confidential and discuss the basis for disclosing or withholding the document. If a party determines that it must, under applicable law, disclose a document that the other party has marked as proprietary and confidential, it shall provide the other party not less than 48 hours' notice before any such disclosure in order to allow for the noticed party to seek an injunction to prevent the disclosure, provided that failure to provide such notice or any disclosure shall not be the basis for any liability under this Agreement.

14.18 Section References for Terms Defined in this Agreement

Each of the following terms is defined in the Section of this Agreement or in the Exhibit listed opposite it.

Term	Section/Exhibit
Accepted Conditions of Title	Section 6.2
Agents	Section 14.8
Agreement	Introduction
Anticipated Closing Date	Section 9.2
Apportionment	Section 1.3 (f)
Approved Contractors	Section 1.3 (e)

EXECUTION VERSION

Appurtenances	Section 4.1 (c)
Arbitration Matter	Section 3.1 (a)
Arbitration Notice	Section 3.1 (b)
Architect	Section 1.3 (a)
Architect Contract	Section 1.3 (a)
Assignment of Intangible Property	Section 6.4
Assumed Contracts	Section 6.4
Bill of Sale	Section 6.3
Board	Recitals-Paragraph B
CEQA	Recitals-Paragraph F
CEQA Contingency	Section 1.4
CEQA Date	Section 1.5
CEQA Document	Section 1.4
CEQA Rejection	Section 1.6
City	Introduction
City's Conditions Precedent	Section 8.2
City Event of Default	Section 9.6 (a)
City Exception	Recitals – Paragraph D
City's Releasers	Section 7.4
City's Share	Section 1.3 (h)
Closing	Section 9.2
Closing Date	Section 9.2
Construction Contract	Section 1.3(b)
Construction Cost Report	Section 2.1(b)
Construction Management Agreement	Section 2.1 (a)
COPs	Section 1.9
CT	Section 14.2
Deed	Section 6.1
Design and Entitlement Costs	Section 1.3 (e)
Design and Entitlement Cost Report	Section 1.3 (e)
Design and Entitlement Work	Section 1.3 (a)
Designation Agreement	Section 9.5
Developer	Introduction
Developer's Conditions Precedent	Section 8.2
Developer's Environmental Disclosure	Section 11.1 (k)
Developer Event of Default	Section 9.6 (a)
Developer's General Disclosures	Section 11.1
Developer Parties	Section 7.6
Developer's Releaser's	Section 7.5
Development Services Fee	Exhibit P
Director of Property	Recitals-Paragraph E
Documents	Section 7.1
Due Diligence Period	Section 7.2

EXECUTION VERSION

Effective Date	Section 14.14
ENA	Recitals-Paragraph B
Entitlement Budget	Section 1.3 (a)
Environmental Review	Recitals-Paragraph F
Existing Plans	Recitals-Paragraph A
Extension	Section 9.2
Federal Tax Code	Section 5.2
Financing Contingency	Section 1.9
General Contractor	Section 1.3
Goodwill	Section 8.2(e)
Goodwill Lease	Section 8.2(e)
Goodwill Site	Recitals-Paragraph A
Improvements	Section 4.1 (a)
Indemnitees	Section 2.7
Intangible Property	Section 4.1 (e)
JAMS	Section 3.1 (b)
Labor Requirements	Section 2.6 (a)
Material Adverse Effect	Section 8.2
Maximum Cost	Section 2.1 (b)
Mediation Matter	Section 3.2 (a)
Mediation Request	Section 3.2 (b)
Memorandum of Construction Management Agreement	Section 14.12(c)
Non-Refundable Payments	Recitals-Paragraph C
Office Parcel	Recitals-Paragraph A
Office Project	Recitals-Paragraph A
Outside CEQA Date	Section 1.5
Personal Property	Section 4.1 (d)
Pre-Approved Project Contract	Section 1.3 (b)
Private Loan Transaction Terms	Section 1.9 (c)
Project Budget	Section 1.1 (c)
Project Contractor	Section 2.2
Project Contracts	Section 1.3 (b)
Project Cost	Section 2.1 (b)
Prop M Allocation	Section 1.9 (c)
Proposed Entitlements	Recitals-Paragraph D
Property	Section 4
PSA Ratification Date	Section 1.6
Purchase Price	Section 5.1 (a)
Reciprocal Easement	Section 9.3 (e)
Residential Parcel	Recitals-Paragraph A
Residential Project	Recitals-Paragraph A
Regulatory Approvals	Section 1.1 (a)

EXECUTION VERSION

State Tax Code	Section 5.2
Survey	Section 8.1 (c)
Title Company	Section 6.2
Title Policy	Section 6.2

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, DEVELOPER ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AGREEMENT UNLESS AND UNTIL APPROPRIATE LEGISLATION OF CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON THE DUE ENACTMENT OF SUCH LEGISLATION, AND THIS AGREEMENT SHALL BE NULL AND VOID IF CITY'S BOARD OF SUPERVISORS AND MAYOR DO NOT APPROVE THIS AGREEMENT, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH LEGISLATION WILL BE ENACTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

EXECUTION VERSION

The parties have duly executed this Agreement as of the respective dates written below.

DEVELOPER:

GOODWILL SF URBAN DEVELOPMENT, LLC,
a Delaware limited liability company

By: THE NICHOLAS COMPANY, INC., a
Delaware corporation, its non-member
manager

By: _____
WILLIAM A. WITTE, President

Date: _____

CITY:

CITY AND COUNTY OF SAN
FRANCISCO, a Charter city and county

By: _____
JOHN UPDIKE
Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Charles Sullivan
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

PARCEL A: (LOT 6)

BEGINNING AT THE POINT OF INTERSECTION OF THE NORTHWESTERLY LINE OF MISSION STREET WITH THE SOUTHWESTERLY LINE OF 11TH STREET; THENCE S46° 18' 09"W ALONG SAID LINE OF MISSION STREET 285 FEET; THENCE N43° 41' 51"W 215 FEET; THENCE S67° 30' 32"W 62.19 FEET TO THE EASTERLY LINE OF SOUTH VAN NESS AVENUE; THENCE N12° 52' 48"W ALONG SAID LINE OF SOUTH VAN NESS AVENUE 43.67 FEET TO A POINT PERPENDICULARLY DISTANT 275 FEET NORTHWESTERLY FROM SAID NORTHWESTERLY LINE OF MISSION STREET; THENCE N46° 18' 09"E PARALLEL WITH SAID LINE OF MISSION STREET 320.607 FEET TO SAID SOUTHWESTERLY LINE OF 11TH STREET; THENCE S43° 41' 51"E ALONG SAID LINE OF 11TH STREET 275 FEET TO THE POINT OF BEGINNING.

BEING A PORTION OF ASSESSOR'S BLOCK NO. 3506.

PARCEL B: (LOT 7)

BEGINNING AT A POINT ON THE NORTHWESTERLY LINE OF MISSION STREET, DISTANT THEREON S46° 18' 09"W 285 FEET FROM THE SOUTHWESTERLY LINE OF 11TH STREET; THENCE N43° 41' 51"W 215 FEET; THENCE S67° 30' 32"W 62.19 FEET TO THE EASTERLY LINE OF SOUTH VAN NESS AVENUE; THENCE S12° 52' 48"E ALONG SAID LINE OF SOUTH VAN NESS AVENUE 255.412 FEET TO THE WESTERLY TERMINUS OF A CURVE WITH A RADIUS OF 12 FEET WHICH CONNECTS SAID LINE OF SOUTH VAN NESS AVENUE WITH SAID NORTHWESTERLY LINE OF MISSION STREET; THENCE SOUTHEASTERLY, EASTERLY AND NORTHEASTERLY ALONG SAID CURVE TO THE LEFT, A DISTANCE OF 25.30 FEET; THENCE N46° 18' 09"E ALONG SAID NORTHWESTERLY LINE OF MISSION STREET 178.52 FEET TO THE POINT OF BEGINNING.

BEING A PORTION OF ASSESSOR'S BLOCK NO. 3506.

THIS DESCRIPTION IS PURSUANT TO THAT CERTAIN CERTIFICATE OF COMPLIANCE, RECORDED APRIL 13, 1993 AS INSTRUMENT NO. F334487 IN REEL F856, IMAGE 0419 OF OFFICIAL RECORDS.

APN: Lot: 002; Blk: 3506

EXHIBIT B

OFFICE PARCEL DESCRIPTION

The area depicted as the "Office Parcel" in the diagram shown below, subject to any non-material modifications to the boundary lines required to accommodate the anticipated development of the Residential Project, which non-material modifications shall be finalized on or before the PSA Ratification Date.

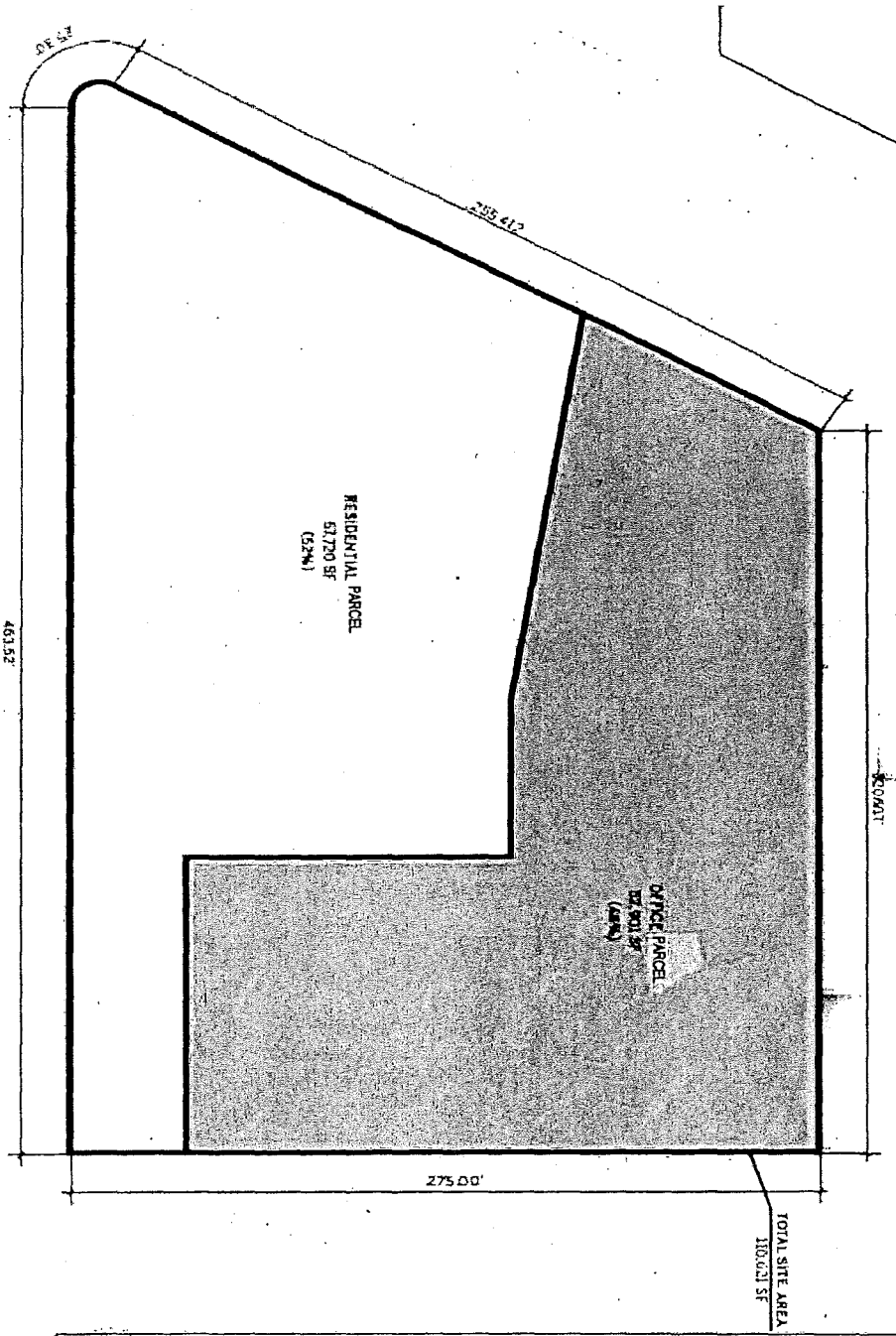
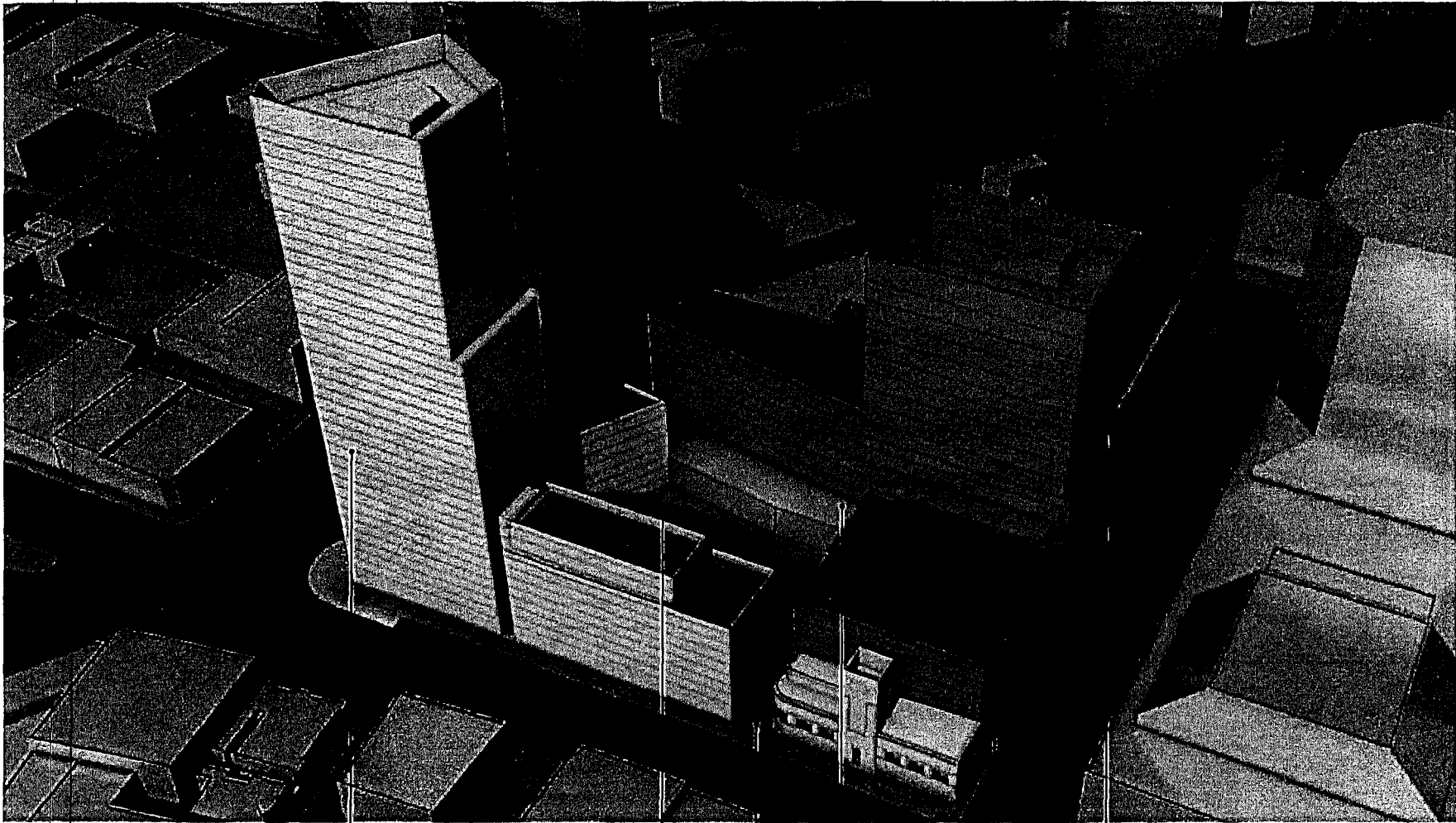


EXHIBIT B-1
EXISTING PLANS



ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
RELATED
15 OCTOBER 2014

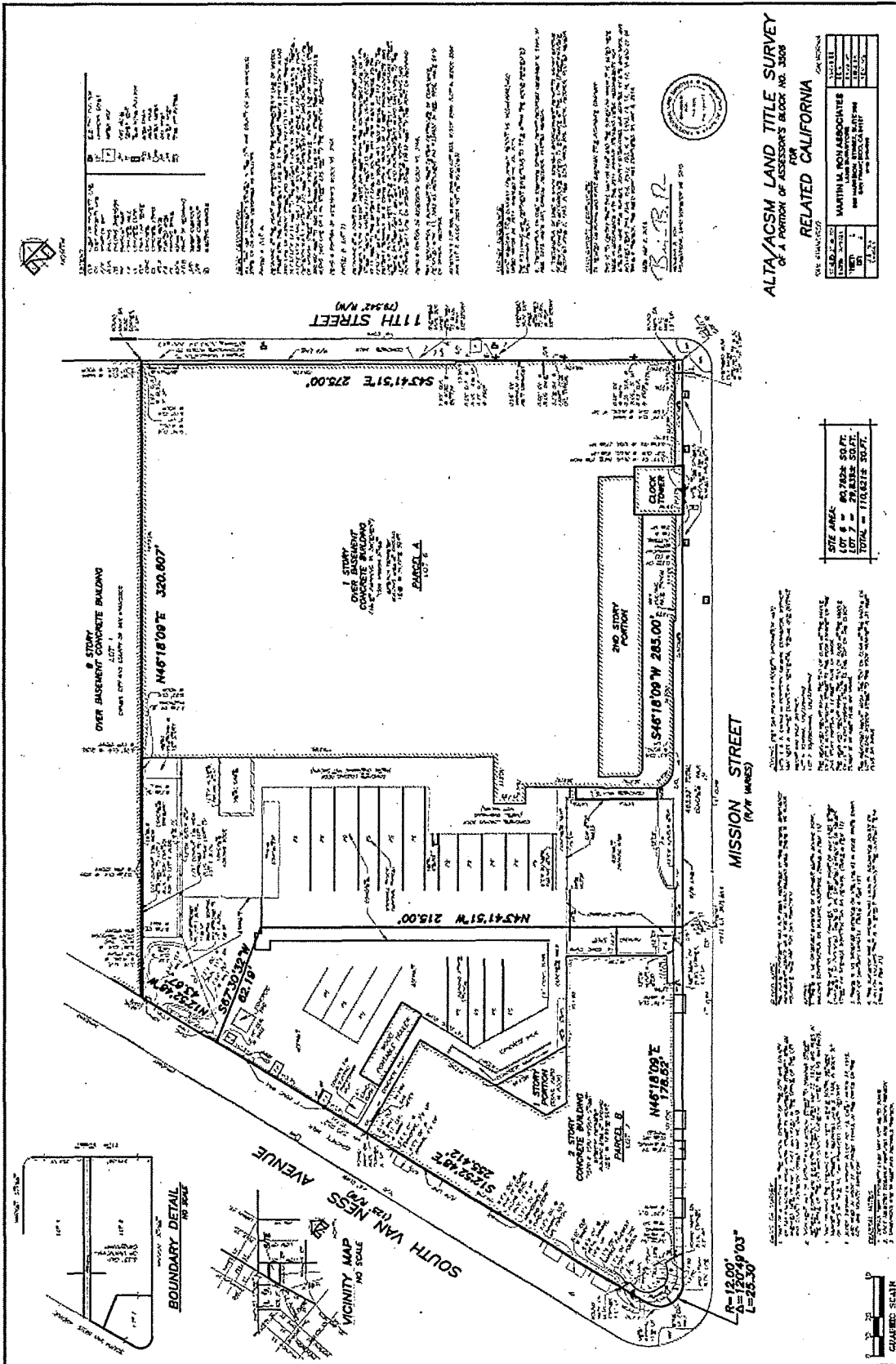
SITE CONTEXT



RESIDENTIAL DEVELOPMENT MID-BLOCK RES. OPEN SPACE MID-BLOCK PEDESTRIAN PASSAGE MID-BLOCK CONCOURSE GREEN ROOF 463,300 SF CITY OFFICE BUILDING

SITE DIAGRAM FROM ABOVE

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 15 OCTOBER 2014 RFI 4TF0



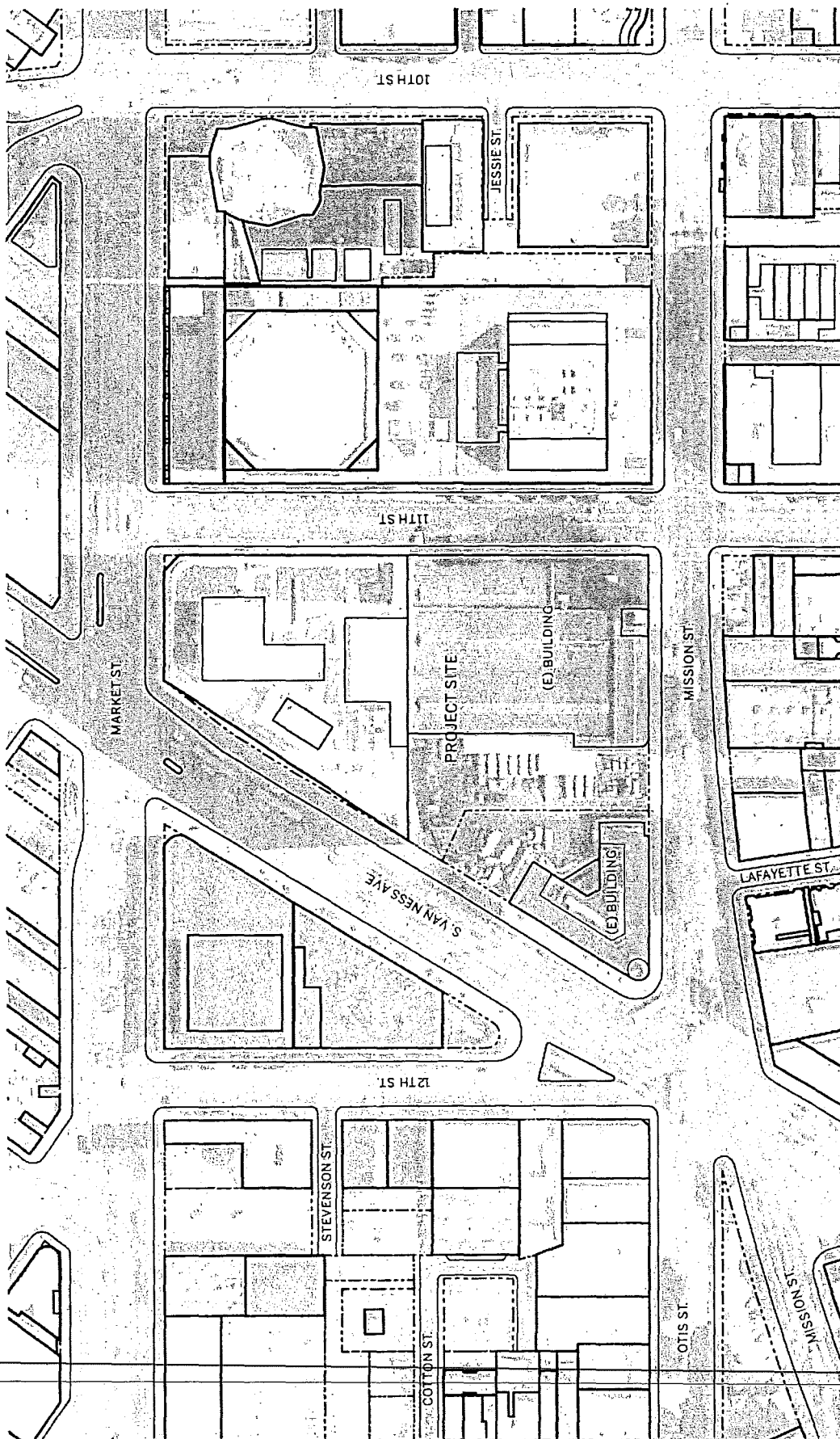
ALTA/ACSM LAND TITLE SURVEY
 OF A PORTION OF ASSESSOR'S BLOCK NO. 3008
 FOR
RELATED CALIFORNIA

DATE OF SURVEY	11/11/14
BY	MARTIN M. POH ASSOCIATES
FOR	RELATED CALIFORNIA
SCALE	AS NOTED
PROJECT NO.	14-000000000000000000
LOT NO.	1
TOWNSHIP	30N 02E
RANGE	12E
COUNTY	SAN FRANCISCO

SITE AREA
 60,700 SQ. FT.
LOT #
 1
TOTAL = 110,825 SQ. FT.

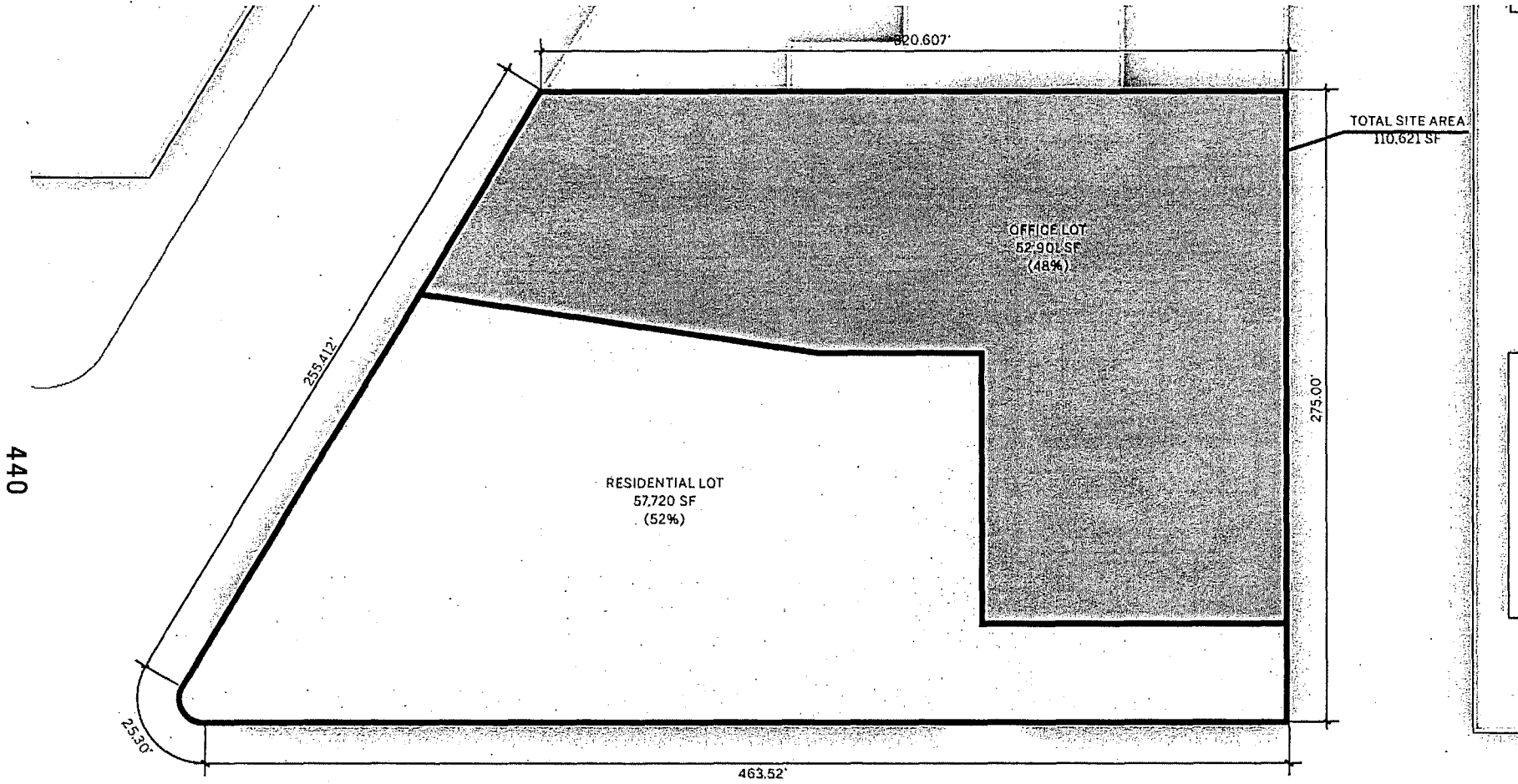
ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 RELATED
 15 OCTOBER 2014

SITE SURVEY
 SCALE: AS NOTED



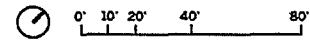
ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 RELATED
 15 OCTOBER 2014

LOCATION MAP
 SCALE: 1" = 100'-0"

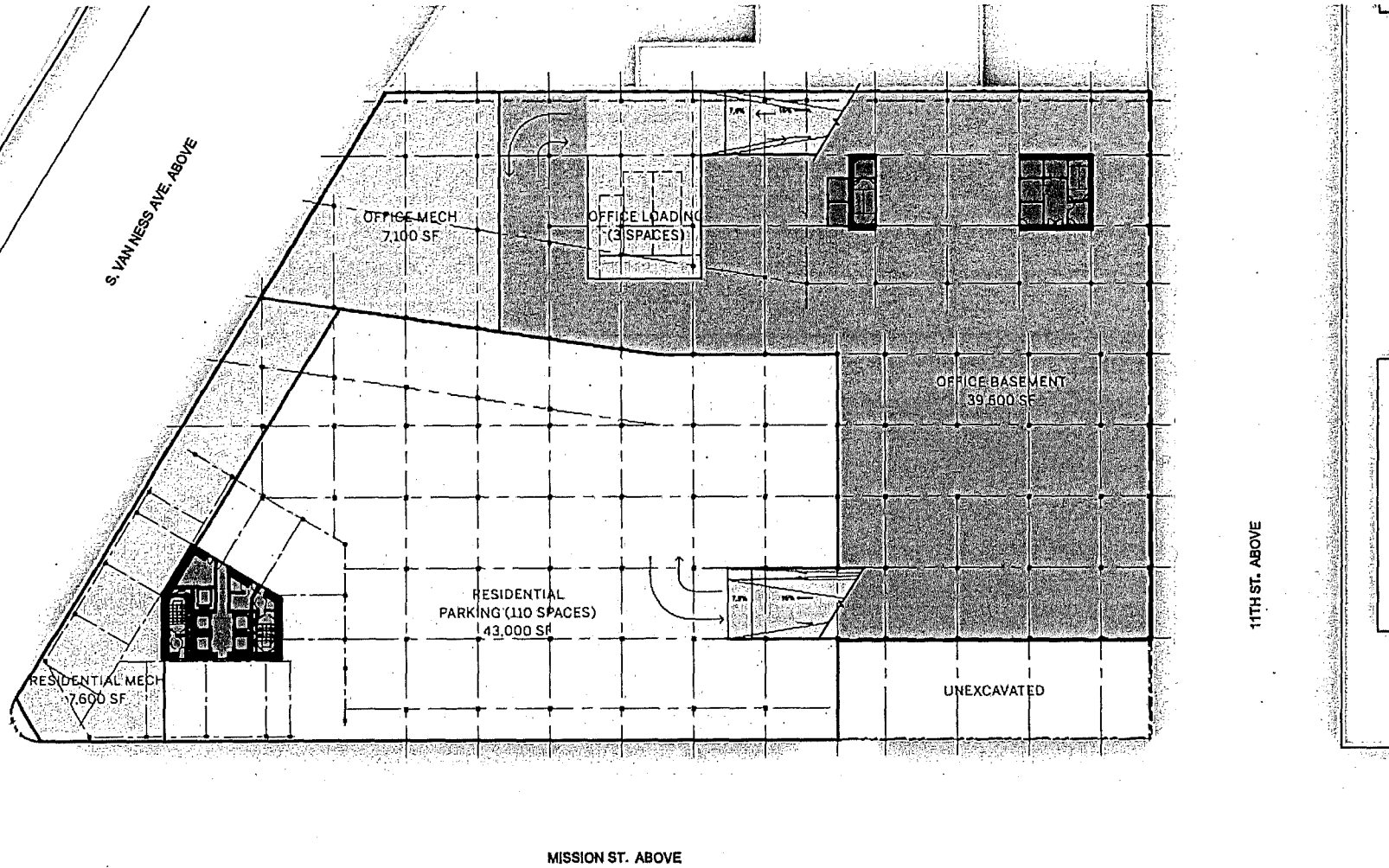


LAND USE DIAGRAM
SCALE: 1"=40'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED

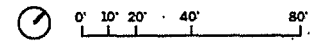


441

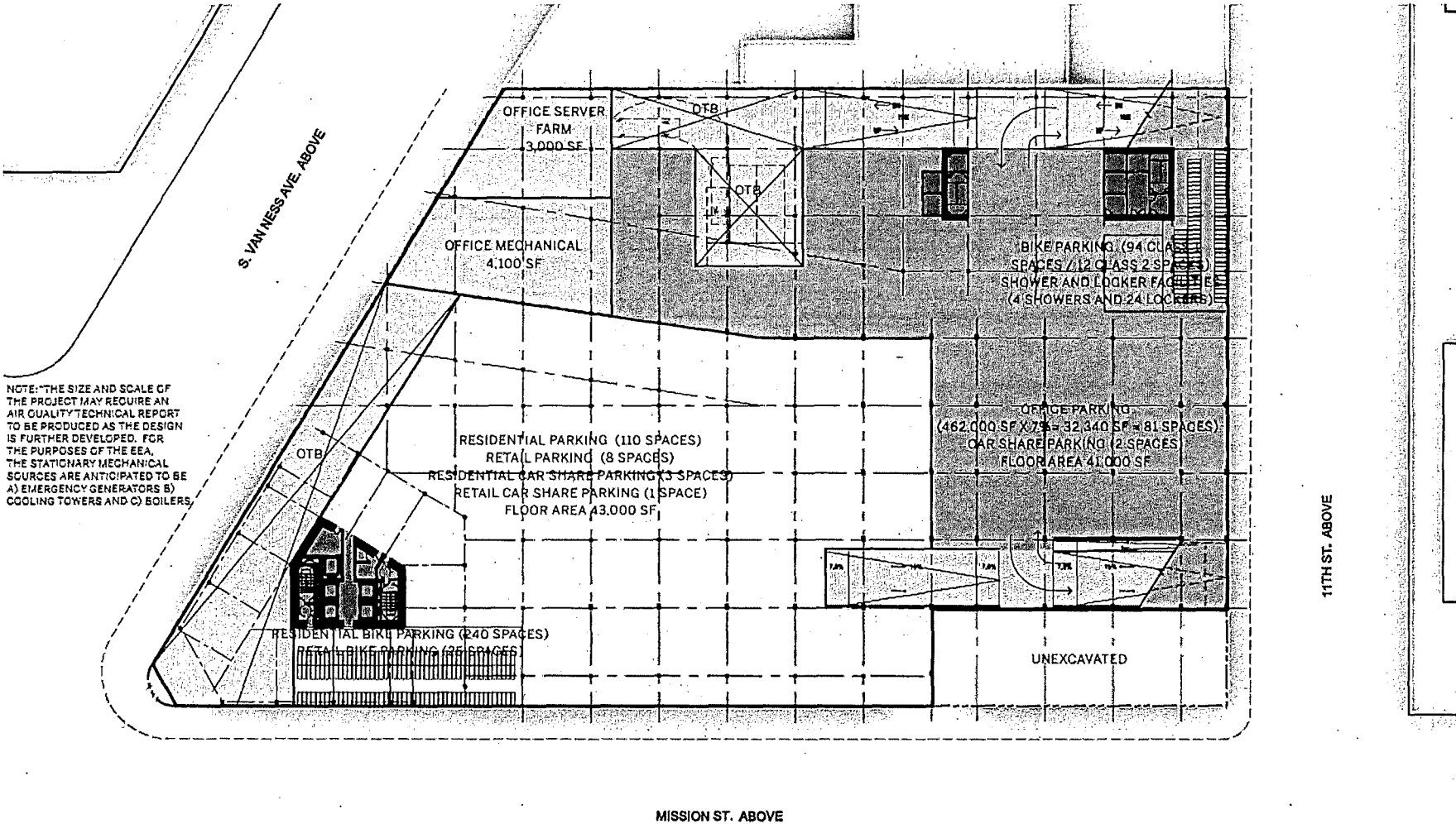


BASEMENT LEVEL 2 PLAN
 SCALE: 1"=40'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 15 OCTOBER 2014 RELATED

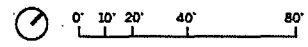


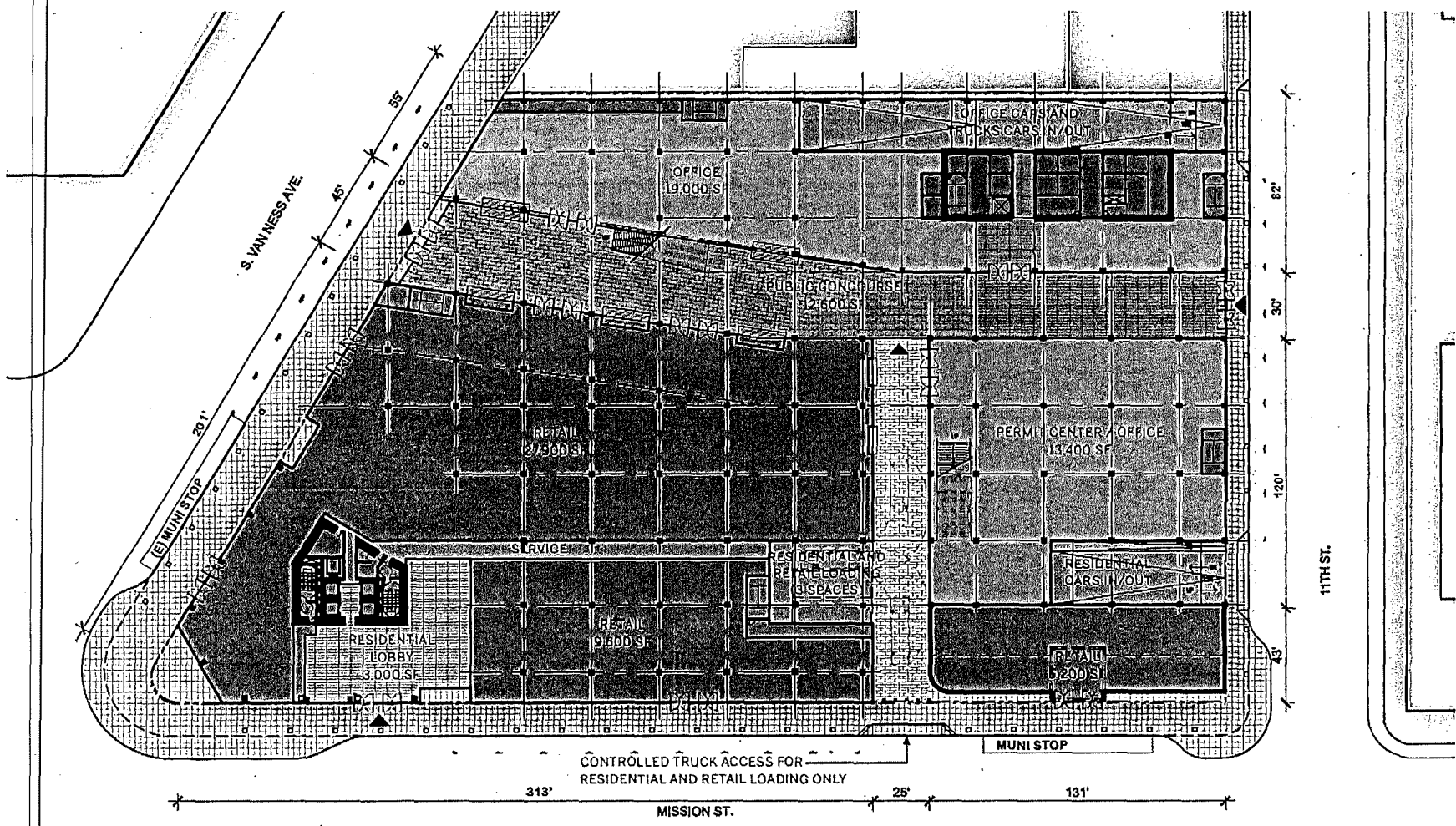
NOTE: THE SIZE AND SCALE OF THE PROJECT MAY REQUIRE AN AIR QUALITY TECHNICAL REPORT TO BE PRODUCED AS THE DESIGN IS FURTHER DEVELOPED. FOR THE PURPOSES OF THE EEA, THE STATIONARY MECHANICAL SOURCES ARE ANTICIPATED TO BE A) EMERGENCY GENERATORS B) COOLING TOWERS AND C) BOILERS.



BASEMENT LEVEL 1 PLAN
SCALE: 1"=40'-0"

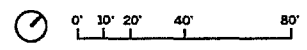
ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED

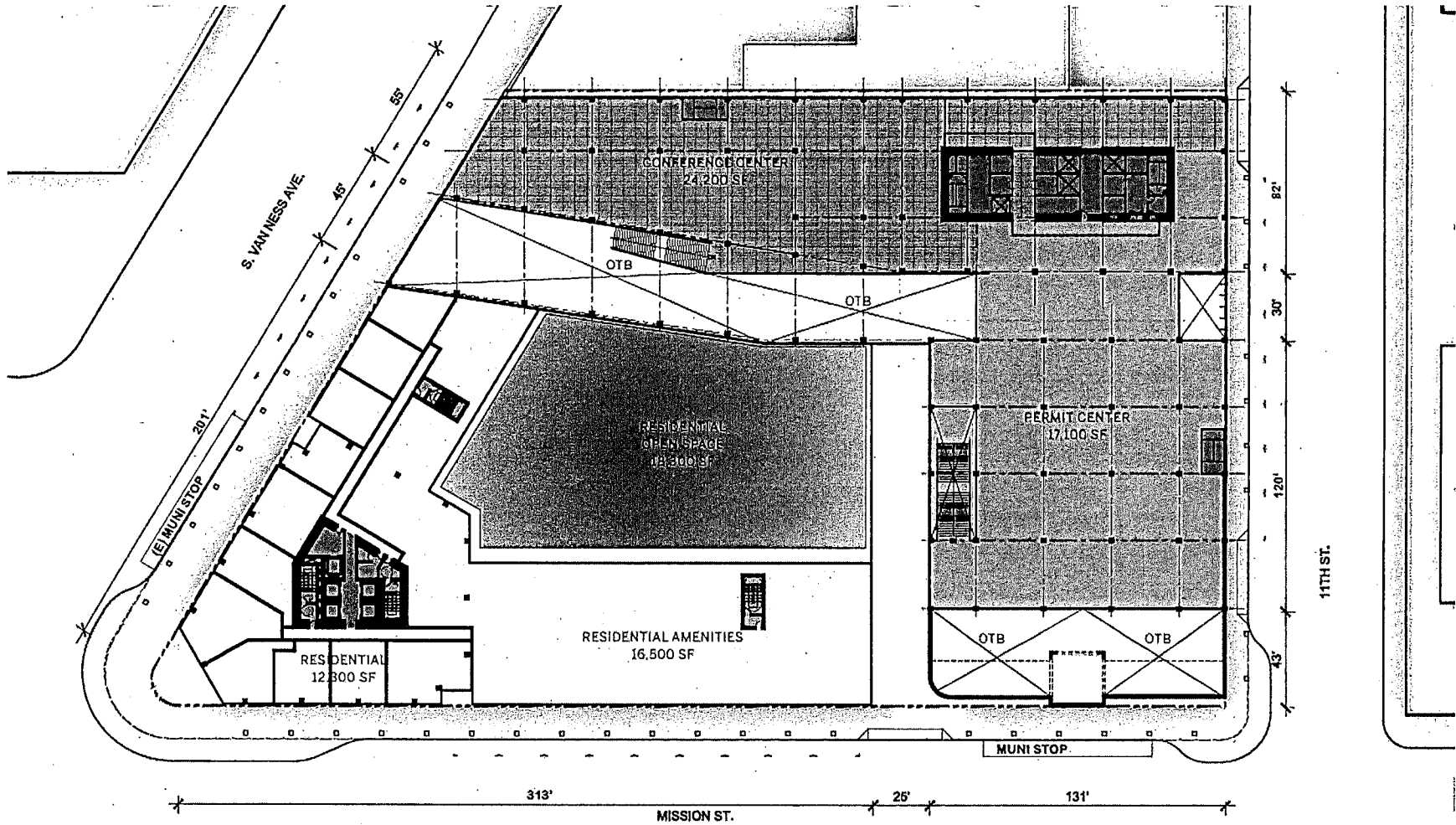




OFFICE LEVEL 1 PLAN
 RESIDENTIAL LEVEL 1 PLAN
 SCALE: 1"=40'-0"

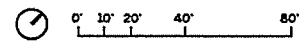
ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 15 OCTOBER 2014 RELATED



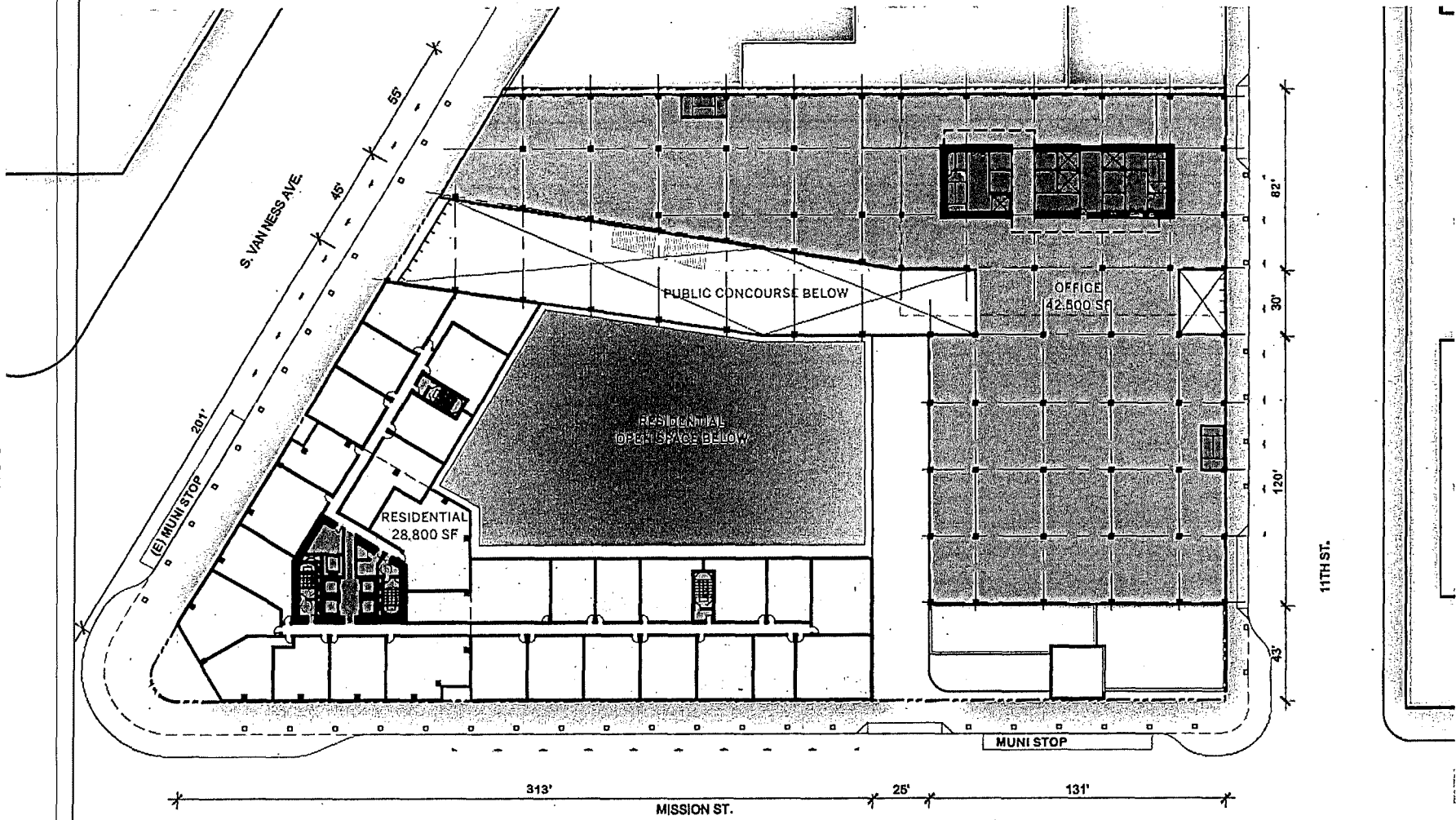


OFFICE LEVEL 2 PLAN
 RESIDENTIAL LEVEL 2 PLAN
 SCALE: 1"=40'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 15 OCTOBER 2014 RELATED

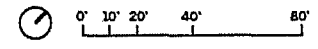


445

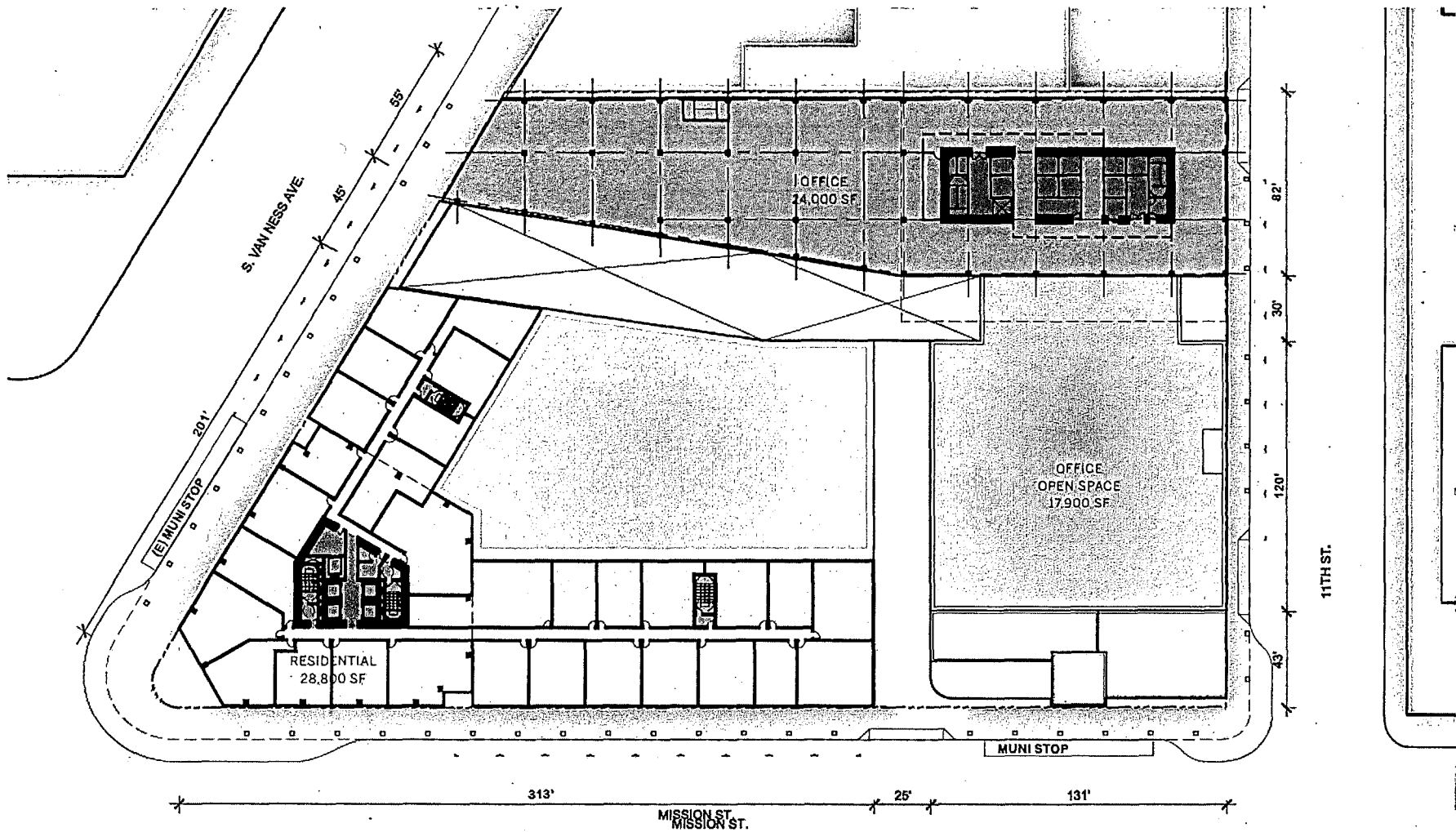


OFFICE LEVEL 3-6 PLAN
 RESIDENTIAL LEVEL 3-6 PLAN
 SCALE: 1"=40'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 15 OCTOBER 2014 RELATED

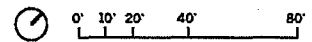


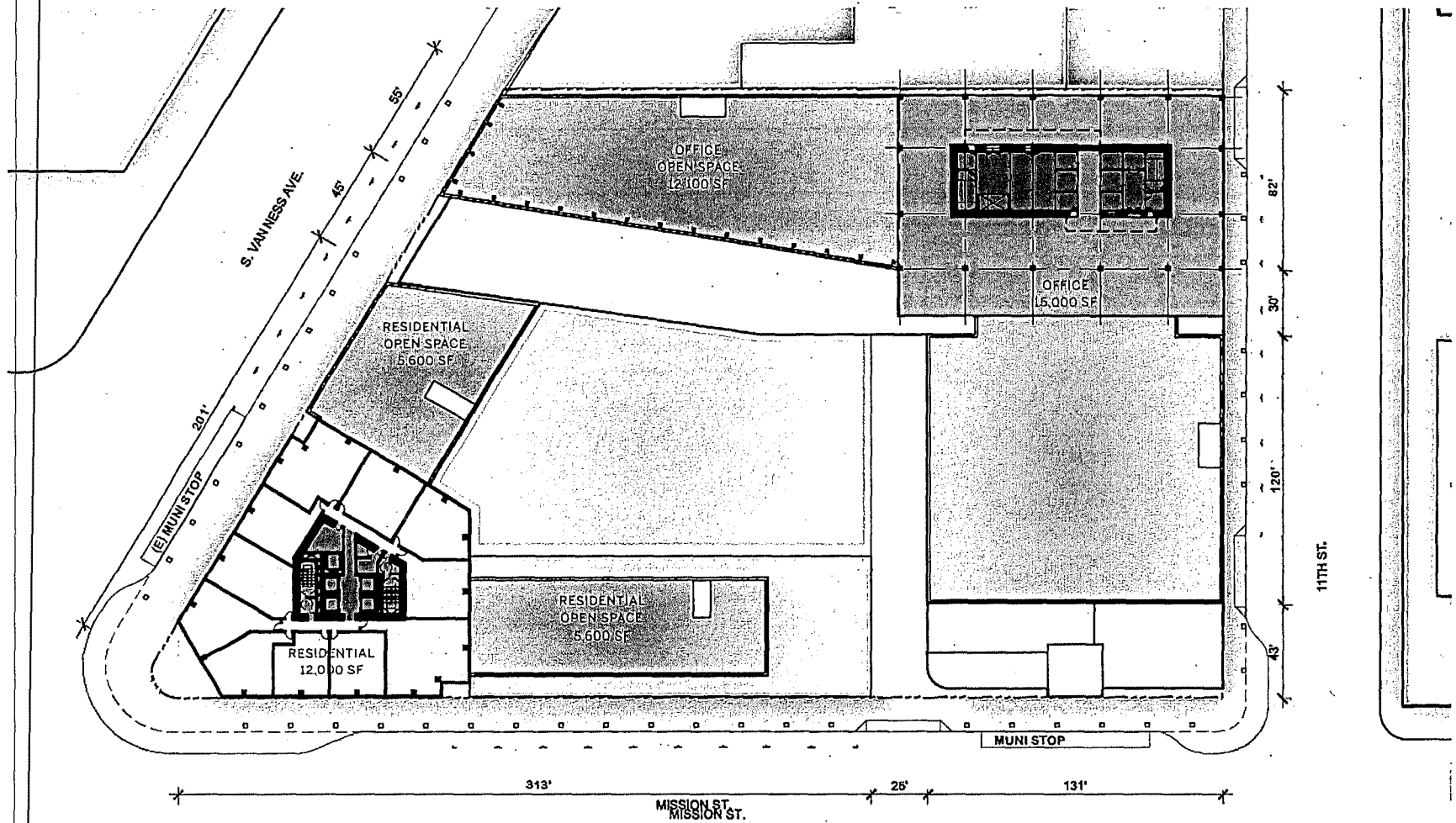
446



OFFICE LEVEL 7-9 PLAN
 RESIDENTIAL LEVEL 7-8 PLAN
 SCALE: 1"=40'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
 15 OCTOBER 2014 RELATED

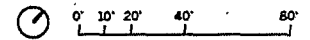




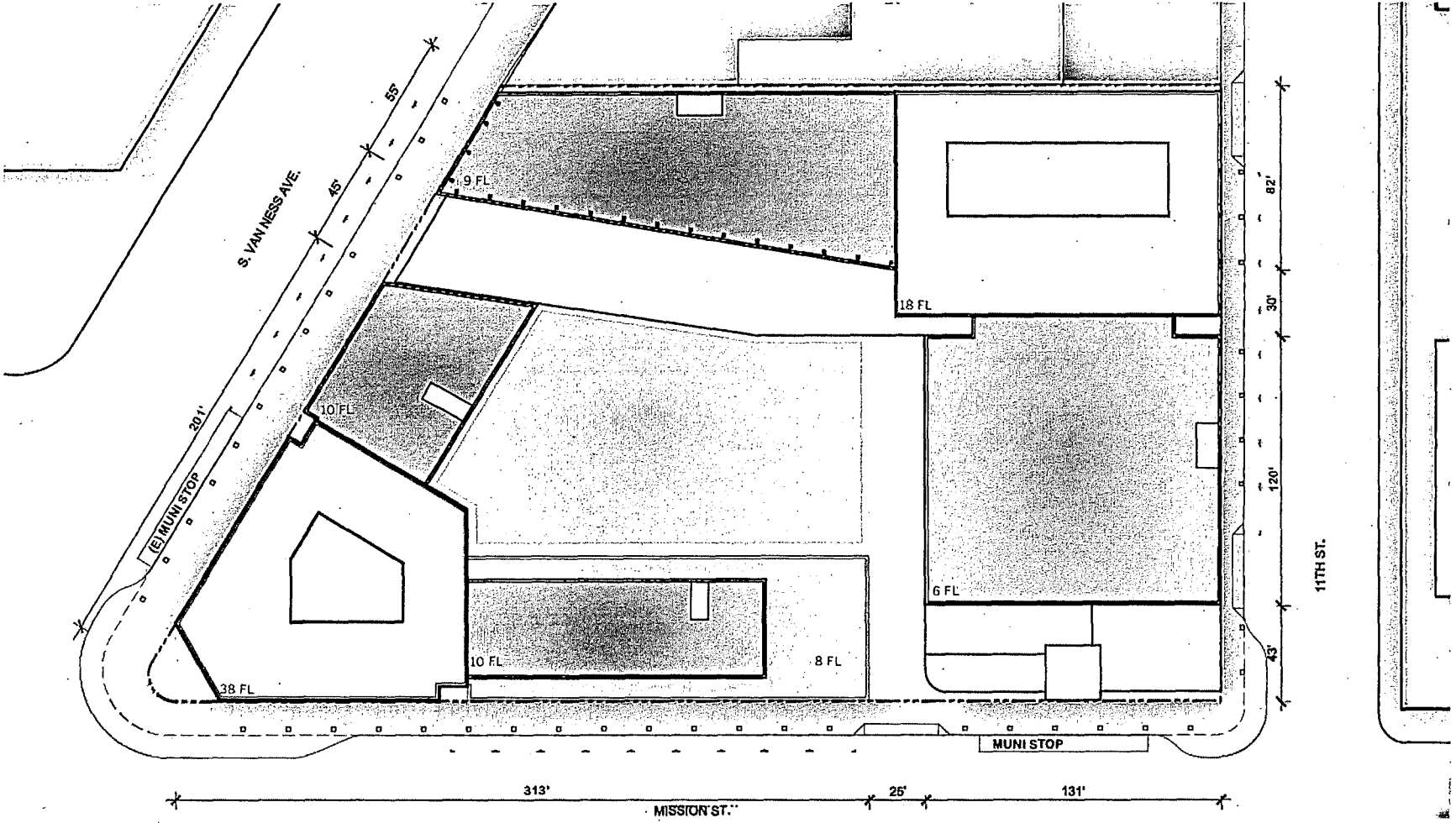
OFFICE LEVEL 10-18 PLAN

SCALE: 1"=40'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED

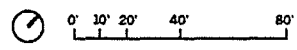


448

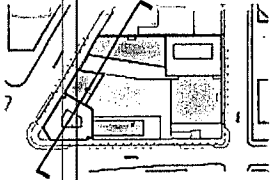


ROOF LEVEL PLAN
SCALE: 1"=40'-0"

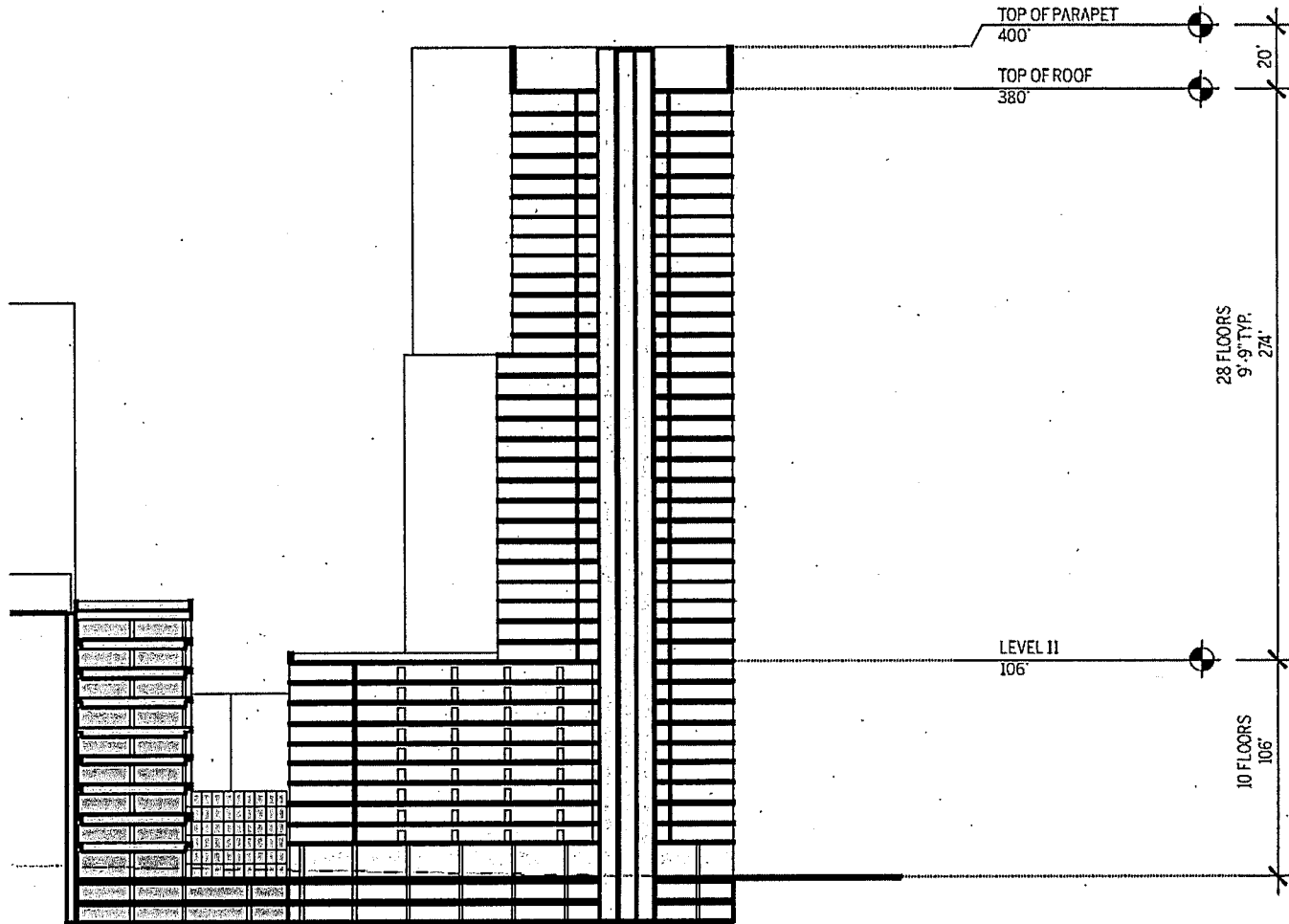
ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED



NOTE:
ALL ELEVATIONS ARE MEASURED
FROM PROJECT 0'-0" (TBD)

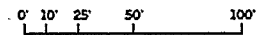


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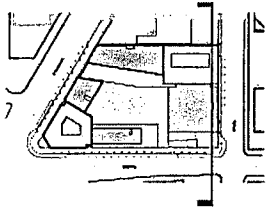


SITE SECTIONS
SCALE: 1"=50'-0"

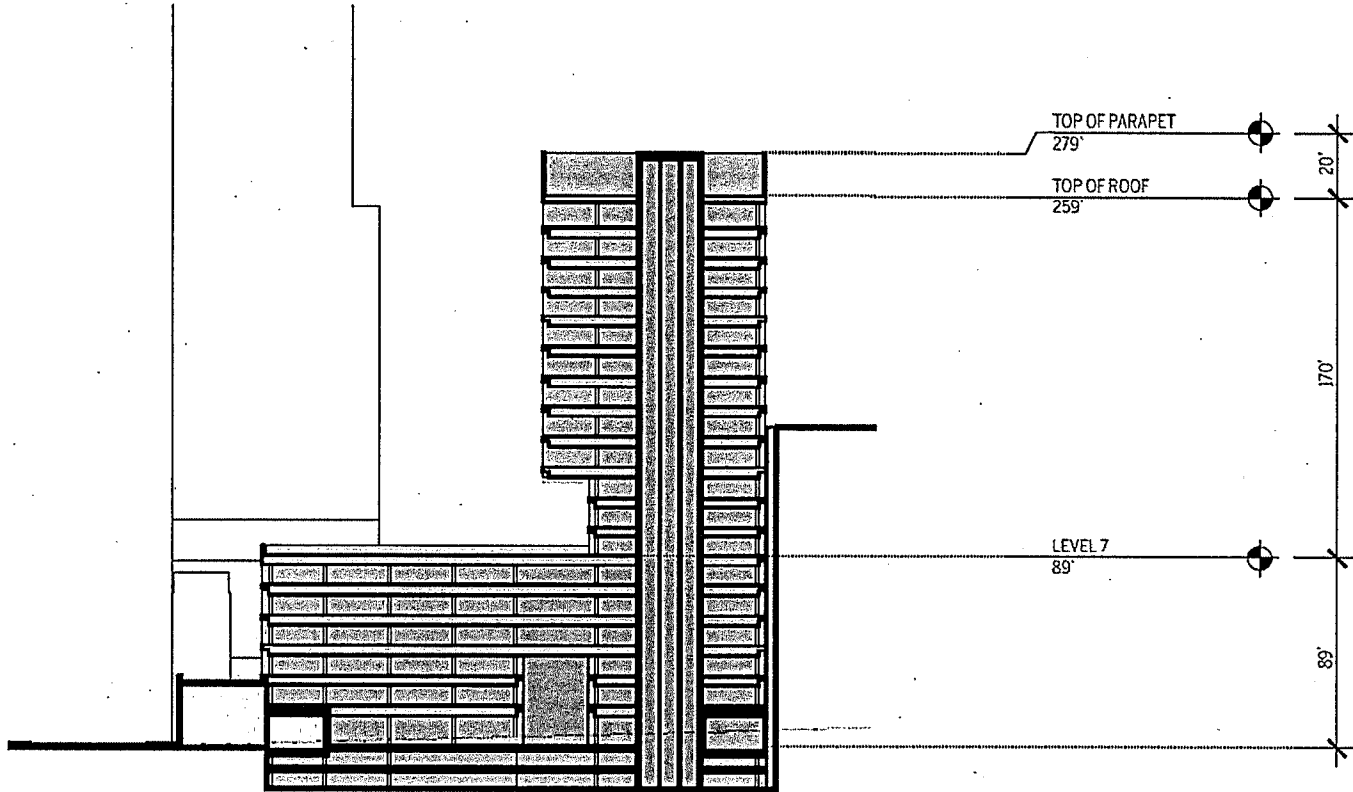
ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED



NOTE:
ALL ELEVATIONS ARE MEASURED
FROM PROJECT 0'-0" (TBD)

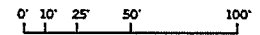


450



SITE SECTIONS
SCALE: 1"=50'-0"

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED



residential parcel							
tr	elevation	SVN podium	T1	Mission podium 1	retail	units	sf
38	380'-0"						
37	369'-3"		10,800sf			8 units	10,800sf
36	358'-6"		10,800sf			8 units	10,800sf
35	349'-9"		10,800sf			8 units	10,800sf
34	340'-0"		10,800sf			8 units	10,800sf
33	330'-3"		10,800sf			8 units	10,800sf
32	320'-6"		10,800sf			8 units	10,800sf
31	310'-9"		10,800sf			9 units	10,800sf
30	301'-0"		10,800sf			9 units	10,800sf
29	291'-3"		10,800sf			9 units	10,800sf
28	281'-6"		10,800sf			9 units	10,800sf
27	271'-9"		10,800sf			9 units	10,800sf
26	262'-0"		10,800sf			9 units	10,800sf
25	252'-3"		10,800sf			9 units	10,800sf
24	242'-6"		12,000sf			11 units	12,000sf
23	232'-9"		12,000sf			11 units	12,000sf
22	223'-0"		12,000sf			11 units	12,000sf
21	213'-3"		12,000sf			11 units	12,000sf
20	203'-6"		12,000sf			11 units	12,000sf
19	193'-9"		12,000sf			11 units	12,000sf
18	184'-0"		12,000sf			11 units	12,000sf
17	174'-3"		12,000sf			11 units	12,000sf
16	164'-6"		12,000sf			11 units	12,000sf
15	154'-9"		12,000sf			11 units	12,000sf
14	145'-0"		12,000sf			11 units	12,000sf
13	135'-3"		12,000sf			11 units	12,000sf
12	125'-6"		12,000sf			11 units	12,000sf
11	115'-9"		12,000sf			12 units	12,000sf
10	105'-0"		12,000sf			12 units	12,000sf
9	95'-3"	5,600sf	12,000sf	6,100sf		27 units	23,700sf
8	85'-6"	5,600sf	12,000sf	6,100sf		27 units	23,700sf
7	75'-9"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
6	66'-0"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
5	56'-3"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
4	46'-6"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
3	37'-0"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
2	27'-3"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
1	17'-6"	5,600sf	12,000sf	11,200sf		34 units	28,800sf
B1	0'-0"			5,900sf		14 units	48,500sf
B2	-10'-0"	43,000sf					
B3	-20'-0"	50,600sf					
above grade residential total		50,400sf	428,400sf	96,500sf		579,300sf	
above grade retail total					42,700sf	550 units	42,700sf
above grade total							618,000sf
below grade total		99,600sf					99,600sf
total						550 units	1,329,600sf

city office parcel							
tr	elevation	SVN podium	T1	concourse	Mission podium	retail	sf
18	279'-0"						
17	259'-0"						
16	244'-0"		15,000sf				15,000sf
15	230'-0"		15,000sf				15,000sf
14	216'-0"		15,000sf				15,000sf
13	202'-0"		15,000sf				15,000sf
12	189'-0"		15,000sf				15,000sf
11	174'-0"		15,000sf				15,000sf
10	160'-0"		15,000sf				15,000sf
9	146'-0"		15,000sf				15,000sf
8	132'-0"		15,000sf				15,000sf
7	117'-0"	24,000sf					24,000sf
6	102'-0"	24,000sf					24,000sf
5	89'-0"	24,000sf					24,000sf
4	74'-0"	24,000sf					24,000sf
3	60'-0"	24,000sf					24,000sf
2	45'-0"	24,000sf					24,000sf
1	32'-0"	24,000sf					24,000sf
B1	18'-0"	24,000sf					24,000sf
B2	0'-0"	19,000sf	11,600sf	13,400sf			45,000sf
B3	-11'-0"	48,100sf					48,100sf
B4	-25'-11"	46,600sf					46,600sf
above grade office total		211,200sf	135,000sf		104,500sf		450,700sf
above grade concourse total				12,600sf			12,600sf
above grade total							463,300sf
below grade total		94,700sf					94,700sf
total							558,000sf

AREA SUMMARY

ENVIRONMENTAL EVALUATION APPLICATION 1500 MISSION STREET
15 OCTOBER 2014 RELATED

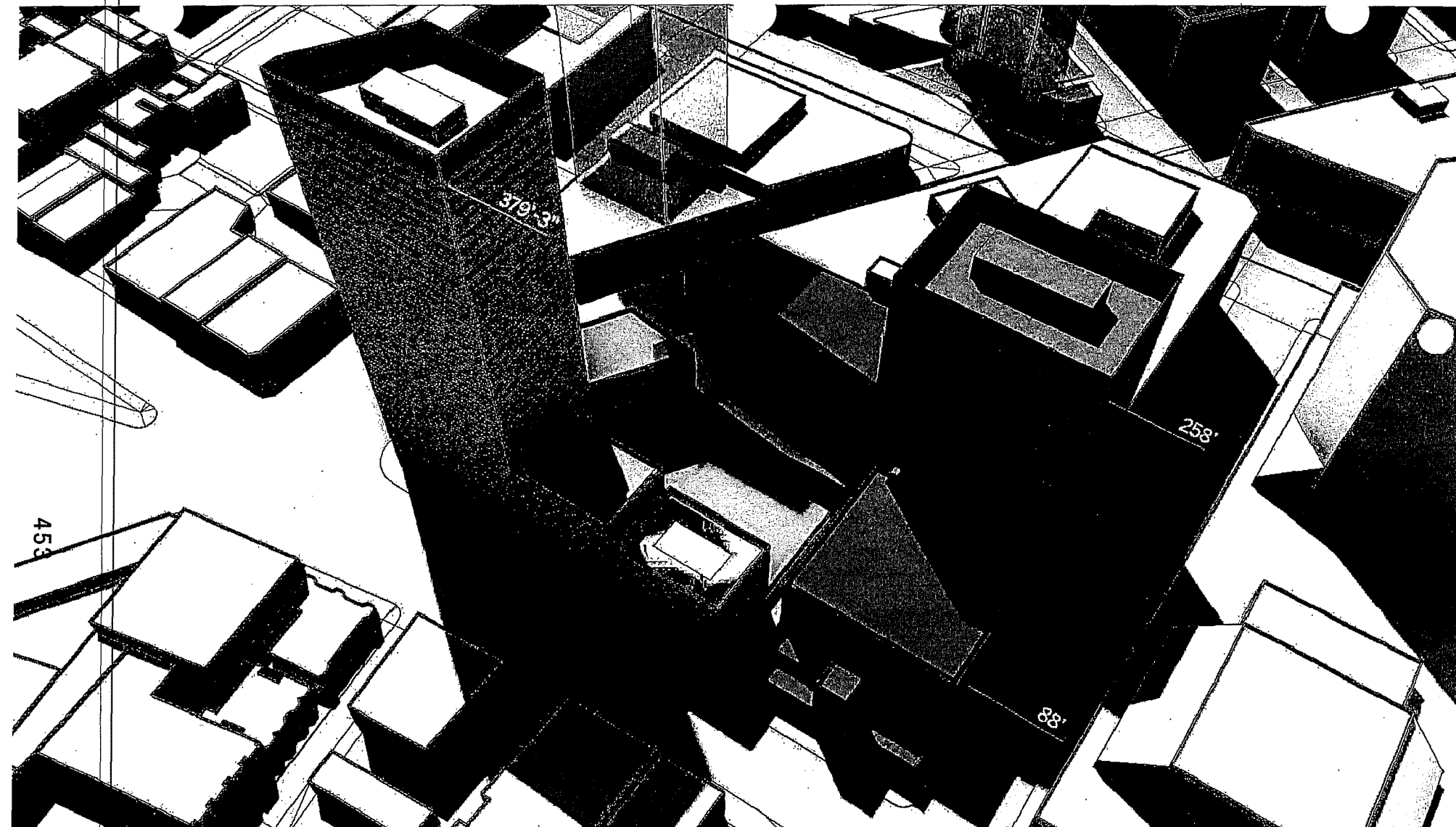
452

t.p.	279'-0"			
r	259'-0"			
18	244'-0"	15,000sf		15,000sf
17	230'-0"	15,000sf		15,000sf
16	216'-0"	15,000sf		15,000sf
15	202'-0"	15,000sf		15,000sf
14	188'-0"	15,000sf		15,000sf
13	174'-0"	15,000sf		15,000sf
12	160'-0"	15,000sf		15,000sf
11	146'-0"	15,000sf		15,000sf
10	132'-0"	15,000sf		15,000sf
9	117'-0"	24,000sf		24,000sf
8	103'-0"	24,000sf		24,000sf
7	89'-0"	24,000sf		24,000sf
6	74'-0"	24,000sf	18,500sf	42,500sf
5	60'-0"	24,000sf	18,500sf	42,500sf
4	46'-0"	24,000sf	18,500sf	42,500sf
3	32'-0"	24,000sf	18,500sf	42,500sf
2	18'-0"	24,200sf	17,100sf	41,300sf
1	0'-0"	19,000sf	12,600sf	13,400sf
B1	-11'-7"	48,100sf		48,100sf
B2	-25'-11"	46,600sf		

above grade office total	211,200sf	135,000sf	104,500sf	450,700sf
above grade concourse total			12,600sf	12,600sf
above grade total				463,300sf
below grade total	94,700sf			94,700sf
total				558,000sf

AREA SUMMARY

1500 MISSION STREET



PROJECT CHESS Related

OFFICE PARCEL
PRELIMINARY PRICING PACKAGE
2014.09.05

SOM

SKIDMORE, OWINGS & MERRILL LLP
ONE FRONT STREET, SAN FRANCISCO, CA 94111

Skidmore, Owings and Merrill LLP														
Date: 8/27/2014														
Project Chess Concept Design Toilet Fixture Count														
Floor	Floor Area Gross	Estimated Deduct for vent shafts A	Occ. Load Floor area	Occ. Type #	Occ. Load Factor	Occ. Load	#Men	#Women	Men WC	Men Urinal	Women WC	Men lavatories	Women lavatories	Drinking Fountain
18	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
17	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
16	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
15	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
14	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
13	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
12	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
11	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
10	15000	400	14600	B	100	146.0	73.0	73.0	3	1	4	2	2	1
9	24000	400	23600	B	100	236.0	118.0	118.0	4	2	5	3	3	1
8	24000	400	23600	B	100	236.0	118.0	118.0	4	2	5	3	3	1
7	24000	400	23600	B	100	236.0	118.0	118.0	4	2	5	3	3	1
6	42000	400	41600	B	100	416.0	208.0	208.0	6	4	7	6	6	1
5	42000	400	41600	B	100	416.0	208.0	208.0	6	4	7	6	6	1
4	42000	400	41600	B	100	416.0	208.0	208.0	6	4	7	6	6	1
3	42000	400	41600	B	100	416.0	208.0	208.0	6	4	7	6	6	1
2	27800	400	27400	B	100	274.0	137.0	137.0	5	2	6	3	3	1
1	10000	400	9600	A-3	15	640.0	320.0	320.0	3	3	11	2	2	3
	27500	400	27100	B	100	271.0	135.5	135.5	5	2	6	3	3	1
	10000	400	9600	M	30	320.0	160.0	160.0	2	2	4	2	2	2
	14000	400	13600	Accessory C	350	46.3	22.7	22.7	0	0	0	0	0	0
B1	33400	400	33000	S-2	200	165.0	82.5	82.5	0	0	0	0	0	0
	6000	400	4600	B D	100	46.0	23.0	23.0	2	1	3	1	1	1
B2	43400	400	43000	S-2	200	215.0	107.5	107.5	0	0	0	0	0	0
	6000	400	4600	B E	100	46.0	23.0	23.0	2	1	3	1	1	1
	10000	400	9600	Accessory	300	32.0	16.0	16.0	0	0	0	0	0	0
	10000	400	9600	Accessory	300	32.0	16.0	16.0	0	0	0	0	0	0
Total Fixture Count									82	42	112	69	69	25

Notes
A Assume deduct of 400sq.ft shaft space per area per definition of Gross and Net floor area used to calculate area for occupant load
B Areas for Assembly, Mercantile and below grade B occupancies are assumptions and may change based on programming
C Accessory area is the ground floor enclosed concourse - The occupants of this area are assumed to be the same as the adjacent B and M occupancies
D Assumed Server Farm
E Assumed building operation, maintenance and fleet support office space.

SHT. #		SHEET TITLE	SCALE	ISSUANCES			
				OFFICE PARCEL IN PROGRESS 2014.08.20	OFFICE PARCEL IN PROGRESS 2014.09.05	OFFICE PARCEL IN PROGRESS 2014.09.05	OFFICE PARCEL IN PROGRESS 2014.09.05
PROJECT INFORMATION							
A0.00	COVER SHEET		N.T.S.	X	X		
A0.01	DRAWING INDEX AND TOILET COUNT		N.T.S.	X	X		
A0.02	TECHNICAL INDEX		N.T.S.	X	X		
ARCHITECTURE DRAWINGS							
A2.B2	OFFICE LEVEL B2 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.B1	OFFICE LEVEL B1 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.01	OFFICE LEVEL 1 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.02	OFFICE LEVEL 2 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.03-08	OFFICE LEVEL 3-6 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.07	OFFICE LEVEL 7 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.08	OFFICE LEVEL 8 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.10	OFFICE LEVEL 10 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.11-18	OFFICE LEVEL 11-18 FLOOR PLAN		1/32"=1'-0"	X	X		
A2.RF	OFFICE ROOF LEVEL FLOOR PLAN		1/32"=1'-0"	X	X		
A5.01	ELEVATIONS		AS NOTED	X	X		
A5.02	ELEVATIONS		AS NOTED	X	X		
A5.03	ELEVATIONS		AS NOTED	X	X		
A5.04	SECTIONS		AS NOTED	X	X		
A6.01	DETAILS		AS NOTED	X	X		
A6.02	PROPOSED BASEMENT EXCAVATION DEPTH STUDIES		AS NOTED	X	X		

**PROJECT CHESSE
Related**

1800 Mission St.
San Francisco, CA 94108



MEMBERS: PRINCE & PRINCE, LLP
400 PINE STREET, SAN FRANCISCO, CA 94111

Client: _____

Scale & Symbols: _____

Issue For: _____

By: _____ Date: _____

OFFICE PARCEL 2014.09.05

PRELIMINARY PRICING PACKAGE



**DRAWING INDEX
AND
TOILET COUNT**

Project No.: _____
Sheet No.: _____
Scale: _____
Date: _____

A0.01

**PROJECT CHESSE
Related**

1300 Mission St.
San Francisco, CA 94108

SOM
Skidmore, OWINGS & Merrill, LLP
San Francisco, CA 94108

Contract

Rev & Update

Sheet No.

Sheet Description: 2014.09.05
OFFICE PARCEL
PRELIMINARY PRICING PACKAGE

t.p.	278'-0"			
r	258'-0"			
18	242'-0"	15,000sf		15,000sf
17	228'-0"	15,000sf		15,000sf
16	214'-0"	15,000sf		15,000sf
15	200'-0"	15,000sf		15,000sf
14	186'-0"	15,000sf		15,000sf
13	172'-0"	15,000sf		15,000sf
12	158'-0"	15,000sf		15,000sf
11	144'-0"	15,000sf		15,000sf
10	130'-0"	15,000sf		15,000sf
9	116'-0"	24,000sf		24,000sf
8	102'-0"	24,000sf		24,000sf
7	88'-0"	24,000sf		24,000sf
6	74'-0"	24,000sf	18,500sf	42,500sf
5	60'-0"	24,000sf	18,500sf	42,500sf
4	46'-0"	24,000sf	18,500sf	42,500sf
3	32'-0"	24,000sf	18,500sf	42,500sf
2	18'-0"	24,200sf	20,500sf	44,700sf
1	0'-0"	23,500sf	11,300sf	16,300sf
B1	-11'-7"	46,100sf		46,100sf
B2	-25'-11"	152,900sf		
above grade office total		215,700sf	135,000sf	110,800sf
above grade concourse total			11,300sf	11,300sf
above grade retail total			4,400sf	4,400sf
above grade total				477,200sf
below grade total		99,000sf		99,000sf
total				580,600sf

Sheet Name: TECHNICAL INDEX

Project No. AD-02
Drawn By: [blank]
Checked By: [blank]
Date: [blank]

Sheet No. AD.02

GENERAL NOTES	
FINISH LEVEL	
A	STONE FLOOR, STONE WALLS, WOOD CEILING
B	STONE FLOOR, ACOUSTICAL PANEL, GIB CEILING
C	GWB, 2X2 ACT, CARPET
D	PAINTED STRUCTURE, NO CEILING

PROJECT CHES
Related

1900 Mission St.
San Francisco, CA 94108



Contractor

Site & Elevation

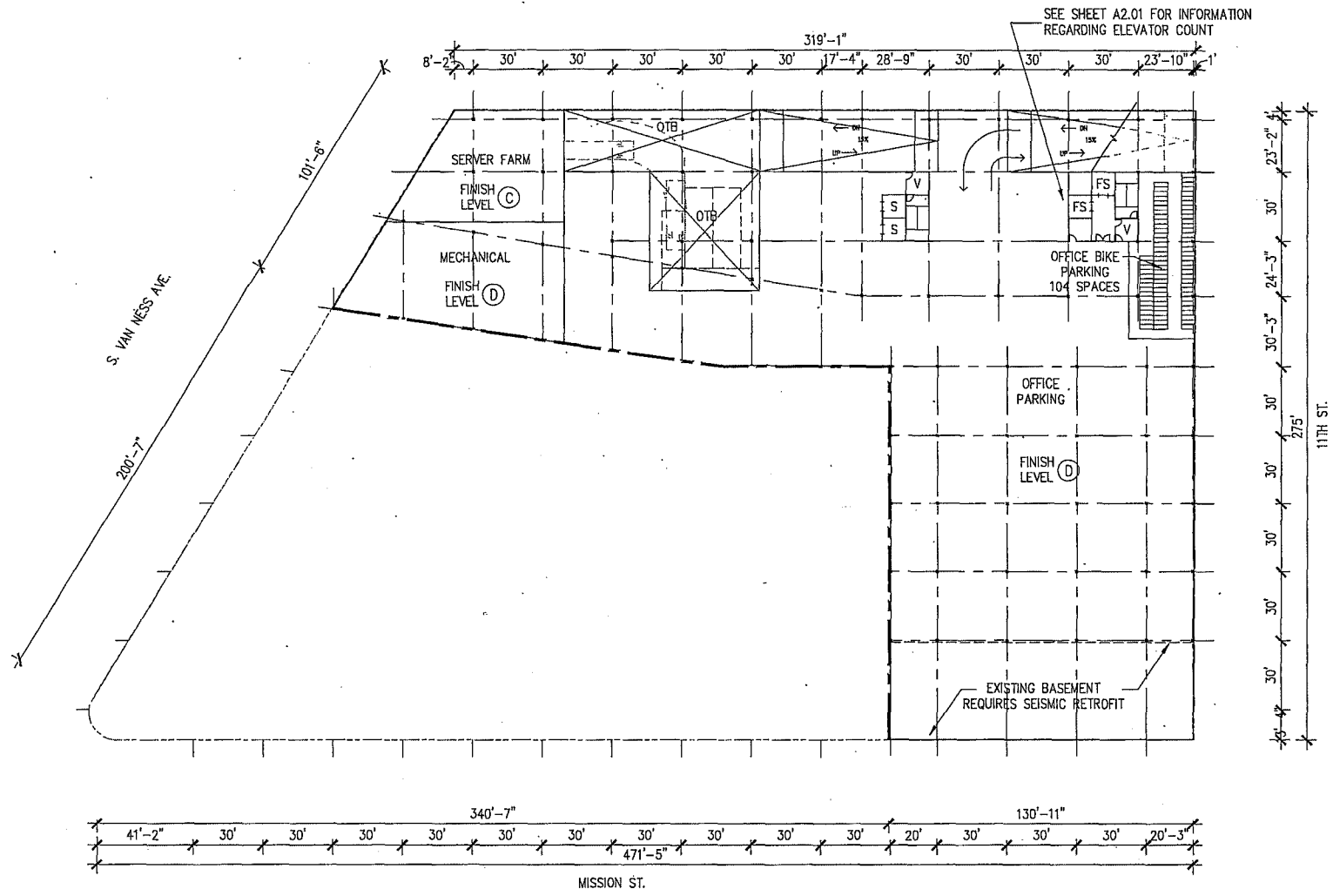
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OFFICE PARCEL	2014.09.DS	
PRELIMINARY PRICING PACKAGE		



Sheet No. 1

Office Level B1
FLOOR PLAN

Project No. 2014.09.DS
Sheet No. 01
Scale: AS SHOWN
Date: 06/20/2014

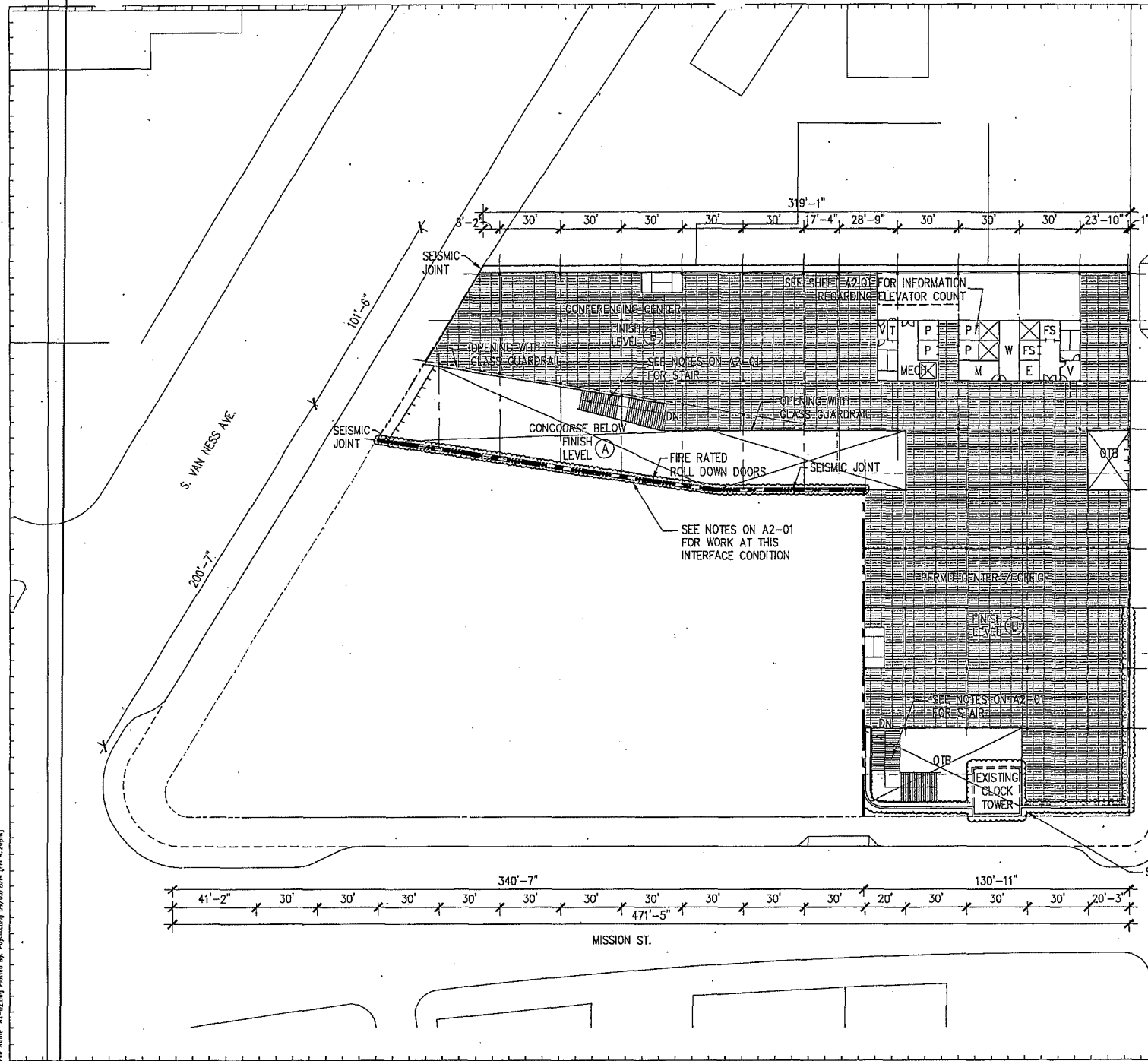


OFFICE LEVEL B1 FLOOR PLAN 01

A2.B1

459

File Name: A2-02.dwg, Date Plotted: 06/02/2014 11:14:26am



GENERAL NOTES

FINISH LEVEL

A STONE FLOOR, STONE WALLS, WOOD CEILING

B STONE FLOOR, ACOUSTICAL PANEL, GWB CEILING

C GWS, 2X2 ACT, CARPET

D PAINTED STRUCTURE, NO CEILING

PROJECT CHESSE
Related

1800 Alvarado St.
San Francisco, CA 94118

SOM

Structural Office of Motion

Sheet No. _____

Sheet Description _____

Office Parcel 2014.09.03
PRELIMINARY PRICING PACKAGE



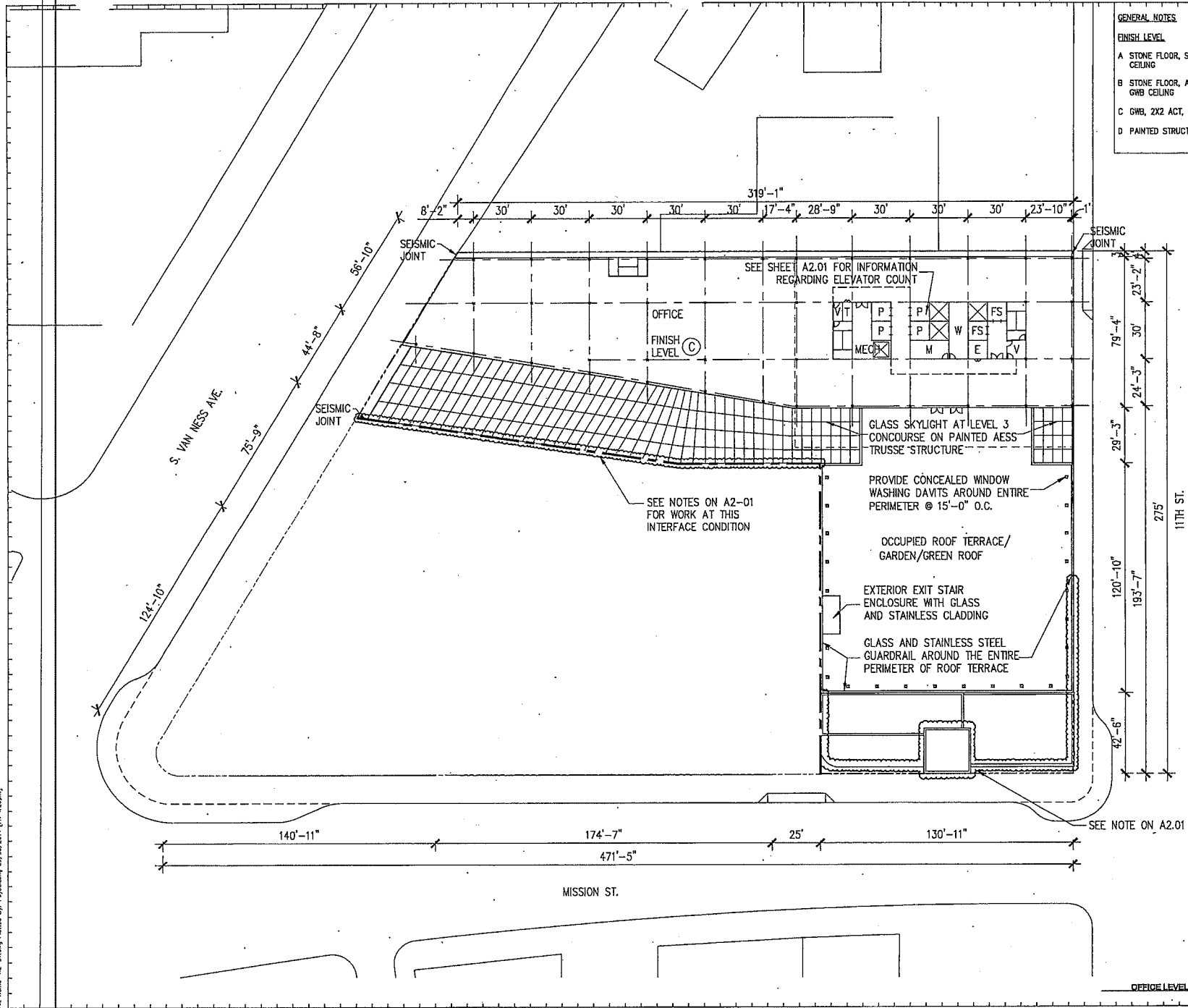
OFFICE LEVEL 2 FLOOR PLAN

Project No. _____

Sheet No. **A2.02**

Scale: 1/8" = 1'-0"

DATE: 06/02/2014



GENERAL NOTES	
FINISH LEVEL	
A	STONE FLOOR, STONE WALLS, WOOD CEILING
B	STONE FLOOR, ACOUSTICAL PANEL, GWB CEILING
C	GWB, 2X2 ACT, CARPET
D	PAINTED STRUCTURE, NO CEILING

PROJECT CHESSE
Related

1900 Alhambra BL
West Pasadena, CA 91108

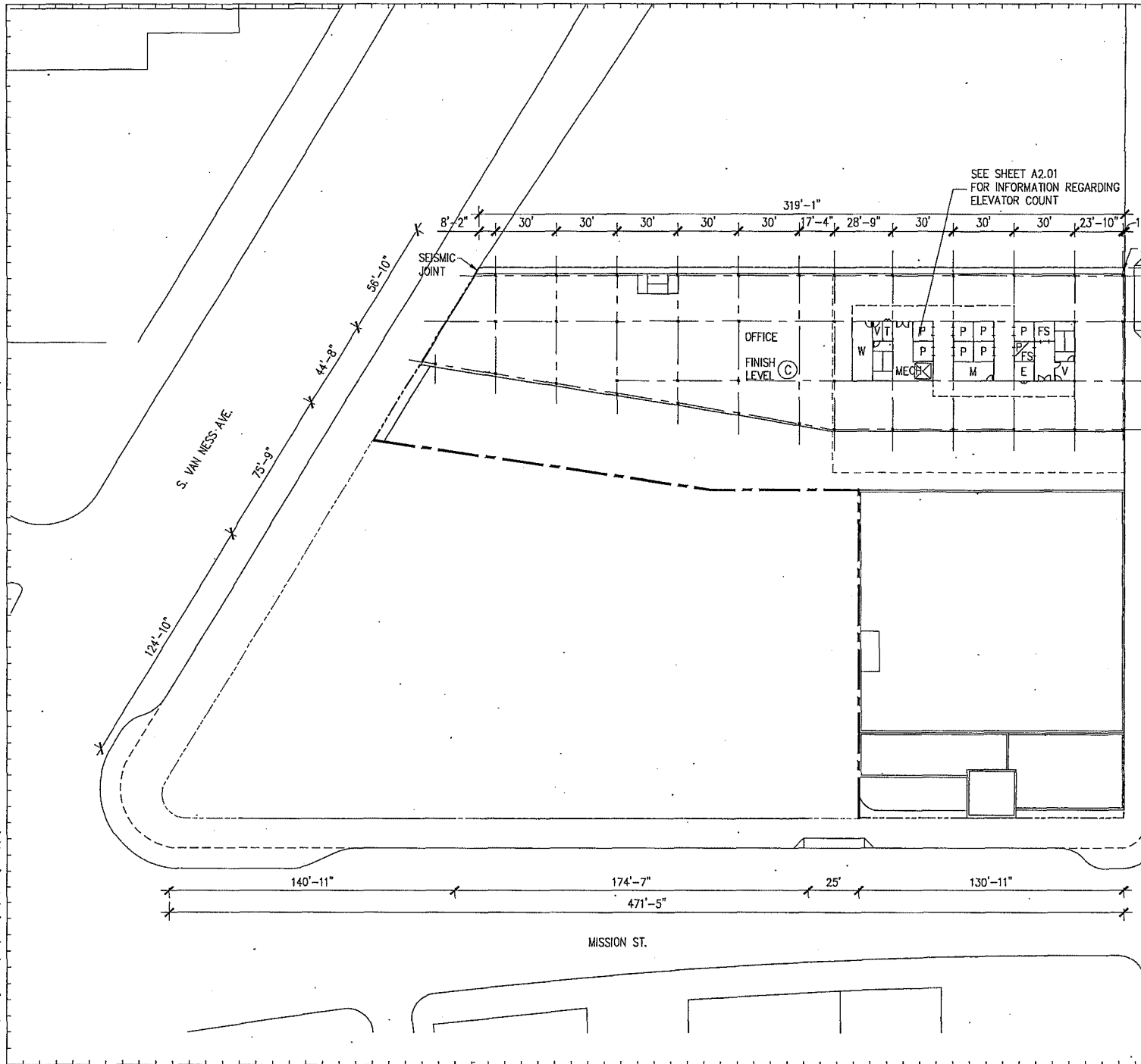
SOM
SOM Architecture Inc.
3000 Central Expressway, Suite 200
San Francisco, CA 94131

Office Parcel 2014.00.03
PRELIMINARY PRICING PACKAGE



OFFICE LEVEL 7 FLOOR PLAN

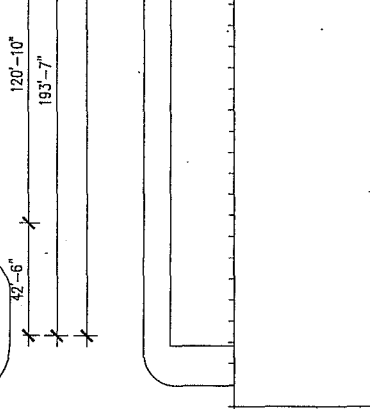
OFFICE LEVEL 7 FLOOR PLAN 01
A2.07



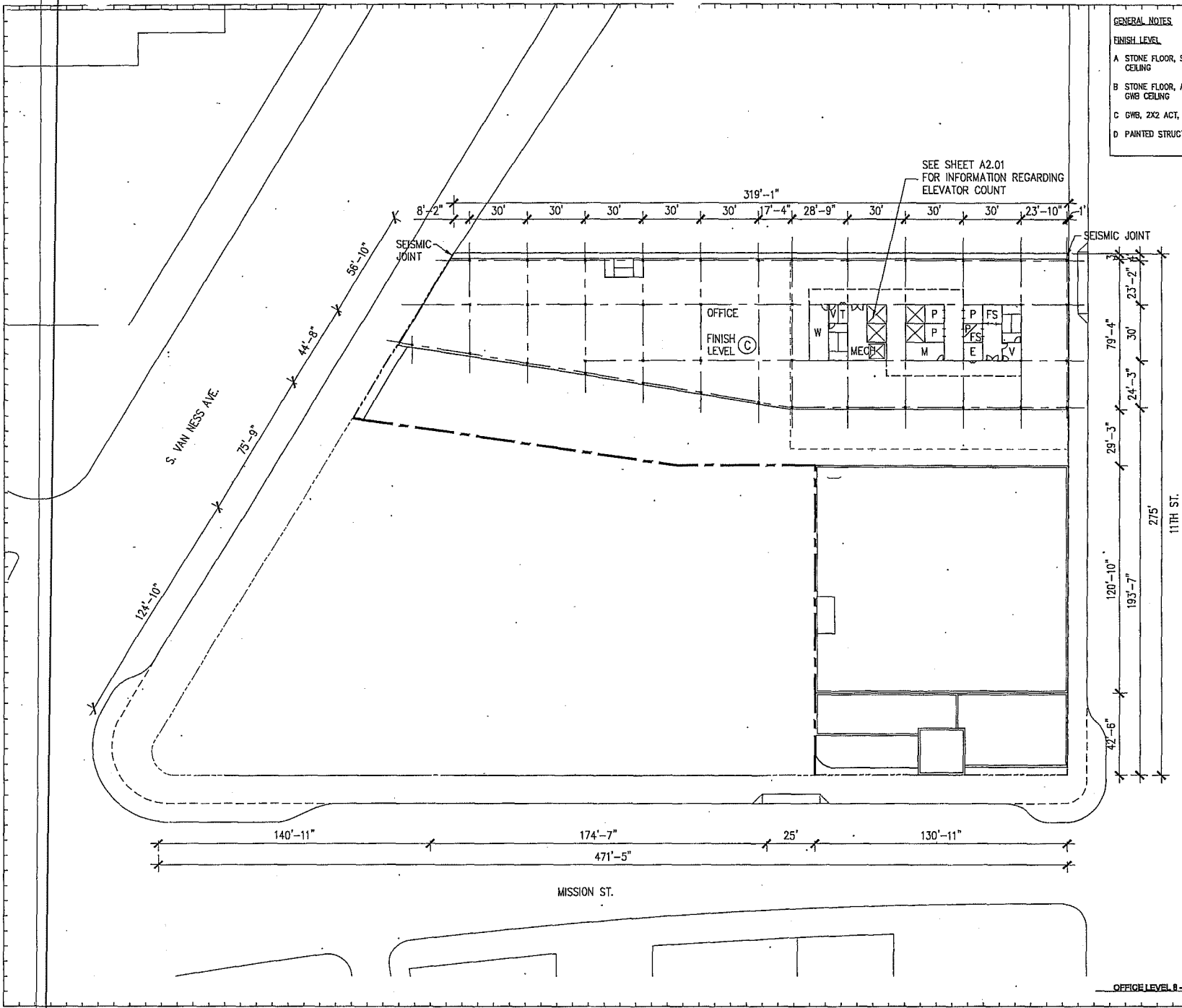
GENERAL NOTES		PROJECT CHES Related 1500 Mission St. San Francisco, CA 94108
FINISH LEVEL		
A	STONE FLOOR, STONE WALLS, WOOD CEILING	
B	STONE FLOOR, ACOUSTICAL PANEL, GWB CEILING	
C	GWB, 2X2 ACT, CARPET	SOM SOM Architecture, Inc. 1000 California Street, Suite 1000 San Francisco, CA 94108
D	PAINTED STRUCTURE, NO CEILING	

Sheet No:	A2.01
Project No:	2014.09.05
Client:	OFFICE PARCEL
Scale:	PRELIMINARY FLOOR PACKAGE

Drawn By:	...
Checked By:	...
Scale:	...



OFFICE LEVEL 8 FLOOR PLAN	
Project No:	2014.09.05
Sheet No:	A2.01
Scale:	...



GENERAL NOTES

FINISH LEVEL

A STONE FLOOR, STONE WALLS, WOOD CEILING

B STONE FLOOR, ACOUSTICAL PANEL, GWS CEILING

C GWS, 2X2 ACT, CARPET

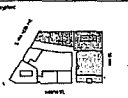
D PAINTED STRUCTURE, NO CEILING

PROJECT CHESSE
 Related
 1000 Market St.
 San Francisco, CA 94108



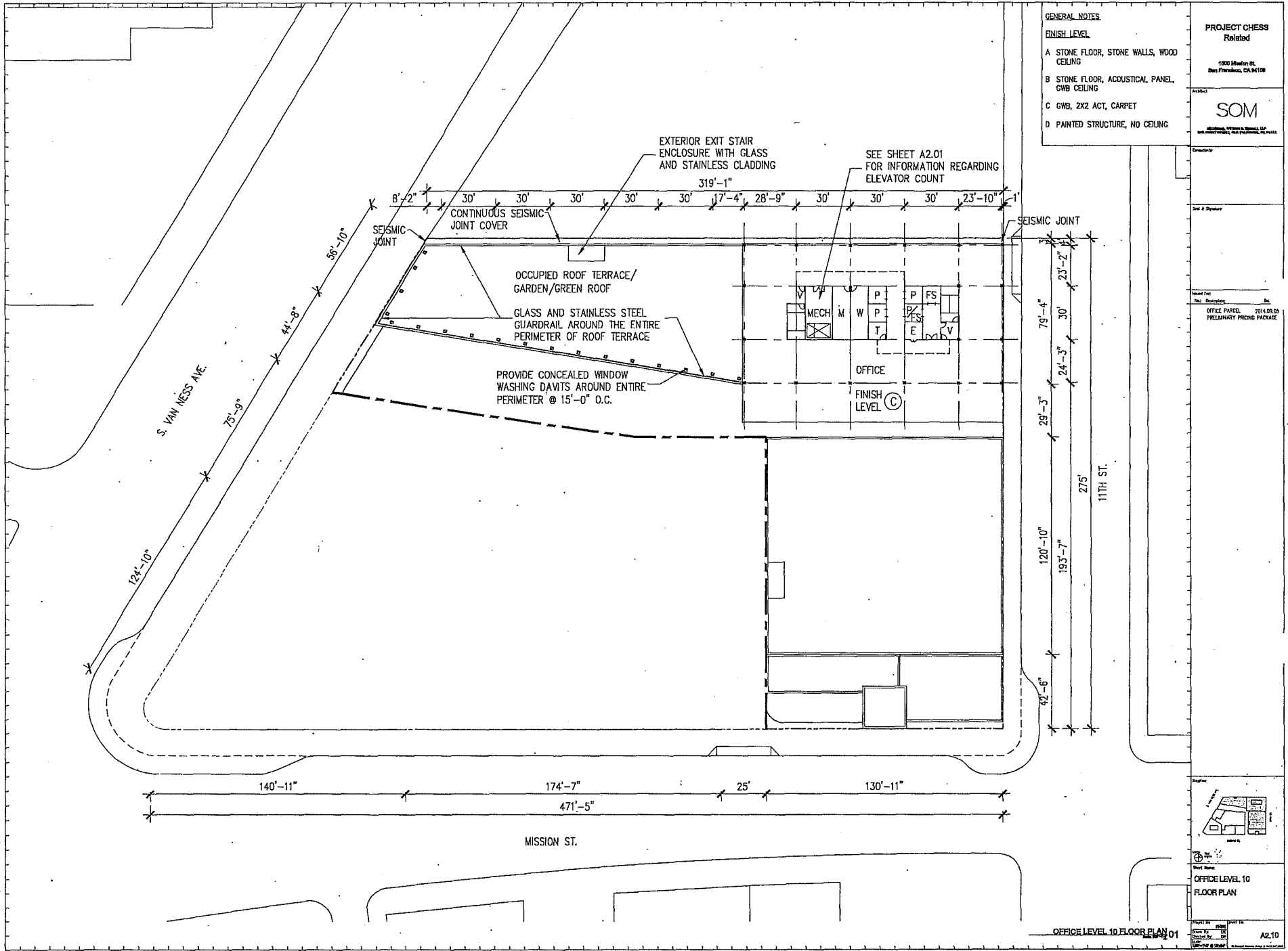
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 Date: 2014.09.05



OFFICE LEVEL 8-9 FLOOR PLAN

OFFICE LEVEL 8-9 FLOOR PLAN 01
 Date: 2014.09.05
 Scale: 1/8" = 1'-0"



GENERAL NOTES

FINISH LEVEL

A STONE FLOOR, STONE WALLS, WOOD CEILING

B STONE FLOOR, ACOUSTICAL PANEL, GWB CEILING

C GWB, 2X2 ACT, CARPET

D PAINTED STRUCTURE, NO CEILING

PROJECT CHESSE
Related

1000 Mission St.
San Francisco, CA 94108

SOM

Architect, Interior Designer, LEED
San Francisco, CA 94108

Consulting

Site & Structure

Sheet No. Description Date

OFFICE PARCEL 2014.09.05

PRELIMINARY PRICING PACKAGE

120'-10"

193'-7"

92'-6"

29'-3"

24'-3"

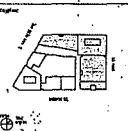
79'-4"

23'-2"

30'

275'

11TH ST.



OFFICE LEVEL 10
FLOOR PLAN

Project No. 010

Sheet No. A2.10

Scale: 1/8" = 1'-0"

DATE: 09/09/2014

BY: [Signature]

CHECKED BY: [Signature]

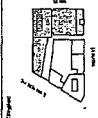
PROJECT CHESSE
 Related
 1500 Market St.
 San Francisco, CA 94102

SOM
 Skidmore, OWings & Merrill LLP
 110 West 17th Street
 New York, NY 10011

PROJECT: _____
 DRAWING NO: _____
 DATE: _____

BY: _____
 CHECKED BY: _____
 TITLE: _____

DATE: _____
 DRAWING NO: _____
 PROJECT: _____



ELEVATIONS

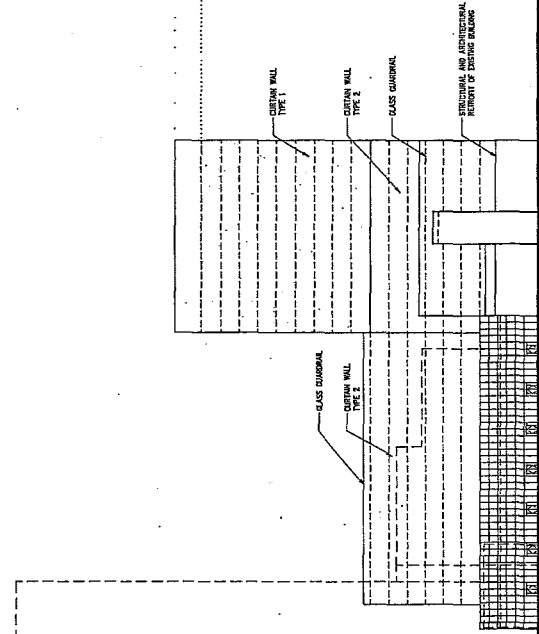
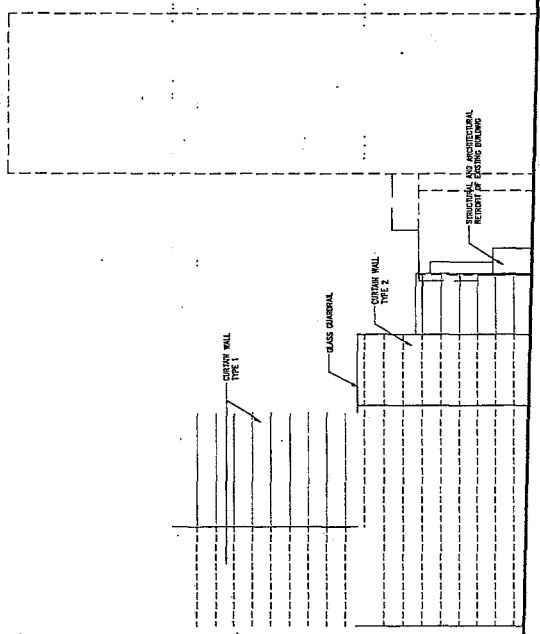
PROJECT CHESSE
 Related
 1500 Market St.
 San Francisco, CA 94102

WEST ELEVATION 02

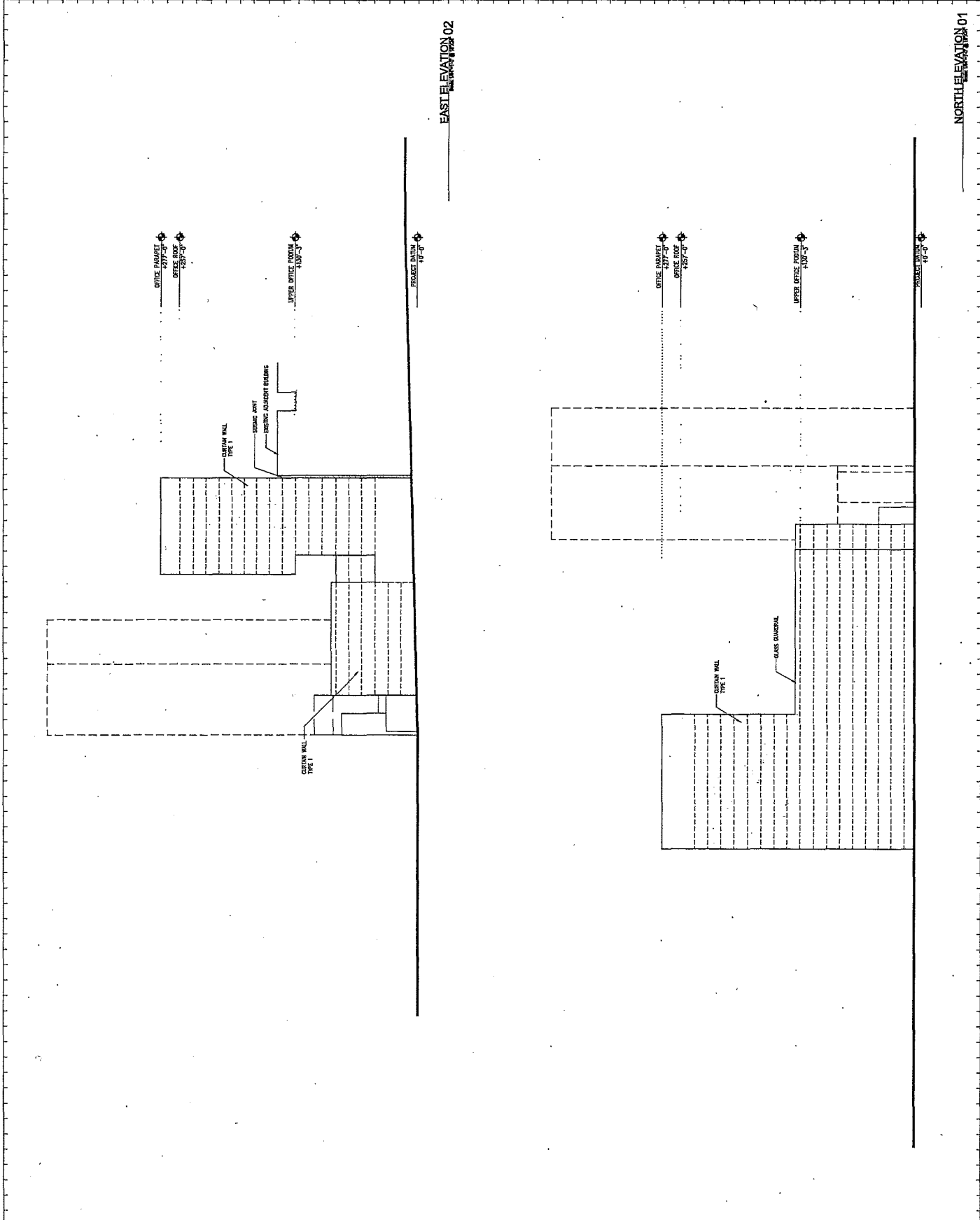
SOUTH ELEVATION 01

- OFFICE PARAPET +277'-0"
- OFFICE FLOOR +277'-0"
- OFFICE FLOOR +277'-0"
- UPPER OFFICE FLOOR +150'-3"
- UPPER RES. FLOOR +105'-3"
- LOWER RES. FLOOR +85'-0"
- PROJECT GRADE +0'-0"

- OFFICE PARAPET +277'-0"
- OFFICE FLOOR +277'-0"
- UPPER OFFICE FLOOR +150'-3"
- UPPER RES. FLOOR +105'-3"
- LOWER RES. FLOOR +85'-0"
- PROJECT GRADE +0'-0"



PROJECT CHASS Released 1910 Main Street San Francisco, CA 94118 SOM 1000 Market Street, Suite 1000 San Francisco, CA 94102 Tel: 415.774.2500 Fax: 415.774.2501 www.som.com	Project No. _____ Date _____ Title _____ Scale _____ Drawing No. _____ Revision _____ Author _____ Checker _____ Designer _____ Engineer _____ Architect _____ Title Block
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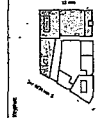
PROJECT CHESS
Relisted

SOM

1500 Market St.
San Francisco, CA 94102

Architect

DATE: 02/11/14
DRAWN BY: J. B. BROWN
CHECKED BY: J. B. BROWN
PROJECT: PROJECT CHESS

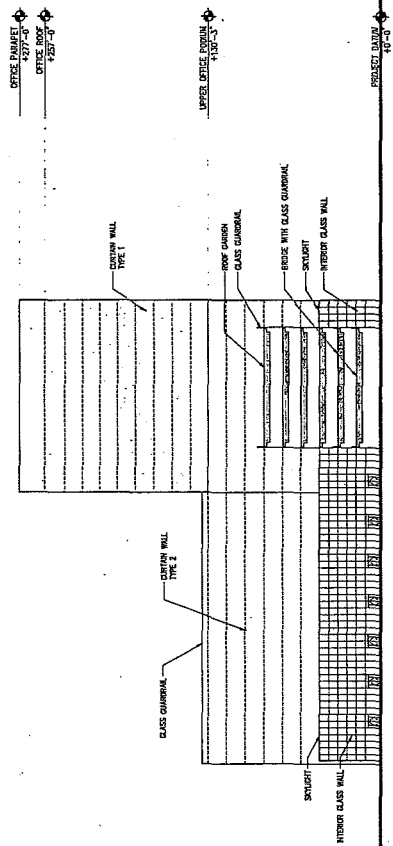
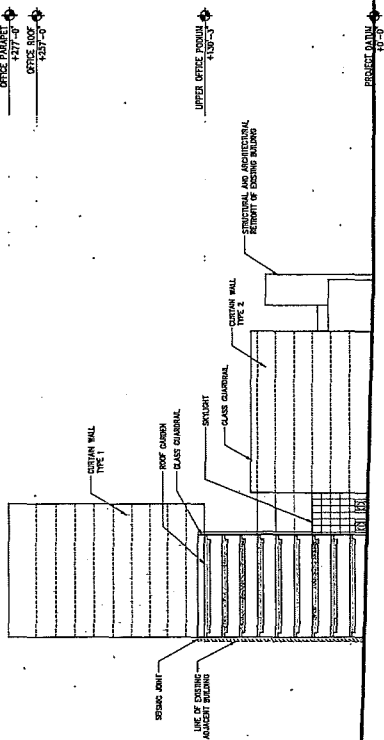


ELEVATIONS

DATE: 02/11/14
DRAWN BY: J. B. BROWN
CHECKED BY: J. B. BROWN
PROJECT: PROJECT CHESS

WEST ELEVATION 03

SOUTH ELEVATION 01



PROJECT CHIEF
Richard

1500 Broadway St.
New York, NY 10018

SOM

1500 Broadway St.
New York, NY 10018

1500 Broadway St.
New York, NY 10018

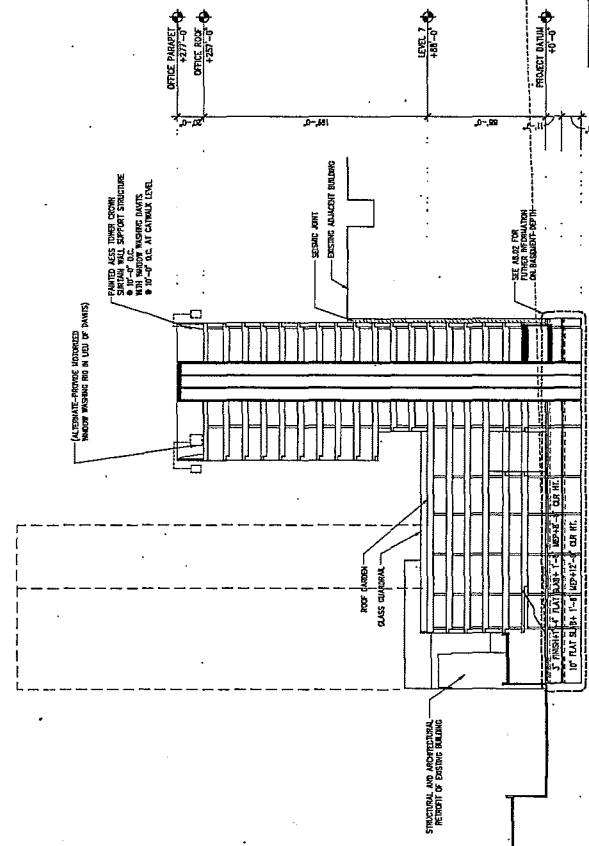
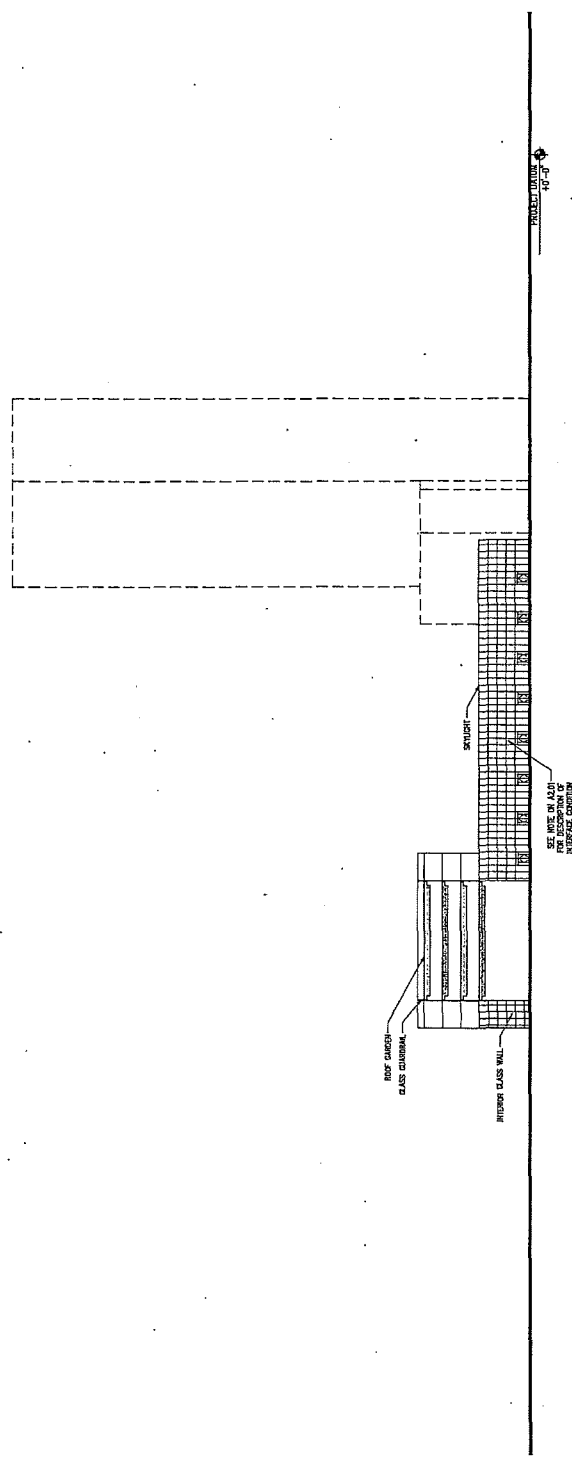
1500 Broadway St.
New York, NY 10018



SECTION 01

SECTION 01

SECTION THROUGH THE CONCOURSE 02



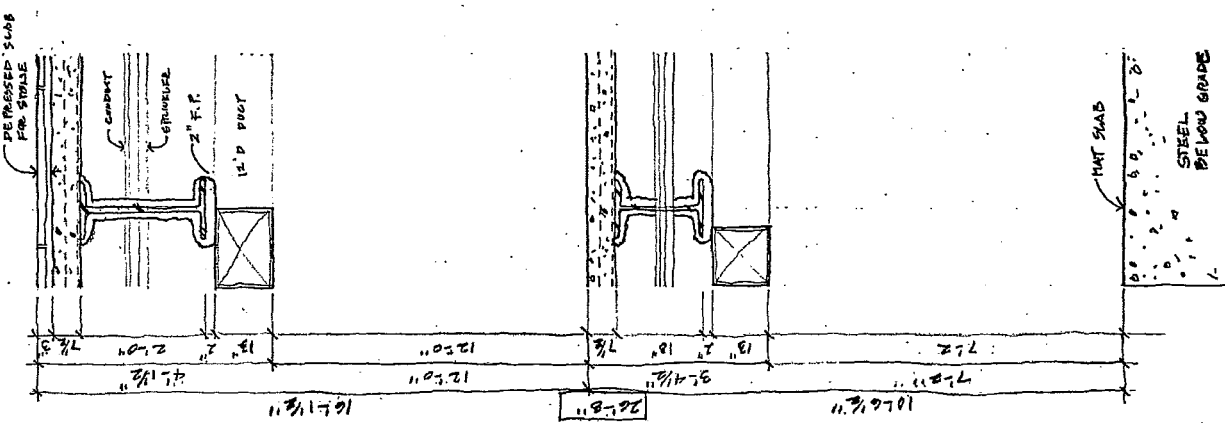
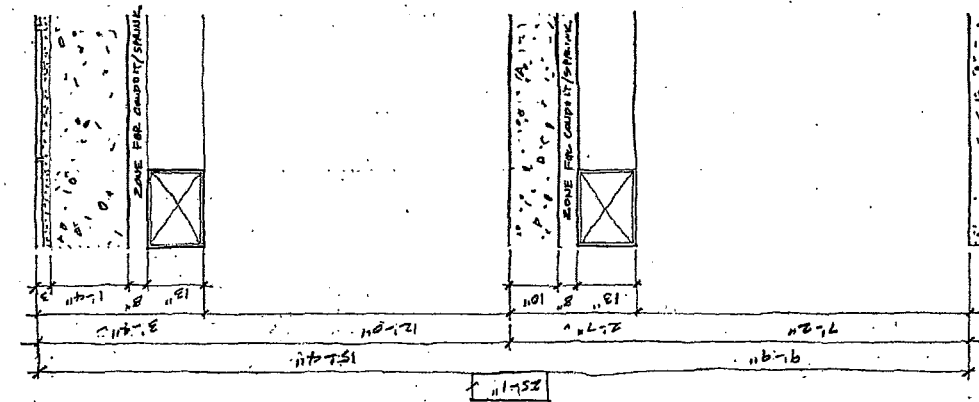
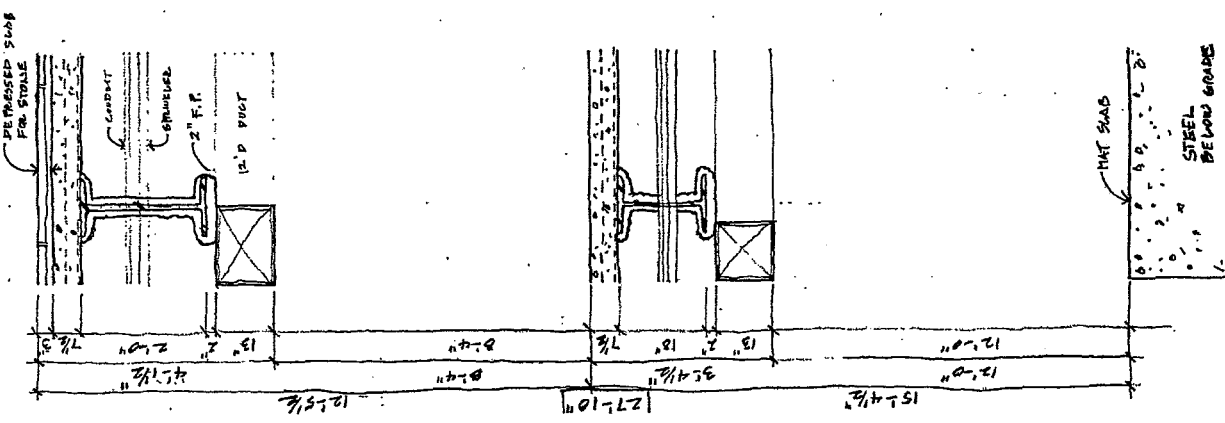
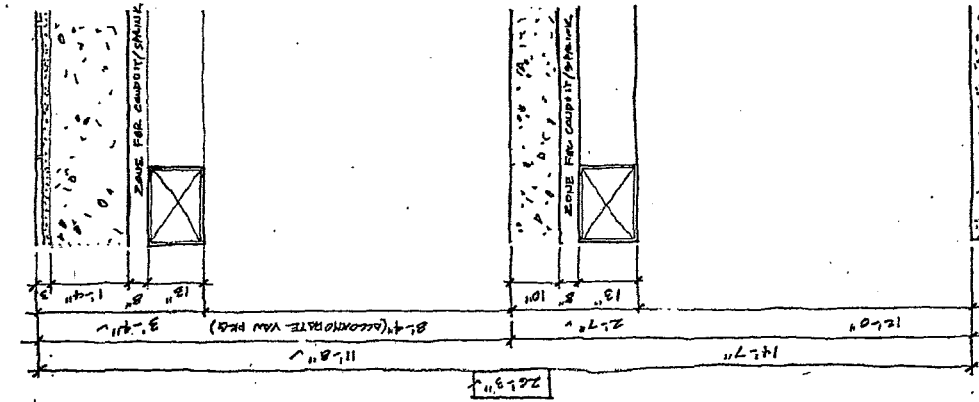


EXHIBIT C

RESIDENTIAL PARCEL

The area depicted as the "Residential Parcel" in the diagram shown below, subject to any non-material modifications to the boundary lines required to accommodate the anticipated development of the Office Project, which non-material modifications shall be finalized on or before the PSA Ratification Date.

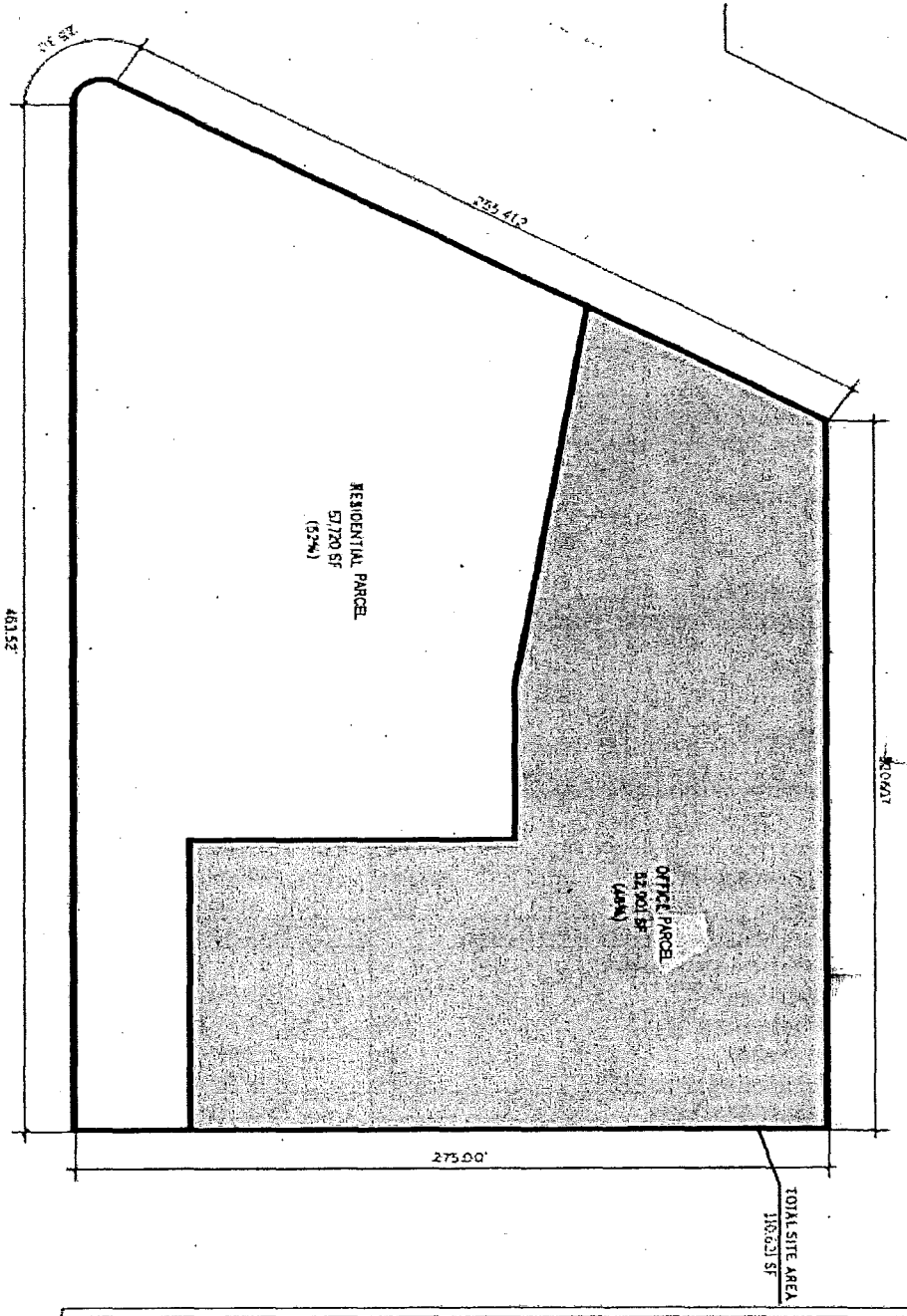


EXHIBIT D

PROJECT BUDGET, INCLUDING ENTITLEMENT BUDGET

EXHIBIT D - PROJECT BUDGET

Budget	Factor	Total Estimated Costs	Estimated Costs under the PSA	Estimated Costs under the CMA
Land Acquisition Costs				
Land Price	\$65 / GSF	30,296,640	30,296,640	0
Real Estate Commissions ⁽²⁾	Estimated	561,808	561,808	0
Closing Costs	0.50%	151,483	151,483	0
Total Land Acquisition Costs		31,009,931	31,009,931	0
Financing Costs during Predevelopment				
A&D Loan Servicing Costs	Estimated	200,000	200,000	0
A&D Loan Points & Lender Costs ^{(3), (5), (6)}	Calculated	398,904	398,904	0
A&D Loan Interest Expense (Initial Term) ^{(2), (3), (5)}	Calculated	5,017,851	5,017,851	0
A&D Loan Extension Option Fees ^{(3), (5), (6)}	Calculated	167,356	167,356	0
A&D Loan Interest Expense (Extended Term) ^{(3), (5), (6)}	Calculated	2,570,948	2,570,948	0
A&D Loan Cost Contingency	3.0%	244,652	244,652	0
Total Financing Costs during Predevelopment ⁽²⁾		8,599,709	8,599,709	0
Architectural and Engineering, Professional Fees and Insurance				
Soft Costs ⁽⁵⁾	Calculated	9,952,500	7,627,717	2,324,783
Owner's Insurance during Construction	Estimated	1,850,000	0	1,850,000
Soft Cost Contingency	3.0%	376,575	249,632	126,743
Other / Additional Legal	Estimated	750,000	700,000	50,000
Real Estate Commissions Contingency ⁽⁶⁾	Estimated	1,438,192	0	1,438,192
Total Architectural and Engineering, Professional Fees and Insurance		14,367,267	8,577,549	5,789,719
Construction Costs				
Core & Shell Hard Costs ^{(7), (8)}	Estimated	179,258,112	5,000,000	174,258,112
Tenant Improvements ^{(7), (8)}	Estimated	21,568,318	0	21,568,318
Hard Cost Owner's Contingency ⁽⁸⁾	5.0%	10,041,322	250,000	9,791,322
Total Construction Costs		210,867,752	5,250,000	205,617,752
Fees, Permits & Taxes Paid to City and County of San Francisco				
Fees & Permits	Calculated	31,493,773	443,573	31,050,201
Fees & Permits Contingency	5.0%	1,574,689	22,179	1,552,510
Real Estate Taxes during Predevelopment ⁽⁹⁾	Calculated	1,090,679	1,090,679	0
Real Estate Taxes Contingency	3.0%	32,720	32,720	0
Total Fees, Permits & Taxes Paid to City and County of San Francisco		34,191,861	1,589,151	32,602,711
Development Management Fees and Return on Equity				
Related Cost of Equity (Initial Term) ^{(3), (6)}	4.0%	757,375	757,375	0
Related Cost of Equity (Extended Term) ^{(3), (6)}	4.0%	363,433	363,433	0
Related Financing Cost Contingency	3.0%	33,624	33,624	0
Related Development, Entitlement and Success Fee ⁽⁹⁾	Flat Fee	26,500,000	0	26,500,000
Total Management Fees and Return on Equity		27,654,432	1,154,432	26,500,000
Total / Subtotal for Purchase Price under PSA and budget under CMA		326,698,953	56,180,772	278,518,181
Total Development Costs per Square Foot		\$700.45		

EXHIBIT D - PROJECT BUDGET

Office Project Allocation Percentage for A&D Loan Costs	Office Project	Residential Project	Total
Acquisition Costs			
Total Land Value and Predevelopment Expenses (Excl. Financing Costs)	30,296,640	35,321,360	65,618,000
Closing Costs	151,483	176,607	328,090
Total Acquisition Costs	30,448,123	35,497,967	65,946,090
Pre-Development Expenses			
Real Estate Taxes during Predevelopment	1,090,679	1,271,569	2,362,248
Predevelopment Expenses	6,967,139	10,764,409	17,731,548
Permits and Fees during Predevelopment	465,751	542,424	1,008,175
Total Costs during Predevelopment	8,523,569	12,578,403	21,101,972
Total Office Project Costs	38,971,692	48,076,369	87,048,062
Office Project Allocation of A&D Financing Costs	44.770%		

NOTES

- (1) Developer shall pay a commission of 1% of the Purchase Price upon City's acquisition of the Office Parcel
- (2) Assumes 33 month predevelopment period
- (3) Based on Colony A&D loan
- (4) Allocated pro rata as a percentage of the cost of land and predevelopment costs
- (5) Includes A&E and professional fees during predevelopment and construction
- (6) Brokerage fees incurred by Developer in connection with the Development of the Office Building
- (7) As estimated by Developer with consultation from Swinerton
- (8) Hard Cost Owner's Contingency includes "Core & Shell" and "Tenant Improvements"
- (9) Fee to be paid as follows - \$7.25 Million payable on land transfer, \$12.0 Million payable over the construction period
\$7.25 Million paid upon final C of O
- (10) Any costs incurred through the operation of the Goodwill Parcel during the Predevelopment period that are not covered under the Goodwill lease shall be split 50:50 between Residential Project and Office Project

EXHIBIT E

INTENTIONALLY OMITTED

EXHIBIT F

Local Hire, First Source, and Local Business Enterprise Program Requirements

1. Local Hiring Requirement.

1.1. General Provisions.

- 1.1.1. Developer shall comply with all applicable requirements of the San Francisco Local Hiring Policy for Construction ("Policy") as set forth in section 6.22(G) of the San Francisco Administrative Code. The provisions of the Policy are incorporated by references into this Agreement. Developer agrees that Developer has had a full and fair opportunity to review and understand the terms of the Policy.
- 1.1.2. Developer shall require the General contractor and all contractors or subcontractors performing construction work on behalf of the Developer as part of the Office Project to comply with all applicable requirements of the Policy.
- 1.1.3. Developer agrees that the Office of Economic and Workforce Development ("OEWD") will have the authority to enforce all terms of the Policy. Further information on the Policy and its implementation may be found at the OEWD website at: www.workforcedevelopmentsf.org.

1.2. Local Hire Requirements. Developer shall comply with the following:

- 1.2.1. Local Hire by Construction Trade: Mandatory participation level in terms of Project Work Hours within each trade to be performed by Local Residents is 30%, with a goal of no less than 15% of Project Work Hours within each trade to be performed by Disadvantaged Workers.
- 1.2.2. Local Apprentices: At least 50% of the Project Work Hours performed by apprentices within each construction trade shall be performed by local residents, with a goal of no less than 25% of Project Work Hours performed by apprentices within each trade to be performed by Economically Disadvantaged Workers.
- 1.2.3. Construction Contracts: Developer, shall include the terms of this Policy in the contract with the General Contractor and in every construction contract and subcontract entered in to for construction of the Office Project. Developer shall notify OEWD immediately upon execution of all construction contracts.
- 1.2.4. Preconstruction Meeting: Prior to commencement of construction, General Contractor and all construction subcontractors shall attend a preconstruction meeting convened OEWD staff. Representatives from General Contractor and all construction subcontractors who attend the pre-construction meeting must have hiring authority.
- 1.2.5. Forms and Payroll Submittal: General Contractor and all construction subcontractors shall utilize the City's web based payroll system to submit all of OEWD's required Local Hiring Forms and Certified Payroll Reports. The General Contractor shall submit Local Hiring Forms prior to commencement of construction and within 15 calendars days from award of contract. The General Contractor must submit payroll information on all subcontractors who will perform

construction work on the Office Project regardless of tier and contract amount. The General Contractor and all construction subcontractors shall submit Certified Payroll Reports on a weekly basis.

- 1.2.6. Recordkeeping: General Contractor and all construction subcontractors shall keep, or cause to be kept, for a period of four years from the date of completion of project work, payroll and basic records, including time cards, tax forms, and superintendent and foreman daily logs, for all workers within each trade performing work on the Office Project. Such records shall include the name, address and social security number of each worker who worked on the covered project, his or her classification, a general description of the work each worker performed each day, the apprentice or journey-level status of each worker, daily and weekly number of hours worked, the self-identified race, gender, and ethnicity of each worker, whether or not the worker was a local resident, and the referral source or method through which the contractor or subcontractor hired or retained that worker for work on the project. General Contractor and all construction subcontractors may verify that a worker is a local resident by following OEWD's domicile policy. All records described in this subsection shall at all times be open to inspection and examination by OEWD.
- 1.2.7. Monitoring. From time to time and in its sole discretion, OEWD may monitor and investigate compliance of General Contractor and all construction subcontractors working on the Office Project. Contractor shall allow representatives of OEWD, in the performance of their duties, to engage in random inspections of the Site. Contractor and all Subcontractors shall also allow representatives of OEWD to have access to employees of General Contractor and all construction subcontractors and the records required to be maintained under the Policy.
- 1.2.8. Noncompliance and Penalties. Failure of General Contractor and/or its construction subcontractors to comply with the requirements of the Policy may subject General Contractor to the consequences of noncompliance specified in Section 6.22(G)(7)(f) of the Administrative Code, including but not limited to the penalties prescribed in Section 6.22(G)(7)(f)(ii). In the event the General Contractor fails to adhere to the penalties administered by OEWD, the Developer will be responsible for penalties for noncompliance. The assessment of penalties for noncompliance shall not preclude the City from exercising any other rights or remedies to which it is entitled. Refer to Administrative Code Section 6.22(G)(7)(f)(iv) for a description of the recourse procedure applicable to penalty assessments under the Policy.

2. First Source Requirements

2.1. General Provisions and Definitions.

- 2.1.1. Developer shall participate in the Workforce System program managed by the Office of Economic and Workforce Development ("OEWD") as established by the City pursuant to Chapter 83 of the San Francisco Administrative Code ("First Source Hiring Policy"). The provisions of the First Source Hiring Policy are incorporated by references into this Agreement. Developer agrees that Developer has had a full and fair opportunity to review and understand the terms of the First Source Hiring Policy.
- 2.1.2. Developer shall require the Architect and all contractors or subcontractors performing professional services in excess of \$50,000 on behalf of the Developer

as part of the Office Project to comply with all applicable requirements of the First Source Hiring Policy.

2.2. Developer agrees that OEWD will have the authority to enforce all terms of the First Source Hiring Policy. Further information on the First Source Hiring Policy and its implementation may be found at the OEWD website at: www.workforcedevelopmentsf.org.

2.3. Definitions. For purposes of this section, the following terms shall be defined as follows:

2.3.1. "Entry Level Position" means any non-managerial position that requires no education above a high school diploma or certified equivalency, and less than two (2) years training or specific preparation, and shall include temporary, permanent, trainee and intern positions.

2.3.2. "Workforce System" means the First Source Hiring Administrator established by the City and managed by OEWD.

2.3.3. "Referral" means a member of the Workforce System who has been identified by OEWD as having the appropriate training, background and skill sets for a Lessee specified Entry Level Position.

2.3.4. **OEWD Workforce System Participation Requirements.** Architect and all professional services contractors and subcontractors shall notify OEWD's Business Team of every available Entry Level Position for work performed by the Architect and all professional services contractors and subcontractors in the City and provide OEWD 10 business days to recruit and refer qualified candidates prior to advertising such position to the general public. Architect and all professional services contractors and subcontractors shall provide feedback including but not limited to job seekers interviewed, including name, position title, starting salary and employment start date of those individuals hired by the Architect and all professional services contractors and subcontractors no later than 10 business days after date of interview or hire. Architect and all professional services contractors and subcontractors will also provide feedback on reasons as to why referrals were not hired. Architect and all professional services contractors and subcontractors shall have the sole discretion to interview any Referral by OEWD and will inform OEWD's Business Team why specific persons referred were not interviewed. Hiring decisions shall be entirely at the discretion of Architect and all professional services contractors and subcontractors. Failure to comply with the terms of the First Source Hiring Policy may result in penalties as defined in Chapter 83 of the Administrative Code.

3. Local Business Enterprise Program Requirements

3.1. Purpose. Developer agrees to partner with the Contract Monitoring Division ("CMD") to provide Local Business Enterprises ("LBE") with meaningful opportunities to participate in the construction of the Office Project.

3.2. LBE Participation Goal. Developer agrees to make good faith efforts to award at least 20 percent of the cost of all professional services and 15 percent of construction contracts awarded by Developer as part of the Office Project to LBE businesses certified by CMD pursuant to Chapter 14B of the Administrative Code.

3.3. Reporting. Beginning as of the PSA Ratification Date and every six months thereafter, Developer shall report in writing to the Director of Real Estate with a copy to the Director of CMD a summary of Developer's attainment of the LBE Participation Goal.

EXHIBIT G

OTHER CITY CONTRACTING REQUIREMENTS

1. Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Agreement, Developer agrees not to discriminate against any employee of, any City employee working with Developer, or applicant for employment with Developer, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts

Developer shall include in all contracts it enters into, and require the General Contractor to include in all subcontracts relating to the Property, a nondiscrimination clause applicable to such subcontractor in substantially the form of subsection (a) above. In addition, Developer shall require the General Contractor to incorporate by reference in all subcontracts the provisions of sections 12B.2(a), 12B.2(c)-(k) and 12C.3 of the San Francisco Administrative Code and shall require the General Contractor to require all subcontractors to comply with such provisions. Developer's failure to comply with its obligations in this subsection shall constitute a material breach of this Agreement, subject to all notice and cure provisions set forth in this Agreement.

(c) Non-Discrimination in Benefits

Developer does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form

As a condition to this Agreement, Developer shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contracts Monitoring Division (the "CMD"). Developer hereby represents that before execution of the Agreement:

(a) Developer executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (b) the CMD approved such form. *All forms on City website:*
[www.sfgov.org This form: http://sfgsa.org/modules/showdocument.aspx?documentid=10257](http://sfgsa.org/modules/showdocument.aspx?documentid=10257)

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of property to City are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Developer shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Developer understands that pursuant to section 12B.2(h) of the San Francisco Administrative Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Developer and/or deducted from any payments due Developer.

2. Tropical Hardwood and Virgin Redwood Ban

The following provisions (or provisions substantially similar to the following) shall be included in the Construction Contract:

“(a) Except as expressly permitted by the application of sections 802(b) and 803(b) of the San Francisco Environment Code, neither Contractor nor any of its sub-contractors shall provide any items to City in the construction of the Office Project or otherwise in the performance of this agreement which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

(b) The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood products.

(c) In the event Contractor fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Contractor shall be liable to the City for liquidated damages for each violation in an amount equal to Contractor’s net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Contractor acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand or may be deducted from payment amounts due and owing from [Developer] to Contractor.”

3. Preservative-Treated Wood Containing Arsenic

The Construction Contract shall provide that General Contractor may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. General Contractor will be permitted to purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude General Contractor from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

4. Bicycle Parking Facilities

Article 1.5, section 155.3, of the San Francisco Planning Code (the "**Planning Code**") requires the provision of bicycle parking at City buildings. The Office Project will include _____ () Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and _____ () Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the garage, at a location determined by the City.

5. Resource Efficient City Buildings

Developer acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Developer hereby agrees that it shall require the General Contractor to comply with all applicable provisions of such code sections.

6. MacBride Principles - Northern Ireland

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code section 12F.1 et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Developer acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

7. Controller's Certification of Funds

The terms of this Agreement shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this Agreement, there shall be no obligation for the payment or expenditure of money by City under this Agreement unless the Controller of the City and County of San Francisco first certifies, pursuant to section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure.

8. Conflicts of Interest

Through its execution of this Agreement, Developer acknowledges that it is familiar with the provisions of section 15.103 of the San Francisco Charter, article III, chapter 2 of City's Campaign and Governmental Conduct Code, and section 87100 et seq. and section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Developer becomes aware of any such fact during the term of this Agreement, Developer shall immediately notify City.

9. Notification of Limitations on Contributions

Through its execution of this Agreement, Developer acknowledges that it is familiar with section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual

or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Developer acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Developer further acknowledges that the prohibition on contributions applies to each Developer; each member of Developer's board of directors, and Developer's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Developer; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Developer. Additionally, Developer acknowledges that Developer must inform each of the persons described in the preceding sentence of the prohibitions contained in section 1.126. Developer further agrees to provide to City the name of each person, entity or committee described above.

EXHIBIT H

FORM GRANT DEED

<p>RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:</p> <p>Director of Property Real Estate Division City and County of San Francisco 25 Van Ness Avenue, Suite 400 San Francisco, California 94102</p> <p>The undersigned hereby declares this instrument to be exempt from Recording Fees (CA Govt. Code § 27383) and Documentary Transfer Tax (CA Rev. & Tax Code § 11922 and S.F. Bus. & Tax Reg. Code § 1105)</p>	
---	--

(Space above this line reserved for Recorder's use only)

GRANT DEED

(Assessor's Parcel No. _____)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
_____, hereby grants to
the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county, the real property
located in the City and County of San Francisco, State of California, described on Exhibit A
attached hereto and made a part hereof (the "Property").

TOGETHER WITH any and all rights, privileges and easements incidental or
appurtenant to the Property, including, without limitation, any and all minerals, oil, gas and
other hydrocarbon substances on and under the Property, as well as any and all development
rights, air rights, water, water rights, riparian rights and water stock relating to the Property, and
any and all easements, rights-of-way or other appurtenances used in connection with the
beneficial use and enjoyment of the Office Parcel and all of Grantor's right, title and interest in
and to any and all roads and alleys adjoining or servicing the Property, subject to all general and
special taxes and all easements, covenants and conditions recorded against the Property in the
official records of the City and County of San Francisco, State of California.

[add reciprocal or other easements,

Executed as of this _____ day of _____, 20__.

_____, a _____

_____,
NAME By: _____

Its: _____

_____,
NAME By: _____

Its: _____

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the foregoing Grant Deed to the City and County of San Francisco, a Charter city and county, is hereby accepted pursuant to Board of Supervisors' Resolution No.____, adopted____, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____ By: _____
_____ Director of Property

EXHIBIT I

ACCEPTED CONDITIONS OF TITLE

The Accepted Conditions of Title shall consist of the following exceptions, to the extent they affect the Office Parcel:

1. General and special taxes and assessments for the fiscal year 20___-20___ [**applicable fiscal year to be inserted**], a lien not yet due or payable.
2. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 90-1, as disclosed by Notice of Special Tax Lien recorded July 05, 1990 as Instrument No. E573343, in Reel F160 Image 1044 of Official Records.

Document(s) declaring modifications thereof recorded July 11, 1990 as Instrument No. 579471, in Reel F165, Image 1 of Official Records.

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. The terms and provisions contained in the document entitled "Declaration of Use" recorded December 08, 1994 as Instrument No. 94-F725217-00, in Reel G273, Image 0387 of Official Records.

(Affects Portion of Lot 6)
5. The terms and provisions contained in the document entitled "Declaration of Use" recorded June 01, 1995 as Instrument No. 95-F798458-00, in Reel G393, Image 0205 of Official Records.

(Affects Portion of Lot 6)
6. The terms and provisions contained in the document entitled "Declaration of Use" recorded April 02, 2009 as Instrument No. 2009-I742419-00, in Reel J861, Image 0160 of Official Records.

(Affects Lot 7 and Portion of Lot 6)
7. The terms and provisions contained in the document entitled "Declaration of Use" recorded July 09, 2009 as Instrument No. 2009-I792603-00, in Reel J930, Image 0486 of Official Records.

(Affects Lot 7 and Portion of Lot 6)
8. A document entitled "Resolution" recorded August 12, 2013 as Instrument No. 2013-J728709-00, in Reel K958, Image 0242 of Official Records.

(Affects Lot 7 and Portion of Lot 6)

9. Any encroachment, encumbrance, violation, variation, or adverse circumstance disclosed on that certain ALTA Survey prepared by Martin Ron Associates dated May 9th, 2014.
10. All easements, covenants, conditions, restrictions and/or agreements required by, or contemplated under, the Agreement or the Proposed Entitlements, or required in connection with the future development and construction of the Office Project as set forth in the Agreement, including those contemplated by the Reciprocal Easement.

EXHIBIT J

BILL OF SALE

For good and valuable consideration the receipt of which is hereby acknowledged,

_____, a _____
("Developer"), does hereby sell, transfer and convey to the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county ("the City"), Developer's interest in all personal property owned by Developer and located on or in or used in connection with the Office Parcel and Improvements (as such terms are defined in that certain Agreement of Purchase and Sale of Real Estate dated as of _____, 20_____, between Developer and the City (or the City's predecessor in interest), including, without limitation, those items described in Schedule 1 attached hereto.

DATED this _____ day of _____, 20_____.

DEVELOPER:

a _____
By: _____
 [NAME]
Its: _____

EXHIBIT K

**ASSIGNMENT OF CONTRACTS,
WARRANTIES AND GUARANTIES
AND OTHER INTANGIBLE PROPERTY**

THIS ASSIGNMENT is made and entered into as of this _____ day of _____, 20____, (the "Effective Date") by and between _____, a _____ ("Assignor"), and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the Effective Date, Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under:

A. all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of that certain real property described in Exhibit A attached hereto including, without limitation, those warranties and guaranties listed in Schedule 1 attached hereto (collectively, "Warranties");

B. any other Intangible Property (as defined in that certain Agreement of Purchase and Sale of Real Estate dated as of October __, 2014, between Assignor and Assignee (or Assignee's predecessor in interest) (the "Purchase Agreement"), including the Assumed Contracts listed in Schedule 2.

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Assignor indemnifies Assignee against and holds Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including reasonable attorney's fees) originating on or before the Effective Date and arising out of Assignor's obligations under the Assumed Contracts. Assignee indemnifies Assignor against and holds Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including reasonable attorney's fees) originating after the Effective Date and arising out of Assignee's obligations under the Assumed Contracts.

2. Except as otherwise set forth in the Purchase Agreement, effective as of the Closing Date, Assignee hereby assumes all of the property owner's obligations under the Assumed Contracts.

2. In the event of any litigation between Assignor and Assignee arising out of this Assignment, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, attorneys' fees.

3. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.

4. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

5. This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

ASSIGNOR:

a _____

By: _____
[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN
FRANCISCO, a Charter city and county

By: _____
[NAME]

Its: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
[DEPUTY'S NAME]
Deputy City Attorney

EXHIBIT L

LIST OF DOCUMENTS

1. Goodwill Offering Memorandum prepared by Colliers International (no date)
2. Purchase and Sale Agreement between Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc., and Related California Urban Housing, LLC dated June 3rd, 2014
3. 1st Amendment to the Purchase and Sale Agreement dated September 2nd, 2014
4. Revised PPA Drawing Set dated August 13th, 2014
5. 2013 – 2014 Property Tax Bill
6. Department of Parks and Recreation Primary Record dated January 2010
7. Preliminary Project Assessment Submission to SF Planning dated July 30th, 2014
8. Application Packet for Preliminary Project Assessment dated August 27th, 2014
9. Preliminary Project Assessment Authorization Letter prepared by Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc., dated July 30th, 2014
10. ALTA Survey prepared by Martin Ron Associates dated May 9th, 2014
11. Preliminary Title Report prepared by First American Title Insurance Company dated October 25th, 2013
12. Phase I Environmental Site Assessment prepared by Bureau Veritas dated February 7th, 2014
13. Limited Subsurface Investigation prepared by Bureau Veritas dated May 14th, 2014
14. Summary Opinion for Commercial Property of Environmental Conditions prepared by Bureau Veritas dated September 22nd, 2014
15. Preliminary Geotechnical Evaluation prepared by Langan Treadwell Rollo dated May 15th, 2014
16. Geotechnical Feasibility Study, Existing Coca-Cola Bottling Facility prepared by Harding Lawson Associates dated June 9th, 1989
17. Coca-Cola Phase Testing Reports prepared by the Rubicon Group for Coca-Cola Enterprises dated February 16th, 1989
18. Summary of Previous Investigations and Discussion of Remedial Options, Coca Cola Facility, 1500 Mission Street prepared by Erler & Kalinowski, Inc. dated July 2nd, 1992
19. Phase II Hazardous Materials Site Assessment prepared by Harding Lawson Associates dated April 20th, 1989
20. Quarterly Groundwater Monitoring and Analysis, First Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated March 21st, 1990
21. Quarterly Groundwater Monitoring and Analysis, First Quarter 1991 prepared by US Technical Environmental Consulting, Inc. dated May 10th, 1991
22. Quarterly Groundwater Monitoring and Analysis, Second Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated August 13th, 1990

23. Quarterly Groundwater Monitoring and Analysis, Second Quarter 1991 prepared by US Technical Environmental Consulting, Inc. dated July 22nd, 1991
24. Quarterly Groundwater Monitoring and Analysis, Third Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated January 31st, 1990
25. Quarterly Groundwater Monitoring and Analysis, Third Quarter 1991 prepared by US Technical Environmental Consulting, Inc. dated October 14th, 1991
26. Quarterly Groundwater Monitoring and Analysis, Fourth Quarter 1989 prepared by US Technical Environmental Consulting, Inc. dated January 5th, 1990
27. Quarterly Groundwater Monitoring and Analysis, Fourth Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated January 31st, 1991
28. Remedial Action Plan prepared by US Technical Environmental Consulting, Inc. dated January 16th, 1990
29. Site Contamination Assessment Report prepared by Western Technologies, Inc. dated September 27th, 1989
30. Remedial Action Completion Certificate Regarding Underground Storage Tank (UST) Case prepared by Department of Public Health, Bureau of Environmental Health Management dated October 13th, 1995
31. Market and Octavia Area Plan prepared by San Francisco Planning Department
32. Lease for Parking Facilities between Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc., and San Francisco Parking dba City Park dated January 1st, 2006
33. Letter Regarding Floor Plates and Height Limits prepared by the San Francisco Department of Planning dated May 14th, 2014
34. Letter Regarding Bulk Restrictions prepared by San Francisco Planning Department dated April 24th, 2014
35. Access and Indemnity Agreement between San Francisco, San Mateo and Marin Counties, Inc., and Related California Urban Housing, LLC dated April 18th, 2014
36. San Francisco Property Information Map prepared by San Francisco Planning Department dated October 3rd, 2014
37. Reliance Letter dated October 16, 2014, addressed to Coffin Mission Funding, LLC, executed by Bureau Veritas North America Inc.

EXHIBIT M

**CERTIFICATE OF TRANSFEROR
OTHER THAN AN INDIVIDUAL
(FIRPTA Affidavit)**

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county, the transferee of certain real property located in the City and County of San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by _____

_____, a _____
("Transferor"), the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Transferor's U.S. employer identification number is _____; and
3. Transferor's office address is _____

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Dated: _____, 20_____.

On behalf of:

[NAME]

a _____

By: _____
[NAME]

Its: _____

EXHIBIT N

DEVELOPER'S GENERAL DISCLOSURES

All of the representations and warranties set forth in Section 11.1 of the Agreement are qualified by the information contained in the documents listed in Exhibit L (List of Documents) to the Agreement.

EXHIBIT O

DEVELOPER'S ENVIRONMENTAL DISCLOSURES

The representations and warranties in Section 11.1(k) of the Agreement are qualified by the information contained in all of the following documents:

1. Phase I Environmental Site Assessment prepared by Bureau Veritas dated February 7th, 2014
2. Limited Subsurface Investigation prepared by Bureau Veritas dated May 14th, 2014
3. Summary Opinion for Commercial Property of Environmental Conditions prepared by Bureau Veritas dated September 22nd, 2014
4. Preliminary Geotechnical Evaluation prepared by Langan Treadwell Rollo dated May 15th, 2014
5. Geotechnical Feasibility Study, Existing Coca-Cola Bottling Facility prepared by Harding Lawson Associates dated June 9th, 1989
6. Coca-Cola Phase Testing Reports prepared by the Rubicon Group for Coca-Cola Enterprises dated February 16th, 1989
7. Summary of Previous Investigations and Discussion of Remedial Options, Coca Cola Facility, 1500 Mission Street prepared by Eler & Kalinowski, Inc. dated July 2nd, 1992
8. Phase II Hazardous Materials Site Assessment prepared by Harding Lawson Associates dated April 20th, 1989
9. Quarterly Groundwater Monitoring and Analysis, First Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated March 21st, 1990
10. Quarterly Groundwater Monitoring and Analysis, First Quarter 1991 prepared by US Technical Environmental Consulting, Inc. dated May 10th, 1991
11. Quarterly Groundwater Monitoring and Analysis, Second Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated August 13th, 1990
12. Quarterly Groundwater Monitoring and Analysis, Second Quarter 1991 prepared by US Technical Environmental Consulting, Inc. dated July 22nd, 1991
13. Quarterly Groundwater Monitoring and Analysis, Third Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated January 31st, 1990
14. Quarterly Groundwater Monitoring and Analysis, Third Quarter 1991 prepared by US Technical Environmental Consulting, Inc. dated October 14th, 1991
15. Quarterly Groundwater Monitoring and Analysis, Fourth Quarter 1989 prepared by US Technical Environmental Consulting, Inc. dated January 5th, 1990
16. Quarterly Groundwater Monitoring and Analysis, Fourth Quarter 1990 prepared by US Technical Environmental Consulting, Inc. dated January 31st, 1991
17. Remedial Action Plan prepared by US Technical Environmental Consulting, Inc. dated January 16th, 1990

18. Site Contamination Assessment Report prepared by Western Technologies, Inc. dated September 27th, 1989
19. Remedial Action Completion Certificate Regarding Underground Storage Tank (UST) Case prepared by Department of Public Health, Bureau of Environmental Health Management dated October 13th, 1995
20. Reliance Letter dated October 16, 2014, addressed to Colfin Mission Funding, LLC, executed by Bureau Veritas North America Inc.

EXHIBIT P

CONSTRUCTION MANAGEMENT AGREEMENT

[To be Inserted]

EXHIBIT Q

MEMORANDUM OF AGREEMENT

<p>RECORDING REQUESTED BY, AND WHEN RECORDED RETURN TO:</p> <p>Real Estate Division City and County of San Francisco 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Director of Property</p> <p>The undersigned hereby declares this instrument to be exempt from Recording Fees (CA Govt. Code § 27383) and Documentary Transfer Tax (CA Rev. & Tax Code § 11922 and S.F. Bus. & Tax Reg. Code § 1105)</p>	
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(Space above this line reserved for Recorder's use only)

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT dated as of _____, 20_____, is by and between _____, a _____ ("Developer"), and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county ("City").

1. Developer is the owner of certain real property located in the City and County of San Francisco, California, commonly known as _____, more particularly described in Exhibit A attached to and incorporated by this reference in this Memorandum of Agreement (the "Real Property").

2. Developer and City have entered into that certain unrecorded Agreement for the Purchase and Sale of Real Estate dated as of _____, 20____ incorporated by this reference into this Memorandum (the "Agreement"), pursuant to which Developer agreed to sell, and City agreed to purchase, the Real Property upon all the terms and conditions set forth in the Agreement.

3. The purpose of this Memorandum of Agreement is to give notice of the Agreement and the respective rights and obligations of the parties thereunder, and all of the terms and conditions of the Agreement are incorporated herein by reference as if they were fully set forth herein.

4. This Memorandum of Agreement shall not be deemed to modify, alter or amend in any way the provisions of the Agreement. In the event any conflict exists between the terms of the Agreement and this instrument, the terms of the Agreement shall govern and determine for all purposes the relationship between Developer and City and their respective rights and duties.

5. This Memorandum of Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns.

6. City acknowledges and agrees that the Agreement, with any and all rights, claims, options, liens and charges created thereby, is and shall continue to be subject and subordinate in

all respects to the lien and terms of that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of October ____, 2014 and recorded [_____] as [_____] in [_____] made by Developer, as grantor, and ColFin Mission Funding, LLC, as beneficiary, and to any renewals, modifications, consolidations, replacements and extensions thereof and to all advances made thereunder whether on or after the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this Memorandum of Agreement as of the date first written above.

DEVELOPER:

a _____

By: _____

[NAME]

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county

By: _____

JOHN UPDIKE

Director of Property

Date: _____

EXHIBIT R

DESIGNATION AGREEMENT

This DESIGNATION AGREEMENT (the "Agreement") dated as of _____, 20____, is by and between _____, a _____ ("Developer"), the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county ("City"), and _____ TITLE INSURANCE COMPANY ("Title Company").

A. Pursuant to that certain Purchase Agreement entered into by and between Developer and City, dated _____, 20____ (the "Purchase Agreement"), Developer has agreed to sell to City, and City has agreed to purchase from Developer, certain real property located in City and County of San Francisco, California, more particularly described in Exhibit A attached hereto (the "Property"). The purchase and sale of the Property is sometimes herein below referred to below as the "Transaction").

B. Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the "Reporting Requirements") require an information return to be made to the United States Internal Revenue Service, and a statement to be furnished to Developer, in connection with the Transaction.

C. Pursuant to Subsection _____ of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No. _____, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

D. Developer, City and Title Company desire to designate Title Company as the "Reporting Person" (as defined in the "Reporting Requirements") with respect to the Transactions.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Developer, City and Title Company agree as follows:

1. Title Company is hereby designated as the Reporting Person for the Transaction. Title Company shall perform all duties that are required by the Reporting Requirements to be performed by the Reporting Person for the Transaction.

2. Developer and City shall furnish to Title Company, in a timely manner, any information requested by Title Company and necessary for Title Company to perform its duties as Reporting Person for the transaction.

3. Title Company hereby requests Developer to furnish to Title Company Developer's correct taxpayer identification number. Developer acknowledges that any failure by Developer to provide Title Company with Developer's correct taxpayer identification number may subject Developer to civil or criminal penalties imposed by law. Accordingly, Developer hereby certifies to Title Company, under penalties of perjury, that Developer's correct taxpayer identification number is _____.

4. The names and addresses of the parties hereto are as follows:

DEVELOPER:

Attn: _____
Facsimile No.: () _____

CITY:

Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Facsimile No.: () _____

TITLE COMPANY:

Attn: _____
Facsimile No.: () _____

5. Each of the parties hereto shall retain this Agreement for a period of four (4) years following the calendar year during which the date of closing of the Transaction occurs.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date and year first above written.

DEVELOPER:

Attn: _____
Facsimile No.: () _____
Date: _____
By: _____
Its: _____

CITY: CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county

By: _____
JOHN UPDIKE
Director of Property
Date: _____

Title Company:

_____ TITLE
INSURANCE COMPANY

Date: _____
By: _____
Its: _____

EXHIBIT S

RECIPROCAL EASEMENT TERMS

Easement rights to be granted and/or reserved in the Reciprocal Easement, as reasonably agreed to by the parties:

1. Ingress / Egress easements;
2. Utility easements and easements for utility rooms;
3. Maintenance easements;
4. Landscaping easements;
5. Temporary construction easements;
6. Structural and support easements;
7. Easements for encroachments; and
8. Any other easements reasonably required for the development of the Office Project and the Residential Project.

EXHIBIT T

FORM OF CITY/DEVELOPER CLOSING CERTIFICATE

[Developer Letterhead]

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: Goodwill Office Building

Re: Conditional Land Disposition and Acquisition Agreement, dated for reference purposes only as of October __, 2014 (the "Agreement"), by and between GOODWILL SF URBAN DEVELOPMENT, LLC, a Delaware limited liability company ("Developer") and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county (the "City")

I have reviewed the Agreement. To the best of my knowledge, I certify that all of Developer's representations and warranties contained in the Agreement continue to be true and correct in all material respects as of _____ (the Closing Date), except as follows: _____

GOODWILL SF URBAN DEVELOPMENT, LLC,
a Delaware limited liability company

By: THE NICHOLAS COMPANY, INC., a
Delaware corporation, its non-member
manager

By: _____
WILLIAM A. WITTE, President

[City Letterhead]

Related California Urban Housing, LLC
18201 Von Karman Ave., Suite 900
Irvine, CA 92612
Attn: Bill Witte and Frank Cardone

Re: Conditional Land Disposition and Acquisition Agreement, dated for reference purposes only as of October __, 2014 (the "Agreement"), by and between GOODWILL SF URBAN DEVELOPMENT, LLC, a Delaware limited liability company ("Developer") and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county (the "City").

I have reviewed the Agreement. To the best of my knowledge, I certify that all of the City's representations and warranties contained in the Agreement continue to be true and correct in all material respects as of _____ (the Closing Date), except as follows: _____

CITY AND COUNTY OF SAN
FRANCISCO, a Charter city and county

By: _____
JOHN UPDIKE
Director of Property

EXHIBIT U

FORM OF SUBORDINATION AGREEMENT

RECORDING REQUESTED BY:

ColFin Mission Funding, LLC

WHEN RECORDED MAIL TO:

ColFin Mission Funding, LLC
c/o Colony Capital, LLC
2450 Broadway, 6th Floor
Santa Monica, CA 90404
Attn.: Director, Legal Department

(Space Above Line For Recorder's Use Only)

SUBORDINATION AGREEMENT

“GOODWILL” SITE

[City Parcel]

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR RIGHTS AND INTERESTS AND YOUR INTEREST, CLAIM OR LIEN, IF ANY, IN AND TO THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT ("Subordination Agreement"), is made this [] day of [], 2014, by GOODWILL SF URBAN DEVELOPMENT, LLC, a Delaware limited liability company (together with its successors and assigns, the "Owner"), the owner of the land described in Exhibit "A" attached hereto (the "Land") and THE CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City"), for the benefit of COLFIN MISSION FUNDING, LLC, a Delaware limited liability company (together with its successors and assigns, the "Lender").

WITNESSETH

WHEREAS, Owner and the City have executed and delivered that certain Conditional Land Disposition and Acquisition Agreement, between Owner, as seller, and the City, as purchaser, pursuant to which Owner has agreed to sell, and the City has agreed to purchase, a portion of the Land (the "City Land"), subject to and in accordance with the terms

thereof (as amended, restated, supplemented or otherwise modified from time to time, the "City PSA"), a memorandum of which is being recorded as of the date hereof (the "Memorandum").

WHEREAS, pursuant to the terms of the City PSA, it is intended that the City Land will be conveyed to the City at some date after the date hereof, subject to the satisfaction of certain conditions contained therein.

WHEREAS, Lender had made a loan to Owner (the "Loan") pursuant to that certain Loan Agreement, dated as of the date hereof, by and between Owner and Lender (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), which Loan is secured by the Land.

WHEREAS, in order to induce Lender to agree to make the Loan, Owner has executed, or is about to execute, or has delivered to Lender that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing dated as of the date hereof, executed by Owner for the benefit of Lender and recorded substantially concurrently herewith (as amended, restated, supplemented, split, severed or otherwise modified from time to time, the "Deed of Trust") which Deed of Trust encumbers the Land (the Loan Agreement, the Deed of Trust and each and every other document, agreement, instrument and certificate now or hereafter evidencing or securing the Loan, or delivered to Lender in connection with the Loan, collectively referred to herein as the "Loan Documents"); and

WHEREAS, it is a condition precedent to obtaining the Loan that the Deed of Trust and the other Loan Documents shall unconditionally be and remain at all times a lien or charge upon the Land, the other Collateral (as defined in the Loan Agreement), and all other property encumbered by any of the Loan Documents (collectively, the "Property"), prior and superior to the City PSA and Memorandum, and to all rights, title and interest of the City thereunder; and

WHEREAS, Lender is willing to make the Loan provided the Deed of Trust and other Loan Documents securing the same create a lien or charge upon the Property prior and superior to the City PSA and Memorandum and to all rights, title and interests of the City thereunder, and provided that the City will specifically and unconditionally subordinate the City PSA and the Memorandum to the lien or charge of the Deed of Trust and other Loan Documents in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make the Loan to Owner; and the City is willing that the Deed of Trust and other Loan Documents securing the same shall, when recorded, constitute a lien or charge upon the Property which is unconditionally prior and superior to the City PSA and the Memorandum.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the Loan, Owner and the City hereby declare, understand and agree as follows:

1. The City PSA and the Memorandum, with any and all rights, claims, options, liens and charges created thereby (including, without limitation, (A) the rights contained in the City PSA, or otherwise existing, to acquire any or all of the City Land and/or (B) any rights and/or claims the City may have in connection with a proceeding under 11 U.S.C. §101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") commenced by or against Owner or any Affiliate thereof pursuant to which the Property becomes subject to such proceeding), is and shall continue to be subject and subordinate in all respects to the lien and terms of the Deed of Trust and the other Loan Documents, and to any renewals, modifications, consolidations, replacements and extensions thereof and to all advances made thereunder whether on or after the date hereof and whether contemplated by the Loan Documents or otherwise;

2. The City hereby acknowledges and agrees to (i) all provisions of the Deed of Trust and the other Loan Documents, and any amendments thereto at any time and from time to time and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender in connection with the Loan;

3. Lender in making disbursements pursuant to any Loan Document or other agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of any Loan proceeds by the person or persons to whom Lender disburses such proceeds for the purposes set forth in the Loan Documents or other agreement, and any application or use of such proceeds for purposes other than those set forth in the Loan Documents or other agreement shall not defeat the subordination herein made in whole or in part;

4. The City hereby intentionally and unconditionally waives, relinquishes and subordinates the City PSA and Memorandum in favor of the lien or charge upon the Property of the Deed of Trust and other Loan Documents and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

5. Lender hereby agrees to provide to the City written notice of any default or event of default by Owner under the Loan Documents or that would otherwise permit Lender to exercise any right or remedy against Owner under the Loan Documents (any such event shall hereinafter be referred to as a "Loan Default") and shall provide to the City the time period allocated for any such Loan Default under the Loan Agreement (which shall run simultaneously with the cure or grace period under the Loan Agreement for Owner) (plus an additional cure period of ____ days) in which to cure any such Loan Default if it is a non-monetary default]. The City shall communicate to the parties hereto of its election to cure any such Loan Default within five (5) days following receipt of notice with respect thereto. In the case of monetary Loan Defaults, the City shall have no additional cure or grace period beyond that provided to Owner under the Loan Documents. Following the occurrence of a monetary Loan Default, the City may require that Lender reinstate the Loan if, within five (5) Business Days of the date of notice to the City from Lender of the occurrence of such monetary Loan Default (or such additional time as may be permitted under the Loan Documents), the City tenders to Lender all

amounts owed by Owner which caused such Loan Default and all other regularly scheduled amounts then due and payable under the Loan Documents including, without limitation, (A) interest calculated at the Default Rate (as defined in the Loan Agreement), (B) late fees, and (C) the entire outstanding principal balance of the Loan if such is accelerated (together with the Minimum Return Amount (as defined in the Loan Agreement)). The City shall have the right to cure as set forth above, but nothing in this Subordination Agreement shall obligate the City to do so and in no event shall the City be liable to Lender for any default by Owner under the Loan Documents.

6. In addition to the foregoing:

- a. Upon the occurrence of an Event of Default, the City shall have the right, but not the obligation, to purchase the Loan and the Loan Documents for a purchase price equal to the outstanding amount of the Loan and all sums secured by the Loan Documents including, without limitation, all interest (including interest calculated at the Default Rate), late charges and the Minimum Return Amount which would be due and payable if the Loan was paid at the date of such acquisition. The foregoing amounts shall be calculated as of the date of the acquisition in accordance with the terms of the Loan Agreement. The right to purchase may be exercised by the City upon giving written notice to Lender of its agreement to purchase the Loan, and thereafter, the closing of such acquisition shall occur within thirty (30) days from the date of such notice. The purchase price shall be payable in cash or other immediately available funds. The Loan and the Loan Documents shall be conveyed without recourse or warranty by Lender to the City at the closing, except as to the following: (i) the outstanding principal amount; (ii) the date to which interest has been paid or accrued; (iii) that the Loan and the Loan Documents have not been assigned, pledged or hypothecated except to the then holders thereof; and (iv) Lender has full authority to execute and deliver the assignment of the Loan and the Loan Documents. At the closing of the transfer of the Loan, Lender shall transfer to the purchaser the amount of any reserves which are not subject to the requirement of payment. The transfer of any such reserves shall be subject to the receipt by Lender of such releases, indemnities and assurances that it reasonably requires to assure Lender that it shall have no liability, either actual or residual, for the payment of any ad valorem taxes or insurance premiums with respect to the Property. Nothing contained in this Section 6 shall limit or otherwise adversely affect in any manner whatsoever the ability of Lender to take such actions as it deems appropriate under the Loan Documents, including the foreclosure of the Deed of Trust (subject to Section 5), all without any consent or waiver by the City. Rather, it is the intention of this section that the City has the option to purchase the Loan and the Loan Documents under certain circumstances in an "as is" condition without imposing any obligation or duty on Lender to preserve or otherwise maintain any status or condition of the Loan and the Loan Documents whatsoever except as provided herein. The right of purchase contained herein shall automatically terminate upon the foreclosure of the Deed of Trust or the acceptance of a deed in lieu of foreclosure by the holder of the Deed of Trust following compliance with Section 5.

This Subordination Agreement shall be the whole and only agreement among Lender, the City and Owner with regard to the subordination of the City PSA and Memorandum to the lien or charge of the Deed of Trust and the other Loan Documents. In the event of any conflict between the terms of this Subordination Agreement and the terms of the City PSA or Memorandum, the terms of this Subordination Agreement shall control. The City will sign an agreement similar to this Subordination Agreement for the benefit of any subsequent lender that acquires or assumes the Loan or any subsequent mortgagee under the Deed of Trust. The prevailing party in any litigation respecting this Subordination Agreement shall be entitled to reimbursement of attorneys' fees and costs, whether or not taxable, incurred in the litigation.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS SUBORDINATION AGREEMENT, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS AND IN CONNECTION WITH THIS SUBORDINATION AGREEMENT, EACH PARTY HERETO REPRESENTS THAT IT HAS DISCUSSED SUCH WAIVER WITH ITS OWN INDEPENDENT COUNSEL AND HAS RELIED ON ADVICE OF ITS COUNSEL AND MAKES SUCH WAIVER KNOWINGLY AND VOLUNTARILY.

EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SUBORDINATION AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

NOTWITHSTANDING THE FOREGOING, EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ANY ACTION TO RESOLVE A DISPUTE RELATING TO OR ARISING OUT OF THIS SUBORDINATION AGREEMENT SHALL BE DETERMINED BY JUDICIAL REFERENCE PURSUANT TO SECTION 638, ET SEQ., OF THE CALIFORNIA CODE OF CIVIL PROCEDURE AND THE PARTIES SHALL ATTEMPT TO SELECT AND PROPOSE JOINTLY TO THE COURT A MUTUALLY AGREEABLE RETIRED JUDGE AS A REFEREE AND, FAILING THAT, EACH OF OWNER, THE CITY AND LENDER SHALL RECOMMEND TO THE COURT A LIST OF RETIRED JUDGES WHO MAY SERVE AS THE REFEREE.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON THE PROPERTY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

DEVELOPER:

GOODWILL SF URBAN DEVELOPMENT, LLC,
a Delaware limited liability company

By: THE NICHOLAS COMPANY, INC., a
Delaware corporation, its non-
member manager

By: _____
WILLIAM A. WITTE, President

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a Charter city and county

By: _____
JOHN UPDIKE
Director of Property

Date: _____

COLFIN MISSION FUNDING, LLC

LENDER:

By: _____
Name: _____
Its: _____

STATE OF CALIFORNIA)
)
COUNTY OF _____)

ss.

On _____, 2014, before me, _____, a notary public in and for said State, personally appeared _____, personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF _____)

ss.

On _____, 2014, before me, _____, a notary public in and for said State, personally appeared _____, personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

On _____, 2014, before me, _____, a notary public in and for said State, personally appeared _____, personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF THE LAND

EXHIBIT V

FORM OF MEMORANDUM OF CONSTRUCTION MANAGEMENT AGREEMENT

<p>RECORDING REQUESTED BY, AND WHEN RECORDED RETURN TO:</p> <p>Real Estate Division City and County of San Francisco 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Director of Property</p> <p>The undersigned hereby declares this instrument to be exempt from Recording Fees (CA Govt. Code § 27383) and Documentary Transfer Tax (CA Rev. & Tax Code § 11922 and S.F. Bus. & Tax Reg. Code § 1105)</p>	
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(Space above this line reserved for Recorder's use

only)

MEMORANDUM OF CONSTRUCTION MANAGEMENT AGREEMENT

THIS MEMORANDUM OF CONSTRUCTION MANAGEMENT AGREEMENT ("**Memorandum**") dated as of _____, 20_____, is by and between GOODWILL SF URBAN DEVELOPMENT, LLC, a Delaware limited liability company ("**Developer**"), and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county ("**City**").

1. City is the owner of certain real property located in the City and County of San Francisco, California, commonly known as _____, more particularly described in Exhibit A attached to and incorporated by this reference in this Memorandum (the "**Real Property**").

2. Developer and City have entered into that certain unrecorded Construction Management Agreement dated as of _____, 20____ (the "**Agreement**"), incorporated by this reference into this Memorandum, pursuant to which Developer agreed to provide certain developer services in connection with the development and construction of an office project on the Real Property.

3. The purpose of this Memorandum is to give notice of the Agreement and the respective rights and obligations of the parties thereunder, and all of the terms and conditions of the Agreement are incorporated herein by reference as if they were fully set forth herein.

4. This Memorandum shall not be deemed to modify, alter or amend in any way the provisions of the Agreement. In the event any conflict exists between the terms of the Agreement and this Memorandum, the terms of the Agreement shall govern and determine for all purposes the relationship between Developer and City and their respective rights and duties.

5. This Memorandum shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns.

6. If not terminated sooner by written instrument signed by Developer and the City, this Memorandum shall automatically terminate, and be of no force or effect, upon the completion of the office project on the Real Property and payment to Developer of all amounts payable to it under the Agreement, as evidenced by the City's issuance of a final certificate of occupancy for the office project and Developer's written confirmation that it has received all amounts payable to it under the Agreement (which written confirmation Developer agrees to provide within five (5) business days following its receipt of such payment).

IN WITNESS WHEREOF, the undersigned have executed this Memorandum as of the date first written above.

DEVELOPER:

GOODWILL SF URBAN DEVELOPMENT, LLC,
a Delaware limited liability company

By: THE NICHOLAS COMPANY, INC., a
Delaware corporation, its
non-member manager

By: _____

WILLIAM A. WITTE, President

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a Charter city and county

By: _____
JOHN UPDIKE
Director of Property

Date: _____

CONSTRUCTION MANAGEMENT AGREEMENT

Between

CITY AND COUNTY OF SAN FRANCISCO,

a Charter city and county,

as the City

and

GOODWILL SF URBAN DEVELOPMENT, LLC,

a Delaware limited liability company,

as Developer

Dated as of _____, 201__

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CONSTRUCTION MANAGEMENT AGREEMENT

CONSTRUCTION MANAGEMENT AGREEMENT (the "**Agreement**"), dated as of _____, 201____, between the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county (the "**City**"), and GOODWILL SF URBAN DEVELOPMENT, LLC, a Delaware limited liability company ("**Developer**").

RECITALS:

The City has acquired fee title to a portion of the real property located at 1500-1800 Mission Street, San Francisco, CA (Lot 2 and Lot 3, Block 3506) located at Van Ness Avenue and Mission Streets (the "**Development Site**"), as more particularly described on Exhibit A attached hereto, from Developer in accordance with that certain Conditional Land Disposition and Acquisition Agreement dated for reference purposes as of October __, 2014 (the "**PSA**").

The City desires to develop the Development Site into a 17-18 story administrative office building containing approximately 462,000 gross square feet upon the Development Site (the "**Office Project**").

The City wishes to retain Developer to manage the construction of the Office Project, and Developer wishes to perform such construction management services, all on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and Developer hereby agree as follows:

1. Retention of Developer; Certain Definitions.

1.1 The City hereby retains Developer to perform the "**Developer Services**", as more particularly described in Exhibit C, subject to and in accordance with the terms and conditions of this Agreement.

1.2 The City and Developer each understand that the other may be interested, directly or indirectly, in certain other existing and future development activities and undertakings not related to the Office Project or the Development Site. This Agreement and the assumption by the City and Developer of their respective duties hereunder shall not affect the rights of either Party to pursue such other existing and future activities and undertakings (whether or not competitive with the Office Project or the Development Site) and to receive profits or compensation therefrom.

1.3 All capitalized terms used herein shall have the meanings ascribed to them in Schedule 1 attached hereto.

1.4 This Agreement shall start on the date of execution and delivery by the Parties and unless sooner terminated as provided in this Agreement, shall terminate on the date of Final Completion of the Office Project, and full payment of the Development Services Fee and the Office Project Costs, except for those obligations that expressly survive the expiration or termination of this Agreement.

2. Authority of Developer; Approvals.

2.1 Limited Authority to Incur Expenditures or Execute Contracts. Developer, acting through its employees and Affiliates, hereby accepts its engagement to perform the Developer Services on the terms and

conditions herein contained, and shall have the authority to undertake the Developer Services in accordance with this Agreement. Developer shall have the right to enter into Pre-Approved Office Project Contracts and to pay the Approved Soft Costs without the City's prior consent. Developer shall not have the authority to:

(a) Except as approved by City or as set forth in the Office Project Contracts entered into in accordance with this Agreement (or with respect to Approved Soft Costs), incur expenditures on behalf of the City.

(b) Except for Pre-Approved Office Project Contracts and except as approved by the City pursuant to the terms of this Agreement, enter into Office Project Contracts.

(c) Except as approved by the City with an increase in the Project Budget, enter into any Project Contract that causes the cumulative Office Project Costs to exceed the Project Budget.

(d) Except as approved by the City, enter into any agreements with third parties delegating any of the Developer Services to such third parties, other than with its Affiliates and other internal employee arrangements.

2.2 Independent Contractor. For the purposes of this Section 2.2, "**Developer**" shall be deemed to include not only Developer, but also any agent or employee of Developer. Developer acknowledges and agrees that at all times, Developer or any agent or employee of Developer shall be deemed at all times to be an independent contractor and is, subject to the terms of this Agreement, wholly responsible for the manner in which it performs the services and work requested by the City under this Agreement. Developer, its agents, and employees will not represent or hold themselves out to be employees of the City at any time. Developer or any agent or employee of Developer shall not have employee status with the City, nor be entitled to participate in any plans, arrangements, or distributions by the City pertaining to or in connection with any retirement, health or other benefits that the City may offer its employees. Except as expressly provided herein to the contrary, Developer or any agent or employee of Developer is liable for the acts and omissions of itself, its employees and its agents. Developer shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Developer's performing services and work, or any agent or employee of Developer providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between the City and Developer or any agent or employee of Developer. Any terms in this Agreement referring to direction from the City shall be construed as providing for direction as to policy and the result of Developer's work only, and not as to the means by which such a result is obtained. The City does not retain the right to control the means or the method by which Developer performs work under this Agreement. Developer agrees to maintain and make available to the City, upon request and during regular business hours, accurate books and accounting records demonstrating Developer's compliance with this Section. Notwithstanding the foregoing, if a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division determines that an employee of Developer or its agents is an employee of the City for purposes of collection of any employment taxes, then, provided that Developer has not already paid such employment taxes for such employee, the amounts payable under this Agreement for the Developer Services shall be reduced by amounts equal to both the employee and employer portions of the tax due (less amounts already paid by Developer and applied against this liability). The City shall then forward those amounts to the relevant taxing authority. A determination of employment status pursuant to the preceding paragraph shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, Developer shall not be considered an employee of the City.

2.3 Consents and Approvals. Notwithstanding anything stated to the contrary herein, all approvals, consents or other determinations required from the City hereunder shall be made by or through the City's Representative and any approval by the City's Representative shall constitute the approval by the City: provided (i) the City Representative cannot authorize any increase in the certification of funds set forth in Section 4.1 which must come, if at all, from the City's Controller, and (ii) any amendment to this Agreement must be approved by the City Representative following any necessary governmental approvals, which may include approval from the City's Board of Supervisors. All approvals, consents or other determinations required by the City's Representative must be in writing except to the extent deemed approved in accordance with the terms of this Agreement. Notwithstanding anything stated to the contrary in this Agreement and specifically excluding any Pre-Approved Office Project Contracts (for which consent or approval is not required), with respect to all approvals and/or consents required under this Agreement, if a Party fails to approve, disapprove or approve conditionally any approval or consent requested by the other Party in writing within seven (7) business days following receipt of a written request for approval or consent, so long as the applicable documents are complete (and if such documents are not complete, the recipient shall so notify the sender in writing within three (3) business days following receipt of the documents), then the requesting party may submit a second written notice to the other party requesting approval of the submittal within three (3) business days after the second notice. If the recipient fails to respond to the second notice within such three (3) business day period, then the submittal and documents shall be deemed approved unless the item has a cost of One Million Dollars (\$1,000,000) or more. A Party's failure to timely respond to the other Party's request for an approval, consent or determination of any matter shall constitute a failure by such Party to comply with a material term of this Agreement.

2.4 Project Budget. Throughout the term of this Agreement, Developer shall work with the City to refine and modify the design of the Office Project as needed to keep the Office Project within the approved Project Budget. The Parties agree to work together with the Architect and the General Contractor to keep the Project Cost at or below the Project Budget. From the start of construction until completion of the Office Project, Developer shall review and monitor the Construction Contractor's monthly construction cost report of expenditures on the Office Project during the previous month (the "Construction Cost Report"). The Construction Cost Report shall include an update to the Office Project Schedule, including critical path items. The parties agree to review the Project Budget, as compared to actual expenditures, throughout the development to ensure that the Project Cost does not exceed the Project Budget or to notify the City if an expense would cause the Project Cost to exceed the Project Budget. If Developer reasonably believes at any point that the Project Cost will likely exceed the Project Budget, Developer shall notify the City of such fact and the parties shall discuss alternatives to design, overall square footage, finishes, and other items that may be changed or eliminated from the Office Project so as to not exceed the Project Budget. Upon City's request, Developer shall provide to the City good faith detailed estimates of the cost of various proposed alternatives in order for City to initiate needed change orders to keep the Project Cost below the Project Budget.

3. Obligations of Developer:

3.1 Developer Services. During the term of this Agreement, Developer shall: (a) perform the Developer Services as necessary for the design, construction and completion of the Office Project, (b) on behalf of the City, enter into the Office Project Contracts, subject to the terms of this Agreement and (c) provide consultation and assistance to the City concerning all matters with respect to the development of the Office Project, including, without limitation, consultation and assistance to the City in respect of the Developer Services. Developer shall supply qualified personnel necessary to perform its responsibilities under this Agreement, and all such persons shall be employees of Developer or its Affiliates and shall not be, or be deemed to be, employees of the City. Developer shall employ such employees as shall be necessary or

appropriate to enable Developer at all times to oversee, coordinate and provide the Developer Services as required under this Agreement. All matters pertaining to the employment, training, conduct, supervision, compensation, promotion and discharge of such employees shall be the sole responsibility of Developer and Developer shall comply with all applicable laws and regulations having to do with worker's compensation, social security, unemployment insurance, hours of labor, wages, working conditions and safety and similar matters with respect to such employees. Should the City determine that Developer, or any agent or employee of Developer, is not performing the Developer Services in accordance with the requirements of this Agreement, the City shall provide Developer with written notice of such failure. Within five (5) business days of Developer's receipt of such notice, Developer shall take commercially reasonable efforts to remedy the deficiency. Notwithstanding the foregoing, if the City believes that an action of Developer, or any agent or employee of Developer, warrants immediate remedial action by Developer, the City shall contact Developer and provide Developer in writing with the reason for requesting such immediate action.

3.2 Office Project Contracts.

(a) Approval and Execution. Any and all development, design, construction and materials/equipment contracts necessary for the development and construction of the Office Project (collectively, "**Office Project Contracts**") and any and all change orders, changes to plans and specifications, amendments and modifications thereto, shall, except for Pre-Approved Office Project Contracts (which shall not require the approval of the City), require the prior approval of both the City and Developer, which approval shall not be unreasonably withheld or delayed. The term "Office Project Contracts" shall also include, the Architect Contract, the Construction Contract, and various materials and equipment contracts with the suppliers. For avoidance of doubt, those Office Project Contracts entered into by Developer prior to the date hereof, which are listed on Exhibit H attached hereto, are hereby ratified, confirmed and approved in all respects by the City. At the direction of the City, Developer shall directly enter into all Office Project Contracts that have been approved by the Parties pursuant to this Section 3.2(a). In the event this Agreement is terminated for any reason, Developer shall immediately assign, and the City immediately assume, the Office Project Contracts in accordance with Section 12.3.

(b) Provisions in Office Project Contracts. Developer shall use commercially reasonable efforts to include the applicable provisions set forth in Exhibit G (the "**Owner Contracting Requirements**") in all Office Project Contracts entered into after the date of this Agreement, subject to the exclusions for Pre-Approved Office Project Contracts costing \$50,000 or less and subject to such revisions or deletions as may be agreed to by the City in approving the Office Project Contracts. If any Project Contractor under a Project Contract that is not a Pre-Approved Project Contract hereafter refuses to include any of the Owner Contracting Requirements in its Project Contract, Developer shall consult with the City on how to proceed with the contract negotiations, including whether to seek Board of Supervisors approval of an exemption of such provision if necessary. Notwithstanding anything stated to the contrary in this Agreement, Developer's inability to get a Project Contractor to agree to any of the Owner Contracting Requirements shall not constitute a default by Developer under this Agreement. However, the City shall not be required to hereafter approve any Project Contract (that is not a Pre-Approved Project Contract) that does not include any of the Owner Contracting Requirements. At the direction of the City, Developer shall directly enter into all Office Project Contracts that have been approved by the Parties pursuant to this Section 3.2(b). In the event this Agreement is terminated for any reason, Developer shall immediately assign, and the City immediately assume, the Office Project Contracts that have been properly entered into by Developer as set forth in Section 12.3.

(c) Default by Project Contractor. Notwithstanding anything to the contrary contained in this Agreement, in no event and under no circumstances, shall Developer be liable for any breach or default by a Project Contractor, or for a Project Contractor's failure to comply with any of the provisions of the applicable Project Contract, including the Owner Contracting Requirements or applicable law (including any City law). Upon a default by a Project Contractor, and following consultation with the City and upon the City's request, Developer shall use commercially reasonable efforts to take specific remedial action against the defaulting Project Contractor, including termination of the applicable Project Contract and replacement of the applicable Project Contractor. All third party costs incurred by Developer in enforcing rights and remedies against an Office Project Contracts shall be included as a Reimbursable Expense approved by the City.

(d) Obligations and Liabilities. The Parties acknowledge that but for the City's requirement that Developer (and not the City) enter into the Office Project Contracts, Developer would not have entered into the Office Project Contracts. Therefore, notwithstanding anything to the contrary contained in this Agreement or in any of the Office Project Contracts, the City hereby covenants to (x) timely pay, or reimburse Developer to the extent Developer has paid, any and all fees, charges, costs, expenses and other amounts properly due and payable by Developer or the "owner" under the Office Project Contracts ("**Office Project Contract Costs**"), and (y) except to the extent a Claim arises from Developer's negligence or willful misconduct or Developer's default of this Agreement, the City shall indemnify, defend, protect and hold harmless Developer from and against any and all third party Claims, including, without limitation, Claims made by any Project Contractor, arising from or directly related to the Office Project Contracts (including Claims for consequential, remote, incidental or punitive damages or damages associated with lost profits or opportunities successfully made by such third party or Project Contractor).

(i) In connection with the foregoing indemnity, the City will defend such third party Claims at its expense with lawyers chosen by the City with Developer's consent, which will not be unreasonably withheld, conditioned or delayed for any lawyers other than the City's staff attorneys, provided (i) it will be reasonable for Developer to refuse to consent to any lawyer or law firm with Developer has or may have a conflict of interest under applicable principles of legal ethics, and (ii) Developer hereby consents to the City's use of the City's staff attorneys. The City will give written notice (the "**Notice of Defense**") to Developer within ten (10) days after the date such notice of a third party Claim is received by the City that acknowledges that the City will defend such Claim and that identifies the lawyer retained for the defense (if other than attorneys in the City Attorney's Office). The City may not settle any such third party Claim without the consent of Developer, which consent will not be unreasonably withheld, conditioned or delayed, provided that Developer shall not withhold its consent if the City has agreed to pay all settlement amounts owed by the City and Developer for such third party Claim and Developer and Developer Parties are fully released and forever discharged from the third party Claim by such third party.

(ii) Developer will be entitled to participate in the defense of such third party Claim, and the parties agree to work together in good faith in all matters relating to the third party Claim so as to minimize any potential liability. Developer will be entitled to retain its own lawyers in the defense of such third party Claim if the City fails to give a Notice of Defense as set forth above (following written notice and demand by Developer) or subsequently notifies Developer that it will no longer defend Developer in the action. If the City fails to provide the defense as required by this Section 3.2, or the parties dispute whether such defense is required, then Developer may hire its own attorneys and the matter shall be resolved by judicial action (with the prevailing party awarded attorneys fees and costs as set forth in Section 25). Developer shall also have the right to hire its own attorneys, at Developer's sole cost, at any time in connection with the third party Claim, notwithstanding the City's defense of such action.

(iii) Subject to the procedures set forth above and in accordance with the deadlines specified in the preceding provisions of this Section 3.2(d), any indemnified Claim will be satisfied by the City paying the amount due for such Claim to the third party claimant upon settlement or upon the conclusion of any litigation relating to the Claim. If the City breaches its obligations under this Section 3.2(d) and Developer incurs any loss resulting from the third party Claim that is covered by the City's indemnity, then the amount due from the City to Developer shall accrue interest at the statutory rate from the date of loss incurred by the Developer to the date of reimbursement from the City (but without duplication of any interest payable with respect to any judgment underlying such Claim).

3.3 Office Project Coordinator. Developer shall cooperate with the City in order to perform the Developer Services and shall use commercially reasonable efforts to help ensure compliance with applicable deadlines and to cause the expeditious and timely completion of the Office Project. Developer shall designate one of its employees with significant development experience who will be dedicated to the Office Project and who will serve as the primary contact with the City (the "**Office Project Coordinator**"). The Office Project Coordinator shall attend regularly scheduled preconstruction, construction and related meetings relating to the Office Project and report to the City regarding the same. In addition, Developer shall organize, prepare agendas and lead construction progress meetings for the City's internal personnel on a regular basis. Developer shall keep the City informed of all material matters relating to or affecting the Office Project. In such regard, the Office Project Coordinator shall communicate directly with the "City's Representative" on a regular basis, informing such person of all material events relating to the Office Project. In addition, Developer shall promptly and in a timely manner answer all inquiries the City may have with respect to the development of the Office Project.

3.4 Review of Applications for Payment.

(a) Developer shall review applications for payment from third parties for costs incurred in preparation of or pursuant to the Office Project.

(b) All applications for payment for Office Project Contract Costs shall be submitted, reviewed and approved or disapproved pursuant to the following schedule: *First*, by the 25th day of a calendar month, Developer and the City shall "pencil draw review" all applications for payment made by such date from each Project Contractor and/or construction manager, and Developer shall promptly thereafter submit any changes or corrections back to such Project Contractor and/or construction manager (the Parties acknowledging that Developer shall have the right during this "pencil draw review" to finally determine the amount due for payment); *Second*, by the 1st day of the following calendar month, such Project Contractor and/or construction manager shall submit revised applications for payment to Developer for Developer's review and approval (which approval shall be made in Developer's good faith judgment); *Third*, by the 10th day of such calendar month, Developer shall submit to the City for payment, such revised applications for payment together with any incurred Approved Soft Costs (each, an "Approved Draw Request"), together with backup documentation and lien releases as and when required; and *Fourth*, by the 25th day of such calendar month, the City shall fully pay, by check or wire transfer, such Approved Draw Request to Developer, regardless of whether the City disputes the same for any reason (subject to subsequent reconciliation if needed and subject to any subsequent dispute process that may be included in the applicable Office Project Contract). The above dates may be changed by agreement of the parties, each in their reasonable discretion (provided, the parties intend that the amount of time between each of the four steps shall remain as set forth above, subject to any change agreed to by the parties each in their sole discretion). The City's payment of the Approved Draw Request shall not be deemed an approval of the amounts set forth therein; rather, within

thirty (30) days following the City's payment of an Approved Draw Request, the City shall make any inquiry, condition, dispute or request relating to the appropriateness of a payment.

(c) The Parties agree that if the City reasonably disputes any application for payment or Approved Draw Request during the period that is thirty (30) days following payment of an Approved Draw Request, the Parties shall reasonably cooperate with each other to assess the validity of such dispute and the steps necessary to correct such dispute if valid (including causing the applicable Project Contractor, to make the necessary corrections and/or making adjustments to the next applicable application for payment); and if the Parties are unable to agree on the validity or resolution of such dispute, the Parties may submit the dispute to a neutral third party as set forth in the applicable Project Contract or as the Parties may otherwise agree to resolve such dispute. Upon resolution, any overpayment by the City shall be credited against the next invoice and any underpayment by the City shall be added as an amount due under the next invoice.

(d) Each Approved Draw Request furnished by Developer to the City under this Section 3.4, shall be in a form acceptable to the City Controller and the City Representative, and must include a sequential invoice number. Payment shall be made by the City to Developer at the address specified in Section 14 entitled "Notices," or in such alternate manner as the Parties have mutually agreed upon in writing.

3.5 Communications with the City; Regularly Scheduled Meetings. Developer shall make its personnel available at reasonable times for communications with the City and will keep the City advised of all matters affecting the Office Project within the scope of Developer's Services and will provide updates regarding the status of the Office Project on a monthly basis. In addition to "regularly scheduled" meetings, appropriate personnel of Developer shall attend other monthly meetings as reasonably requested by the City relating to the Office Project.

3.6 Audit and Inspection of Records. Developer agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its Developer Services and the Office Project. Developer will permit the City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Developer shall maintain such data and records in an accessible location and condition for a period of not fewer than three years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights as conferred upon City by this Section. Developer shall include the same audit and inspection rights and record retention requirements in all Office Project Contracts.

3.7 Coordination with Project Contractors. The Office Project Schedule has been approved by Developer and the City. Developer shall use commercially reasonable efforts, in keeping with the performance standards set forth in Section 3.9, to cause the Project Contractors to comply with the Office Project Schedule and the Project Budget. Developer shall keep the City informed of any problems or issues as they arise. Developer shall attempt to enforce specific performance deadlines and penalties for noncompliance in connection with the Office Project Contracts. Notwithstanding anything stated to the contrary herein, Developer shall have no liability due to the failure of any of the Project Contractors to perform their respective obligations under the Office Project Contracts.

3.8 Procuring Office Project Development Approvals. Developer shall submit requests for regulatory and other approvals in a timely manner, and shall use commercially reasonable efforts to

coordinate with the City to obtain all required approvals that are necessary for the Office Project in accordance with the Office Project Schedule.

3.9 Standard of Performance. Developer covenants to the City that the Developer Services will be performed with the degree of skill and care that is required by current, good and sound professional procedures and practices, and in conformance with generally accepted professional standards prevailing at the time for construction managers. Without limiting the foregoing, Developer shall perform the Developer Services in a manner consistent with Developer's work on the adjacent residential project and Developer's other office projects. Developer understands and agrees that in entering into this Agreement, the City is relying on Developer's development experience and expertise and Developer's commitment to take such actions as needed to manage the Office Project construction consistent with other similar projects completed by Related California. Under this Agreement, Developer shall (x) consistent with industry standards for similar projects and Developer's Affiliate's work on the Residential Project, closely monitor and oversee, General Contractor's work throughout the construction of the Office Project, (y) promptly notify the City of any defaults, deficiencies or violations it becomes aware of and (z) enforce Developer's rights and remedies against the Project Contractors under the Office Project Contracts.

4. Obligations of the City.

4.1 Certification of Funds; Budget and Fiscal Provisions. The City has appropriated and authorized funds for the entire development of the Office Project in the amount of \$ _____, which appropriation and authorization cover all amounts required to be paid by the City under this Agreement and has been certified by the City Controller. The City's payment obligation to Developer cannot at any time exceed this amount (i.e., \$ _____) certified by City's Controller. No City representative is authorized to offer or promise, nor is the City required to honor, any offered or promised payments to Developer under this Agreement in excess of this certified maximum amount (i.e., \$ _____) without the Controller having first certified the additional promised amount and the Parties having modified this Agreement in writing.

4.2 City Representatives. The City hereby designates John Updike (the "City's Representative"), to be its designated representative for purposes of contact between the City and Developer in connection with the construction of the Office Project, including, without limitation, the giving of notices, consents and approvals. The City may at any time, by notice given to Developer, remove the City's Representative and appoint another individual to act as the City's Representative. Except as set forth in this Agreement to the contrary, the City's Representative, shall have the authority to bind the City with respect to all matters for which the consent or approval of the City is required or permitted pursuant to this Agreement and all consents, approvals and waivers given by the City's Representative shall bind the City and may be relied upon by Developer.

4.3 City Cooperation. The City shall cooperate with Developer for the design and construction of the Office Project and shall promptly and in a timely manner (a) provide information regarding its requirements for the Office Project, (b) answer inquiries Developer may have with respect to such information, and (c) timely approve or disapprove (in accordance with the terms of this Agreement) any items and grant its approval for Developer to execute Office Project Contracts required for the development of the Office Project. Additional information or decisions requested by Developer of the City shall also be given by the City to Developer in a prompt and timely manner (in accordance with the terms of this Agreement).

4.4 City Payment of Office Project Costs. The City shall pay all Project Costs incurred pursuant to the Office Project Contracts on a timely basis in accordance with Section 3.4. The Parties contemplate that the City will be funding the Office Project Costs from its own funds and not from the proceeds of any third party financing. Developer shall have no obligation to advance or expend its own funds in connection with the Office Project (other than payment of Reimbursable Expenses, for which Developer will be reimbursed, and costs incurred by Developer and its Affiliates to perform the Developer Services (which excludes Office Project Contract Costs), for which Developer will be paid the Development Services Fee as set forth in this Agreement). Without limitation, on the foregoing, Developer shall have no obligation or liability under this Agreement for its failure to take any action involving the expenditure of funds if the City has failed to provide such funds as and when required under this Agreement.

4.5 Developer Submission of Applications. The City hereby appoints Developer as its agent to make such applications and obtain all required Office Project Development Approvals for the Office Project. The City agrees to cooperate with Developer in connection with all applications for Office Project Development Approvals, including execution of all applications, documents and agreements necessary or appropriate to be filed or entered into with all utility companies, public agencies and municipal and other governmental authorities having jurisdiction over the Office Project and the Development Site and to execute, acknowledge and deliver all documents and agreements reasonably requested or required to obtain such Office Project Development Approvals or to create utility and other easements necessary to furnish utilities.

4.6 City Keeping Developer Informed. The City shall keep Developer promptly informed of all material matters which come to the City's attention relating to or affecting the development, design or construction of the Office Project relevant to the Developer Services, including, without limitation, all agreements and discussions between the City and third parties relating to such matters, and the City shall promptly notify Developer of any developments necessitating or warranting a change in the Office Project Plan or the Plans and Specifications.

4.7 City Insurance.

(a) Builder's Risk. During construction of the Office Project, the City shall purchase and maintain, from a company or companies lawfully authorized to do business in the jurisdiction in which the Office Project is located, property insurance written on a builder's risk "all-risk" or equivalent policy form in the amount of the sum payable under the construction contract with the General Contractor for the construction of the Office Project, plus value of subsequent contract modifications and cost of materials supplied or installed by others, comprising total value for the entire Office Project at the Development Site on a replacement cost basis with a maximum per occurrence deductible determined by the City and which the City shall pay. Such property insurance shall be maintained until final payment has been made under the Office Project Contracts. This insurance shall include interests of the City, Developer, the General Contractor and all subcontractors and sub-subcontractors in the Office Project. The City shall be a named insured on this insurance. Property insurance shall be on an "all-risk" or equivalent policy form and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without limitation, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, falsework, testing and startup, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements, and from all other casualties that are covered by extended coverage and from other hazards as may be covered by for of "broad form" builders risk insurance then available and shall cover all soft costs of the Office Project (including, without limitation, the Development Services Fees and reasonable compensation for the Architect's services and expenses). Coverage for other perils shall not be required unless otherwise provided in the Contract Documents. Notwithstanding the foregoing to the

contrary, such property insurance may be maintained through a self-insurance program implemented by the City or the City may instead require that the General Contractor maintain such insurance.

(b) Liability Insurance. The City shall maintain commercial general liability insurance, in customary amounts, except for claims arising in connection with the construction of the Office Project, which shall be covered through insurance provided by the General Contractor or other Contractors or through a “wrap-up” insurance program covering the Office Project. Any liability insurance obtained hereunder by the City may be maintained through a self-insurance program implemented by the City. If the City maintains such general liability insurance with a third party insurance company, such commercial general liability insurance shall name Developer, Developer Parties, the Contractors, Consultants and Suppliers as additional insureds.

5. Exculpation; Indemnity.

5.1 Developer Indemnity. Developer shall indemnify, defend, protect and hold harmless the City Indemnitees from and against any and all third party Claims resulting from Developer’s gross negligence or willful misconduct relating to the Office Project.

5.2 City Indemnity. In addition to the indemnity set forth in Section 3.2(d), the City shall indemnify, defend, protect and hold harmless Developer from and against (x) personal injury or personal property damage Claims by third parties in connection with the Office Project (except to the extent caused by Developer or its Agents), and (y) any Claims resulting from the City’s gross negligence or willful misconduct relating to the Office Project.

5.3 City Exculpation. No board or commission of the City (and no officer, director, member, manager, employee or agent of the City) shall be personally liable for the performance of the City’s obligations under this Agreement.

5.4 Developer Exculpation. No direct or indirect partner, shareholder or member in or of Developer (and no officer, director, managing director, manager, employee or agent of such partner, shareholder or member) shall be personally liable for the performance of Developer’s obligations under this Agreement.

5.5 Limitations. No insurance policy covering either Party’s performance under this Agreement shall operate to limit such Party’s liability under this Agreement. Nor shall the amount of insurance coverage operate to limit the extent of such liability. Notwithstanding any other provision of this Agreement, in no event shall either Party be liable to the other, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including, but not limited to, lost profits (except as expressly provided in Section 8.4), arising out of or in connection with this Agreement or the Developer Services performed in connection with this Agreement.

5.6 Liability for Use of Equipment. The City shall not be liable for any damage to persons or property as a result of the use, misuse or failure of any equipment used by Developer, or any of its subcontractors, or by any of their employees, even though such equipment is furnished, rented or loaned by the City.

5.7 Copyright Infringement. Developer shall indemnify, defend and hold the City harmless from and against all Claims for infringement of the patent rights, copyright, trade secret, trade name, trademark,

service mark, or any other proprietary right of any person or persons in consequence solely in connection with the use by the City of the Developer Services as it relates solely to the Project.

6. Compensation of Developer.

The City acknowledges that the compensation for Developer for the performance of the Developer Services is separate and distinct from the City's obligations to pay (or reimburse Developer) for any amounts payable under the Office Project Contracts. The provisions of this Section 6 pertain solely to the compensation of Developer for the Developer Services provided by Developer hereunder.

6.1 Development Services Fee. In consideration of Developer's performance of the Developer Services and its other obligations hereunder with respect to the Office Project, Developer shall receive, and the City shall pay to Developer, a development services fee (the "**Development Services Fee**") of TWENTY-SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$26, 500,000). The Development Services Fee shall be payable in installments in accordance with the payment schedule attached hereto as Exhibit E. Developer shall provide invoices to the City for payment in accordance with the payment schedule attached hereto as Exhibit E. The City shall make payments due each month at the same time as an Approved Draw Request is required to be paid pursuant to Section 3.4, or an Approved Draw Request is not being paid within a given calendar month, then on the 25th day of such calendar month.

6.2 Reimbursable Expenses. In addition to the payment of the Development Services Fee, the City shall reimburse Developer for (i) all Approved Soft Costs incurred by Developer and (ii) such additional expenditures approved in advance by the City as a reimbursable expense (collectively, the "Reimbursable Expenses"). Payment of the Reimbursable Expenses by the City to Developer shall be made on a monthly basis, upon presentation of invoices and backup documentation, as set forth in Section 3.4 and, except for the foregoing, there shall be no other reimbursements of any expenses of Developer in the performance of its obligations and duties hereunder. There shall be no mark-up or fee payable to Developer on any such Reimbursable Expenses.

6.3 Invoice Format. Invoices furnished by Developer to the City under this Section 6, shall be in a form acceptable to the City Controller and the City Representative, shall include reasonable backup documentation, and must include a sequential invoice number. Payment shall be made by the City to Developer at the address specified in Section 14 entitled "Notices," or in such alternate manner as the Parties have mutually agreed upon in writing.

7. Termination by the City.

7.1 Termination for Convenience. The City may, at any time in its sole and absolute discretion, terminate this Agreement for convenience upon written notice to Developer, provided that, concurrently with the delivery of such termination notice, the City pays to Developer (x) the entire unpaid portion of the Development Services Fee, (y) all Office Project Contracts Costs paid and/or incurred by Developer as of the date of termination of this Agreement that were not previously reimbursed by the City, including any termination fees payable in connection with the termination of all Office Project Contracts unless the City assumes all obligations thereunder and Developer is released from its obligations thereunder, and (z) any Reimbursable Expenses that have accrued under this Agreement as of the date this Agreement is terminated.

8. Default; Remedies.

8.1 Developer Default. The following shall be deemed an "event of default" by Developer under this Agreement:

(i) Other than as expressly provided in clause (ii) below, Developer shall fail to comply with any provision, term, condition or covenant of this Agreement and shall not cure such failure within thirty (30) days after written notice thereof to Developer; provided that if such default cannot reasonably be cured within such thirty (30) day period and Developer shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as reasonably required to allow Developer in the exercise of due diligence to cure such default; or

(ii) Developer shall fail to provide its approval, disapproval or determination as to any matters requiring the same in accordance with the time periods set forth in Section 2.3.

8.2 City Default. The following shall be deemed an "event of default" by the City under this Agreement:

(i) Other than as expressly provided in clauses (ii) and (iii) below, the City shall fail to comply with any provision, term, condition or covenant of this Agreement and shall not cure such failure within thirty (30) days after written notice thereof to City; provided that if such default cannot reasonably be cured within such thirty (30) day period and City shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as reasonably required to allow the City in the exercise of due diligence to cure such default;

(ii) The City shall fail to pay Developer when due, the Development Services Fee, the Reimbursable Expenses, the Office Project Contract Costs or any other amounts the City is required to pay hereunder, and such failure shall continue for a period of ten (10) business days after written notice thereof to the City; or

(iii) The City shall fail to provide its approval, disapproval or determination as to any matters requiring the same in accordance with the time periods set forth in Section 2.3 above.

8.3 Non-Binding Mediation.

(a) Upon an alleged default, either party may request non-binding mediation by delivering a written request for mediation ("Mediation Request") to the other party. The Mediation Request must include a summary of the issue in dispute and the position of the parties, together with any backup information or documentation it elects to provide. Within fifteen (15) days after receipt of the Mediation Request, the responding party may agree to meet and confer promptly with the requesting party to attempt to resolve the matter. In the absence of such agreement, or if the meet and confer does not resolve the matter promptly, the party who requested approval may submit the matter for mediation to JAMS in the City.

(b) The parties will cooperate with JAMS and with one another in selecting a mediator from a JAMS panel of neutrals and in scheduling the mediation proceedings as quickly as feasible. The parties agree to participate in the mediation in good faith. Neither party may commence or if commenced, continue, a civil action with respect to the matters submitted to mediation until after the completion of the

initial mediation session. The parties will each pay their own costs and expenses in connection with the mediation, and the party that requested mediation will pay all costs and fees of the mediator. Without limiting the foregoing, the provisions sections 1115 through 1128 of the California Evidence Code, inclusive, will apply in connection with any mediation.

(c) The provisions of sections 1152 and 1154 of the California Evidence Code will apply to all settlement communications and offers to compromise made during the mediation.

(d) Upon the failure of any agreed-upon mediation to resolve the default in question, the Parties may pursue such rights and remedies as are available under this Agreement – the Parties agreeing that the aforementioned mediation process is a non-binding process.

8.4 City Remedies. Upon the occurrence of an “event of default” by Developer (following the expiration of all notice and cure periods and any mediation under Section 8.3), as the City’s sole and exclusive remedy, the City shall have the right to (i) enforce specific performance of this Agreement or (ii) if specific performance is not available (or does not provide a commercially reasonable remedy to the City, as determined by a court), terminate this Agreement upon written notice to Developer, whereupon (x) Developer shall be entitled to retain all Development Services Fees previously paid by the City before the date of termination, (y) within thirty (30) days following the City’s election to terminate this Agreement, the City shall reimburse Developer for all Office Project Contracts Costs paid or incurred by Developer as of the date this Agreement is terminated and that were not previously reimbursed by the City, which shall include all termination fees payable in connection with the termination of all Office Project Contracts unless the City assumes all obligations thereunder, and (z) within thirty (30) days following the City’s election to terminate this Agreement, the City shall reimburse Developer for any Reimbursable Expenses that have accrued under this Agreement as of the date of termination (and, if not previously paid, Developer shall pay the amount due and owing to the appropriate third party upon receipt).

8.5 Developer Remedies. Upon the occurrence of an “event of default” by the City (following the expiration of all notice and cure periods and any mediation under Section 8.3), as Developer’s sole and exclusive remedy, Developer shall have the right to (i) enforce specific performance of this Agreement or (ii) if specific performance is not available (or does not provide a commercially reasonable remedy to Developer, as determined by a court), then terminate this Agreement upon written notice to the City, whereupon the City shall pay the Developer (x) the entire unpaid portion of the Development Services Fee, (y) all Office Project Contract Costs paid or incurred by Developer as of the date this Agreement is terminated and that were not previously reimbursed by the City, which shall include all termination fees payable in connection with the termination of all Office Project Contracts unless the City assumes all obligations thereunder, and (z) payment for any Reimbursable Expenses that have accrued under this Agreement as of the date this Agreement is terminated (and, if not previously paid, Developer shall pay the amount due and owing to the appropriate third party upon receipt).

8.6 Payments Following Default. Any payments due to Developer or the City under Section 8.4 or Section 8.5 shall be made within thirty (30) days following the date that amount due is determined, as determined by the applicable court (unless otherwise agreed to by the parties).

9. Office Project Signage.

Developer may maintain reasonable and customary signage at the Development Site specifying Developer’s role in the Office Project.

10. Insurance.

10.1 Developer Insurance. Developer shall procure and maintain, at its cost and expense, insurance relating to the Office Project set forth on Exhibit F attached hereto.

10.2 Developer Obligations to Submit Reports. Upon receipt of notice thereof, Developer shall promptly investigate and make a written report to any insurance company providing coverage to the City with respect to the Office Project, with a copy to the City, of all accidents, claims, or damage relating to the Office Project within the scope of the Developer Services, any damage or destruction to the Office Project and the estimated cost of repair thereof, and shall prepare such further reports required by any such insurance company in connection therewith.

10.3 Developer Obligation to Furnish Information. Developer shall furnish whatever information is reasonably requested by the City for the purpose of establishing the placement of insurance coverages required by the City and shall aid and cooperate in every reasonable way with respect to such insurance and any loss thereunder. All policies covering real or personal property which either Party obtains affecting the Office Project shall include a clause or endorsement denying the insurer any rights of subrogation against the other Party to the extent rights have been waived by the insured before the occurrence of injury or loss, if the same are obtainable. Developer and the City waive any rights of recovery against the other for injury or loss due to hazards covered by policies of insurance containing such a waiver of subrogation clause or endorsement to the extent of the injury or loss covered thereby.

11. Assignment.

11.1 The City Assignment. The City shall not be permitted to assign its rights under this Agreement without the prior written approval of Developer, which consent may be withheld or granted in Developer's sole discretion; provided, however, notwithstanding the foregoing, the City shall have the right to assign this Agreement to a nominee in connection with the COPs issuance, as set forth in the PSA.

11.2 Developer Assignment. The services to be performed by Developer under this Agreement are personal to Developer and Developer may not assign or transfer this Agreement or any rights or benefits under this Agreement to any person or entity without the prior written approval of the City, which consent may be granted or withheld in the City's sole discretion.

11.3 Obligations Binding on Permitted Assigns. All of the covenants, conditions and obligations contained in this Agreement shall be binding upon and inure to the benefit of the respective permitted successors and assigns of the City and Developer.

11.4 No Release of Liability. Notwithstanding any assignment by the City of its rights under this Agreement, in no event shall the City be released from any of its obligations or liabilities hereunder, and if requested by Developer, the City shall covenant in writing to be jointly and severally liable with its assignee for all of its obligations and liabilities hereunder. Notwithstanding any assignment by Developer of its rights under this Agreement, in no event shall Developer be released from any of its obligations or liabilities hereunder, and if requested by the City, Developer shall covenant in writing to be jointly and severally liable with its assignee for all of its obligations and liabilities hereunder.

12. Rights in Deliverables.

12.1 Ownership of Results. Any interest of Developer or its subcontractors, in the Deliverables, including any drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Developer or its subcontractors, shall become the property of and will be transmitted to the City upon the Final Completion of the Office Project or earlier termination of this Agreement. However, unless expressly prohibited elsewhere in this Agreement, Developer may retain and use copies for reference and as documentation of its experience and capabilities.

12.2 Works for Hire. If, in connection with Developer Services, Developer or the Project Contractors create Deliverables including, without limitation, artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes, or any other original works of authorship, whether in digital or any other format, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works shall be the property of the City effective upon the Final Completion of the Office Project or earlier termination of this Agreement. If any Deliverables created by Developer or the Project Contractors under this Agreement are ever determined not to be works for hire under U.S. law, Developer, effective upon the Final Completion of the Office Project or earlier termination of this Agreement, hereby assigns all Developer's copyrights to such Deliverables to the City, agrees to provide any material and execute any documents necessary to effectuate such assignment, and agrees to use commercially reasonable efforts to include a clause in every subcontract imposing the same duties upon subcontractor(s). With the City's prior written approval, Developer and the Project Contractors may retain and use copies of such works for reference and as documentation of their respective experience and capabilities.

12.3 Assignment of Office Project Contracts. Upon Final Completion of the Office Project or earlier termination of this Agreement and payment to Developer of all amounts to which it is entitled under this Agreement, Developer shall assign to the City all of Developer's right, title and interest in and to the Deliverables by an assignment of Intangible Property in form attached hereto as Exhibit J (the "**Assignment of Intangible Property**"). All of the Office Project Contracts shall permit assignment to the City, together with all warranties and guarantees, without the prior consent of the Project Contractor and without any payment to the Project Contractor.

13. Additional Requirements; Certain Requirements Incorporated by Reference

13.1 Laws Incorporated by Reference. The full text of the laws expressly listed in this Section 13, including enforcement and penalty provisions, are incorporated by reference into this Agreement. The full text of the San Francisco Municipal Code provisions expressly incorporated by reference in this Section 13 and elsewhere in the Agreement are available at www.sfgov.org under "Government."

13.2 Conflict of Interest. By executing this Agreement, Developer certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.), or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify the City if it becomes aware of any such fact during the term of this Agreement.

13.3 Prohibition on Use of Public Funds for Political Activity. In performing the Developer Services, Developer shall comply with San Francisco Administrative Code Chapter 12G, which prohibits

funds appropriated by the City for this Agreement from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Developer is subject to the enforcement and penalty provisions in Chapter 12G.

13.4 Nondisclosure of Private, Proprietary or Confidential Information.

(a) If this Agreement requires the City to disclose "Private Information" to Developer within the meaning of San Francisco Administrative Code Chapter 12M, Developer shall use such information only in accordance with the restrictions stated in Chapter 12M and in this Agreement and only as necessary in performing the Developer Services. Developer is subject to the enforcement and penalty provisions in Chapter 12M.

(b) In the performance of Developer Services, Developer may have access to the City's proprietary or confidential information, the disclosure of which to third parties may damage the City. If the City discloses proprietary or confidential information to Developer, then, to the extent Developer is advised in writing that such information is proprietary or confidential, such information must be held by Developer in confidence and used only in performing this Agreement, subject to Developer's right to disclose such information as may be required by Court order or applicable law. Developer shall exercise the same standard of care to protect such information as a reasonably prudent person would use to protect its own proprietary or confidential information.

13.5 Nondiscrimination Requirements.

(a) Non Discrimination in Contracts. Developer shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. Developer is subject to the enforcement and penalty provisions in Chapters 12B and 12C to the extent applicable to Developer.

(b) Nondiscrimination in the Provision of Employee Benefits. San Francisco Administrative Code 12B.2. Developer does not as of the date of this Agreement, and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

13.6 Minimum Compensation Ordinance. Developer shall pay covered employees no less than the minimum compensation required by San Francisco Administrative Code Chapter 12P. Developer is subject to the enforcement and penalty provisions in Chapter 12P. By signing and executing this Agreement, Developer certifies that it is in compliance with Chapter 12P.

13.7 Health Care Accountability Ordinance. Developer shall comply with San Francisco Administrative Code Chapter 12Q as applicable to Developer's work under this Agreement. To the extent applicable, (i) Developer shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative Code Chapter 12Q.3 and (ii) Developer is subject to the enforcement and penalty provisions in Chapter 12Q.

13.8 First Source Hiring Program. Developer must comply with the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply this Agreement, and Developer is subject to the enforcement and penalty provisions of Chapter 83.

13.9 Alcohol and Drug-Free Workplace. The City reserves the right to deny access to, or require Developer to remove from, the City facilities personnel of any Developer or subcontractor who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City's ability to maintain safe work facilities or to protect the health and well-being of the City employees and the general public. The City shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, the City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

13.10 Limitations on Contributions. By executing this Agreement, Developer acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The prohibition on contributions applies to each prospective Party to the contract; each member of Developer's board of directors; Developer's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Developer; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Developer. Developer must inform each such person of the limitation on contributions imposed by Section 1.126 and provide the names of the persons required to be informed to the City.

13.11 Consideration of Criminal History in Hiring and Employment Decisions.

(a) Developer agrees to comply fully with and be bound by the provisions of Chapter 12T, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code ("**Chapter 12T**"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the Chapter 12T is available on the web at <http://sfgov.org/olse/fco>. A partial listing of some of Developer's obligations under Chapter 12T is set forth in this Section. Developer is required to comply with all of the applicable provisions of 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12T.

(b) The requirements of Chapter 12T shall only apply to Developer's operations to the extent those operations are in furtherance of the performance of this Agreement, shall apply only to applicants and employees of Developer who would be or are performing work in furtherance of this Agreement, and shall apply when the physical location of the employment or prospective employment by Developer of an individual is wholly or substantially within the City of San Francisco. Chapter 12T shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13.12 Tropical Hardwood and Virgin Redwood Ban. Pursuant to San Francisco Environment Code Section 804(b), the City urges Developer not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

13.13 Preservative Treated Wood Products. Developer shall comply with the applicable provisions of San Francisco Environment Code Chapter 13, which requires that contractors purchasing preservative-treated wood products on behalf of the City, shall only purchase such products from the list of alternatives adopted by the Department of the Environment pursuant to Section 1302 of Chapter 13, unless otherwise granted an exemption by the terms of that Chapter.

13.14 Compliance with Laws. Developer shall use commercially reasonable efforts to cause each Project Contractor, to remain fully informed of and comply with the applicable provisions of the Charter, ordinances and regulations of the City and other local agencies having jurisdiction over their work, and all federal and state laws and regulations in any manner affecting the Office Project Contracts, the performance of the work thereunder, or those persons engaged therein. Developer shall require compliance with, and shall use good faith efforts to ensure all construction and materials provided under the Office Project Contracts shall be in full accordance with, the applicable provisions of the latest laws and requirements, as the same may be amended, updated or supplemented from time to time, of the Code specified in the Office Project Contracts, Americans with Disability Act Accessibility Guidelines, CAL-OSHA, the State Division of Industrial Safety of the Department of Industrial Relations, the Division of the State Architect – Access Compliance, the Public Utilities Commission of the State of California, the State Fire Marshal, the National Fire Protection Association, the San Francisco Department of Public Health, state and federal laws and regulations, and of other bodies or officials having jurisdiction or authority over same, and they shall be observed and complied with by Developer and any and all persons, firms and corporations employed by or under it. The City and its agents may at any time, following written notice to Developer, enter upon any part of the work to ascertain whether such laws, ordinances, regulations or orders are being complied with, provided that the City shall have no obligation to do so under this Agreement and no responsibility for such compliance. To the extent applicable to Developer, Developer shall comply with all laws including the applicable provisions of the Charter, ordinances and regulations of the City and local agencies having jurisdiction over it.

14. Notices.

14.1 Any notice required or permitted to be given hereunder and any approval by the parties shall be in writing and shall be (as elected by the Party giving such notice or granting such approval): (i) personally delivered, (ii) delivered by recognized overnight courier, (iii) transmitted by postage prepaid certified mail, return receipt requested, or, (iv) by facsimile or electronic mail with a hard copy sent by one of the other methods described in clauses (i) – (iii) of this Section. Except as otherwise specified herein, all notices and other communications shall be deemed to have been duly given on the earlier to occur of: (i) the date of receipt if delivered personally; (ii) on the next business day if sent by overnight courier; (iii) five (5) days after the date of posting if transmitted by mail; or (iv) the date of transmission with confirmed answerback if transmitted by facsimile or electronic mail. Either Party may change its address for purposes hereof by notice given to the other Party. Notwithstanding the foregoing to the contrary, any notice of default must be sent by registered mail.

14.2 Notices, requests and approvals hereunder shall be directed as follows:

the City: Real Estate Division
The City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: **Goodwill Office Building**
Facsimile No.: (415) 552-9216

with copy to: Charles Sullivan
Deputy the City Attorney
Office of the City Attorney
The City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Re: **Goodwill Office Building**
Facsimile No.: (415) 554-4755

Developer: Goodwill SF Urban Development, LLC
18201 Von Karman Ave., Suite 900
Irvine, CA 92612
Attn: Bill Witte and Frank Cardone
Facsimile No.: ()

with a copies to: Greenberg Traurig LLP
3161 Michelson Drive, Suite 1000
Irvine, California 92612
Attention: L. Bruce Fischer, Esq.
Telephone No.: (949) 732-6670
Fax No.: (949) 732-6501

and

Matthew Witte
100 Bayview Circle
Newport Beach, California 92660
Email address: mwwitte360@gmail.com

15. Compliance with Americans with Disabilities Act.

Developer shall provide the Developer Services in a manner that complies with the Americans with Disabilities Act (ADA), including but not limited to Title II's program access requirements, and all other applicable federal, state and local disability rights legislation.

16. Modification of this Agreement.

This Agreement may not be modified, nor may compliance with any of its terms be waived, except as expressly provided herein. Any modification or waiver must be in writing. "Notices" regarding change in personnel or place, and except by written instrument executed and approved in the same manner as this Agreement.

17. Applicable Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to the principles of conflicts of laws. Venue for all litigation relative to the formation, interpretation and performance of this Agreement shall be in San Francisco.

18. Severability.

If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

19. Counterparts.

This Agreement may be executed in one or more counterparts, and each of such counterparts shall, for all purposes, be deemed to be an original, but all of such counterparts shall constitute one and the same instrument. The parties agree that their respective signatures transmitted by facsimile or PDF electronic mail shall be deemed binding for all purposes.

20. Benefits and Obligations.

The covenants and agreements herein contained shall (subject to Section 11 hereof) inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, administrators, legal representatives and permitted successors and assigns. No provisions of this Agreement shall inure to the benefit of, or be enforceable by, any creditors, contractors or other third parties.

21. Integration.

This Agreement represents the entire and integrated agreement between the City and Developer and supersedes all prior negotiations, representations or agreements, either written or oral with respect to the subject matter hereof. This Agreement may be amended only by written instrument signed by the City and Developer.

22. Further Assurances.

The City and Developer agree to execute and deliver such further instruments as may be necessary or desirable to effect this Agreement and the covenants and obligations of the parties hereto.

23. Headings.

The headings in this Agreement are solely for convenience of reference and shall not affect its interpretation.

24. Survival.

Notwithstanding anything stated to the contrary in this Agreement, none of the covenants, conditions or indemnities of the Developer or the City under this Agreement shall (a) survive the termination of this Agreement, except in connection with an action by such Party for termination of this Agreement and damages based on the alleged breach of such covenant, condition or indemnity, or (b) survive Final Completion, except that (i) the provisions of Sections 3.6, 12, 13 and 18 shall survive the termination of this Agreement, or Final Completion, as applicable, for a period of one year after either such event occurs, (ii) the provisions of Sections 3.2(b)(v), 5.1 and 5.2 shall survive the termination of this Agreement, or Final Completion, as applicable, for a period of three (3) years after either such event occurs, or, such longer time as is necessary to resolve any issue for which indemnification is asserted under such sections provided a demand is made by the party asserting such indemnification obligations within such three (3) year period, and (iii) the provisions of Sections 5.3, 5.4, 17, 18 and 25 shall survive the termination of this Agreement, or Final Completion, as applicable, without limitation.

25. Attorneys' Fees.

In the event that either party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

26. No Waiver.

No failure or delay of either Party in the exercise of any right under this Agreement shall be deemed to be a waiver of such right. No waiver by either Party of any condition under this Agreement for its benefit or any breach under this Agreement shall constitute a waiver of any other or further right or subsequent breach.

27. Ownership of Work Product.

Whether provided by the City or Developer or their respective agents, all of the data, notes, estimates, computations, sketches, photographs, presentations, reports, renderings, computer programs and all other materials relating to the Office Project and the Developer Services (collectively, the “Works”) are and shall remain, together with all copyright privileges, the property of the City whether or not the Office Project for which they are made is executed. To the extent Developer has any copyright in the Works, Developer hereby assigns any such copyright to the City. Developer may retain copies, including reproducible copies and intermediate drafts, of the same for information and reference only.

28. Sunshine Ordinance

Developer understands and agrees that under the City’s Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (Gov. Code section 6250 et seq.), this Agreement and any and all records, information, and materials submitted to the City hereunder are public records subject to public disclosure. Developer hereby acknowledges that the City may disclose any records, information and materials submitted to the City in connection with this Agreement.

29. City's Remedies for False Claims and Other Violations.

Under San Francisco Administrative Code section 6.22(M), any developer, contractor, subcontractor or consultant who violates any provision of Local Hire and Prevailing Wages for Construction (San Francisco Administrative Code sections 6.22 through 6.45), who submits false claims, or who violates against any governmental entity a civil or criminal law relevant to its ability to perform under or comply with the terms and conditions of its agreement, may be declared an irresponsible bidder and debarred according to the procedures set forth in San Francisco Administrative Code section 6.80, et seq. Additionally, any developer, contractor, subcontractor or consultant who submits a false claim may be subject to monetary penalties, investigation, and prosecution as set forth in Administrative Code section 6.80, et seq.

30. MacBride Principles -Northern Ireland.

The provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Agreement. By signing this Agreement, Developer confirms that Developer has read and understands that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

[SIGNATURES ARE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year written above.

CITY

CITY AND COUNTY OF SAN FRANCISCO,
a Charter city and county

By: _____
Name: John Updike
Title: Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, CITY ATTORNEY

By: _____
Name: Charles Sullivan,
Deputy the City Attorney

DEVELOPER

GOODWILL SF URBAN DEVELOPMENT, LLC,
a Delaware limited liability company

BY: **THE NICHOLAS COMPANY, INC.,**
a Delaware corporation, its non-member manager

By: _____
Name: William A. Witte
Title: President

EXHIBITS AND SCHEDULES ATTACHED HERETO

Exhibit A	Legal Description
Exhibit B	Project Budget
Exhibit C	Scope of Developer Services
Exhibit D	Office Project Schedule
Exhibit E	Development Services Fee Payment Schedule
Exhibit F	Developer's Insurance Requirements
Exhibit G	Owner Contractor Requirements
Exhibit H	List of Approved Office Project Contracts
Exhibit I	Local Hire, First Source and LBE Requirements
Exhibit J	Form of Assignment of Intangibles
Schedule 1	Definitions

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

OFFICE PROJECT BUDGET

EXHIBIT C

SCOPE OF DEVELOPER SERVICES

I. DESCRIPTION OF GENERAL SERVICES

A. **General Services.** Unless otherwise provided, the Developer Services identified below and in the Agreement shall extend to the design and construction of the Office Project. Developer shall oversee and monitor all aspects of the design and construction of the Office Project.

1. **Administration and Coordination**

- (i) In conjunction with the City, prepare for the City's approval the Office Project Plan. Developer shall update or modify the Office Project Plan from time to time upon the request of the City and otherwise when Developer deems necessary, and all such revisions to the Office Project Plan shall be subject to the City's approval.
- (ii) Establish and implement procedures for coordination of all aspects of the Office Project between the City, Developer, and Project Contractors.
- (iii) Negotiate contracts and agreements for all contracted services, including site development, architectural, construction, engineering, testing and consulting services, and provide written recommendations to the City to approve contracts or agreements.
- (iv) Coordinate the services and activities of the General Contractor, Architect, and the other Project Contractors, to facilitate cooperative efforts in the development and implementation of the Office Project Plan.
- (v) Negotiate any documents, instruments or agreements or amendments thereto necessary or appropriate for the implementation of the Office Project and services related thereto, to the extent such documents, instruments or agreements, or amendments thereto, are consistent with the Office Project Plan. Except as otherwise provided in this Agreement, all material documents, instruments, agreements or amendments are subject to the reasonable approval of the City.

2. **Management Control Procedures**

- (i) Coordinate the performance of all budgeting, billing and payment application review/assimilation functions as necessary or appropriate for and in connection with the coordination of the design and construction activities being conducted pursuant to the Office Project Plan. Such functions shall include, without limitation, the preparation and submittal to the City of a monthly single, comprehensive application for payment in form and substance satisfactory to the City, representing the work completed through the end of the prior calendar month for which payment is requested. The form of application for payment shall include and

incorporate, without limitation, the General Contractor's pay application for any period in which the General Contractor has submitted such application for payment for work performed. The form of application for payment shall also include (i) a statement of Development Services Fee for such month, (ii) a statement of Developer's Reimbursable Expenses for such month, (iii) invoices establishing all other payables for such month, and (iv) such lien releases and other documentation as may be required for payment in accordance with the terms of the agreements with the Architect, General Contractor and other Office Project team members.

- (ii) Establish and implement administration and reporting procedures for the Office Project, including finance, budget and cost controls, as well as supervision of accounting.
- (iii) Coordinate the development and implementation of a procedure/system of Office Project cost control and track actual and projected costs.
- (iv) Oversee the activities of the Project Contractors regarding their performance in accordance with their respective agreements. Upon receipt of knowledge thereof, notify the City of all material deviations and coordinate the implementation of the necessary procedures to rectify the same.
- (v) Recommend to the City and implement the engagement of one or more Contractors to provide construction phase services.
- (vi) Coordinate the scheduling of meetings on a regular basis, or more frequently as the City may reasonably elect, among the City, the Architect, the General Contractor and such other parties as the City may deem necessary or appropriate concerning the Office Project.
- (vii) Consistent with industry standards for similar projects, monitor, manage and oversee the General Contractor's work throughout construction of the Office Project.
- (viii) Review and monitor the General Contractor's monthly construction cost report of expenditures for the Office Project on a monthly basis.
- (ix) Review the Project Budget, as compared to actual expenditures, throughout the construction of the Office Project and advise the City if Developer reasonably believes that the total Office Project Costs are likely to exceed the amounts set forth in the Project Budget and, if such is the case, Developer shall use commercially reasonable efforts to provide the City with proposed alternatives in order to keep the total costs below those set forth in the Project Budget.

3. **Timing and Scheduling**

- (i) Coordinate the development and updating of appropriate Office Project schedules, including a critical path analysis.

- (ii) Oversee the coordination of the individual timing schedules of all Office Project participants so as to conform to the overall Office Project Schedule and manage any necessary adjustments.
- (iii) Monitor the Office Project participants in order to confirm that their individual work capacities and performances continually conform to the overall Office Project Schedule.
- (iv) Endeavor to identify appropriate opportunities for “fast-tracking” the overall Office Project Schedule, evaluate the costs and benefits of such strategies and provide the City with Developer’s recommendations. Endeavor to identify schedule impacts and prepare recovery strategies and budget of costs relating thereto.

4. **Negotiations**

- (i) Negotiate contracts and agreements for all contracted services, including, but not limited to, site development, architectural, construction, engineering, testing and consulting services, where appropriate using the attorneys and Project Contractors recommended by Developer and approved by the City.
- (ii) Upon the City’s request and as may from time to time become necessary, represent the City in resolving conflicts or disputes with, and enforcing the City’s rights against, third parties providing services for the construction of the Office Project.

5. **Reporting**

- (i) Conduct Office Project meetings; review and comment on reports delivered by others.
- (ii) Keep the City informed of all material internal and external Office Project related matters by initiating and distributing relevant information. The level and detail of such information will be mutually reviewed as the Office Project progresses.
- (iii) Use good faith diligent efforts to inform the City of all upcoming meetings in a timely manner.

EXHIBIT D

OFFICE PROJECT SCHEDULE

EXHIBIT E

DEVELOPMENT SERVICES FEE PAYMENT SCHEDULE

1. \$7,250,000.00 of the Development Services Fee will be paid to Developer concurrently with the earlier of (x) execution of this Agreement and (y) the transfer of the Development Site to the City pursuant to the PSA;
2. \$12,000,000.00 of the Development Services Fee will be paid in equal monthly installments of \$ _____ during the construction period of the Office Project, commencing on _____ and ending on _____ [Note: to be filled in by the parties upon execution of this Agreement].
3. \$7,250,000 of the Development Services Fee, together with any unpaid portion of the Development Services Fee payable under Paragraph 2 above, will be paid upon Substantial Completion of the Office Project.

EXHIBIT F

INSURANCE REQUIREMENTS

Developer shall obtain insurance in such amounts, coverages and forms as outlined below in this EXHIBIT F. Within five (5) days after the execution of this Agreement, Developer will provide to the City certificates of insurance evidencing full compliance with these insurance requirements and, in the case of all liability insurance required hereunder, naming the City Indemnitees as additional insureds. Such certificates shall be kept current throughout the entire period of performance, and shall provide at least thirty (30) days advance notice to the City if the coverage is to be cancelled, non-renewed or otherwise altered.

Insurance required herein shall be maintained during the entire course of the Agreement.

Pursuant to the foregoing, insurance shall be provided by Developer in the following amounts and coverages

COVERAGES	MINIMUM COVERAGE AMOUNTS
General Liability	\$1M per occurrence \$2M General Aggregate per project, per location
Workers' Compensation	By statute
Employers' Liability	\$1M per occurrence \$1M per employee \$1M policy aggregate disease
Business Auto Liability	\$1M per occurrence
Professional Liability Insurance	\$1M per occurrence

All of the foregoing insurance shall be maintained with insurance companies admitted to do business in the State of California and having an A.M. Best's rating of "A/VIII" or better. General Liability Insurance and Business Auto Liability shall name the City and County of San Francisco, its officers, agents and employees, as additional insured thereunder.

EXHIBIT G

OWNER CONTRACTING REQUIREMENTS

1. **Non Discrimination in the City Contracts and Benefits Ordinance**

(a) **Covenant Not to Discriminate**

In the performance of this Agreement, Project Contractor agrees not to discriminate against any employee of, any City employee working with Project Contractor, or applicant for employment with Project Contractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) **Subcontracts**

Project Contractor shall include in all contracts and subcontracts relating to the Property a nondiscrimination clause applicable to such subcontractor in substantially the form of subsection (a) above. In addition, Project Contractor shall incorporate by reference in all subcontracts the provisions of sections 12B.2(a), 12B.2(c)-(k) and 12C.3 of the San Francisco Administrative Code and shall require all subcontractors to comply with such provisions. Project Contractor's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(c) **Non-Discrimination in Benefits**

Project Contractor does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by the City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in section 12B.2(b) of the San Francisco Administrative Code.

(d) **CMD Form**

As a condition to this Agreement, Project Contractor shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contracts Monitoring Division (the "CMD"). Project Contractor hereby represents that before execution of the Agreement: (a) Project Contractor executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (b) the CMD approved such form.

2. **Tropical Hardwood and Virgin Redwood Ban**

(a) Except as expressly permitted by the application of sections 802(b) and 803(b) of the San Francisco Environment Code, neither Project Contractor nor any of its contractors shall provide any items to

the City in the construction of the Office Project or otherwise in the performance of this Agreement which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

(b) The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood products.

(c) In the event Project Contractor fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Project Contractor shall be liable for liquidated damages for each violation in an amount equal to Project Contractor's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Project Contractor acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any monies due to Project Contractor from any contract with the City and County of San Francisco.

3. Labor Requirements for Construction

(a) Applicable Labor Laws and Agreements. Compensation and working conditions for labor performed or services rendered (excluding professional design services) under the Office Project Contracts shall be in accordance with the San Francisco Charter, and applicable sections of the San Francisco Administrative Code, including section 6.22(E). The requirements of this Section 3 (collectively, the "Labor Requirements") shall be included in all Office Project Contracts (as applicable), and subcontracts relating to the work, as applicable, unless otherwise agreed to by the City. The Office Project Contracts shall expressly acknowledge the City's right to monitor and enforce the Labor Requirements in all respects and at all times, and to the withhold payments when permitted under the provisions of the Labor Requirements.

(b) Prevailing Wages. The Office Project Contracts shall require payment of the latest Wage Rates for Private Employment on Public Contracts in the City and County of San Francisco, as determined by the San Francisco Board of Supervisors, as same may be changed during the term of this Agreement. Each Project Contractor shall provide, and shall deliver to the City every month during any construction period, certified payroll reports with respect to all persons performing labor in the provision of the work. Copies of the latest prevailing wage rates are on file at the Department of Public Works, the City and County of San Francisco, Bureau Manager, Bureau of Engineering, 30 Van Ness Avenue, 5th Floor, San Francisco, CA, 94103.

(c) Penalties. The Construction Contract shall provide for payment to the City back wages due plus fifty dollars (\$50.00), for: (i) each laborer, workman, or mechanic employed in the provision of the work, for each calendar day or portion thereof during which such laborer, workman, or mechanic is not paid the highest general prevailing rate of wage for the work performed; or (ii) each laborer, mechanic or artisan employed in the provision of the work, for each calendar day or portion thereof during which such laborer, mechanic or artisan is compelled or permitted to work for a longer period than five days (Monday-Friday) per calendar week of eight hours each, and not compensated in accordance with the prevailing overtime standard and rate.

(d) Local Hire, First Source and LBE Requirements. The Construction Contract shall require compliance, as applicable, with the Local Hire, First Source and LBE requirements set forth in Exhibit I, unless otherwise agreed to by the City.

4. Rights and Remedies During Construction

(a) General. The provisions of the Project Contract shall not limit the duties, obligations, rights and remedies otherwise imposed or available by law or in equity. No action or failure to act shall in any way abridge the rights and obligations of the parties to the Project Contract, or condone a breach thereunder, unless expressly agreed to by the parties in writing. All remedies provided in the Project Contract shall be taken and construed as cumulative; that is, in addition to each and every other remedy herein provided, the City shall have any and all equitable and legal remedies that it would in any case have.

(b) No Waiver. No waiver of any breach of any provision of the Project Contract shall be held to be a waiver of any other or subsequent breach. The only waiver by the City shall be a waiver in writing that explicitly states the item or right being waived.

(c) City's Remedies for False Claims and Other Violations. Under San Francisco Administrative Code section 6.22(M), a Project Contractor that fails to comply with the terms of the Project Contract, who violates any provision of Local Hire and Prevailing Wages for Construction (San Francisco Administrative Code sections 6.22 through 6.45), submits false claims, or violates against any governmental entity a civil or criminal law relevant to its ability to perform under or comply with the terms and conditions of the Project Contract, may be declared an irresponsible bidder and debarred according to the procedures set forth in San Francisco Administrative Code section 6.80, et seq. Additionally, a Project Contractor that submits a false claim may be subject to monetary penalties, investigation, and prosecution as set forth in Administrative Code section 6.80, et seq.

(d) Interpretation. The Project Contract shall be interpreted in accordance with the laws of the State of California and the provisions of the City's Charter and Administrative Code.

5. **Sunshine Ordinance**

Project Contractor understands and agrees that under the City's Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (Gov. Code section 6250 et seq.), this Agreement and any and all records, information, and materials submitted to the City hereunder are public records subject to public disclosure. Project Contractor hereby acknowledges that the City may disclose any records, information and materials submitted to the City in connection with this Agreement.

6. **MacBride Principles - Northern Ireland**

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code section 12F.1 et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Project Contractor acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

7. **Attorneys' Fees**

In the event that either Party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting Party or the non-prevailing Party in such dispute, as the case may be, shall pay the prevailing Party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing Party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly

charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

8. Conflicts of Interest

Through its execution of this Agreement, Project Contractor acknowledges that it is familiar with the provisions of section 15.103 of the San Francisco Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and section 87100 et seq. and section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Project Contractor becomes aware of any such fact during the term of this Agreement, Project Contractor shall immediately notify the City.

9. Notification of Limitations on Contributions

Through its execution of this Agreement, Project Contractor acknowledges that it is familiar with section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a the City elective officer, the board on which that the City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Project Contractor acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Project Contractor further acknowledges that the prohibition on contributions applies to each Project Contractor; each member of Project Contractor's board of directors, Project Contractor's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Project Contractor ; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Project Contractor . Additionally, Project Contractor acknowledges that Project Contractor must inform each of the persons described in the preceding sentence of the prohibitions contained in section 1.126. Project Contractor further agrees to provide to the City the name of each person, entity or committee described above.

10. Compliance with Laws

Project Contractor shall remain fully informed of and comply with the applicable provisions of the Charter, ordinances and regulations of the City and other local agencies having jurisdiction over the work, and all federal and state laws and regulations in any manner affecting the contract documents, the performance of the work, or those persons engaged therein. Project Contractor shall require compliance with the applicable provisions of the latest laws and requirements, as the same may be amended, updated or supplemented from time to time, of the Code specified in the contract documents, Americans with Disability Act Accessibility Guidelines, CAL-OSHA, the State Division of Industrial Safety of the Department of Industrial Relations, the Division of the State Architect – Access Compliance, the Public Utilities Commission of the State of California, the State Fire Marshal, the National Fire Protection Association, the San Francisco Department of

Public Health, state and federal laws and regulations, and of other bodies or officials having jurisdiction or authority over same, and they shall be observed and complied with by Project Contractor and any and all persons, firms and corporations employed by or under it. The City and its agents may at any time, following written notice to Project Contractor, enter upon any part of the work to ascertain whether such laws, ordinances, regulations or orders are being complied with, provided that the City shall have no obligation to do so under this Agreement and no responsibility for such compliance. Architect and General Contractor shall comply with the applicable provisions of San Francisco Administrative Code Chapter 6 that are incorporated into the Architect Contract and the Construction Contract, respectively.

11. First Source Hiring Program

Project Contractor must comply with the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, and Project Contractor is subject to the enforcement and penalty provisions in Chapter 83.

12. Preservative-Treated Wood Containing Arsenic

Project Contractor may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Project Contractor may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Project Contractor from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

13. Resource Efficient City Buildings and Pilot Projects

Project Contractor acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction, and operation of City buildings. Project Contractor hereby agrees that it shall comply with all applicable provisions of such code sections.

14. Liability for Use of Equipment

The City shall not be liable for any damage to persons or property as a result of the use, misuse or failure of any equipment used by Project Contractor, or any of its subcontractors, or by any of their employees, even though such equipment is furnished, rented or loaned by the City.

15. Copyright Infringement

Project Contractor shall indemnify, defend and hold the City harmless from and against all claims for infringement of the patent rights, copyright, trade secret, trade name, trademark, service mark, or any other proprietary right of any person or persons in consequence of the use by the City of the materials or work provided by Project Contractor.

EXHIBIT H

LIST OF APPROVED DEVELOPMENT AND CONSTRUCTION CONTRACTS

EXHIBIT I

**LOCAL HIRE, FIRST SOURCE AND LOCAL BUSINESS ENTERPRISE PROGRAM
REQUIREMENTS**

1. Local Hiring Requirement.

1.1. General Provisions.

- 1.1.1. Developer shall comply with all applicable requirements of the San Francisco Local Hiring Policy for Construction ("Policy") as set forth in section 6.22(G) of the San Francisco Administrative Code. The provisions of the Policy are incorporated by references into this Agreement. Developer agrees that Developer has had a full and fair opportunity to review and understand the terms of the Policy.
- 1.1.2. Developer shall require the General contractor and all contractors or subcontractors performing construction work on behalf of the Developer as part of the Office Project to comply with all applicable requirements of the Policy.
- 1.1.3. Developer agrees that the Office of Economic and Workforce Development ("OEWD") will have the authority to enforce all terms of the Policy. Further information on the Policy and its implementation may be found at the OEWD website at: www.workforcedevelopmentsf.org.

1.2. Local Hire Requirements. Developer shall comply with the following:

- 1.2.1. Local Hire by Construction Trade: Mandatory participation level in terms of Project Work Hours within each trade to be performed by Local Residents is 30%, with a goal of no less than 15% of Project Work Hours within each trade to be performed by Disadvantaged Workers.
- 1.2.2. Local Apprentices: At least 50% of the Project Work Hours performed by apprentices within each construction trade shall be performed by local residents, with a goal of no less than 25% of Project Work Hours performed by apprentices within each trade to be performed by Economically Disadvantaged Workers.
- 1.2.3. Construction Contracts: Developer, shall include the terms of this Policy in the contract with the General Contractor and in every construction contract and subcontract entered in to for construction of the Office Project. Developer shall notify OEWD immediately upon execution of all construction contracts.
- 1.2.4. Preconstruction Meeting: Prior to commencement of construction, General Contractor and all construction subcontractors shall attend a preconstruction meeting convened OEWD staff. Representatives from General Contractor and all construction subcontractors who attend the pre-construction meeting must have hiring authority.
- 1.2.5. Forms and Payroll Submittal: General Contractor and all construction subcontractors shall utilize the City's web based payroll system to submit all of OEWD's required Local Hiring Forms and Certified Payroll Reports. The General

Contractor shall submit Local Hiring Forms prior to commencement of construction and within 15 calendar days from award of contract. The General Contractor must submit payroll information on all subcontractors who will perform construction work on the Office Project regardless of tier and contract amount. The General Contractor and all construction subcontractors shall submit Certified Payroll Reports on a weekly basis.

- 1.2.6. Recordkeeping: General Contractor and all construction subcontractors shall keep, or cause to be kept, for a period of four years from the date of completion of project work, payroll and basic records, including time cards, tax forms, and superintendent and foreman daily logs, for all workers within each trade performing work on the Office Project. Such records shall include the name, address and social security number of each worker who worked on the covered project, his or her classification, a general description of the work each worker performed each day, the apprentice or journey-level status of each worker, daily and weekly number of hours worked, the self-identified race, gender, and ethnicity of each worker, whether or not the worker was a local resident, and the referral source or method through which the contractor or subcontractor hired or retained that worker for work on the project. General Contractor and all construction subcontractors may verify that a worker is a local resident by following OEWD's domicile policy. All records described in this subsection shall at all times be open to inspection and examination by OEWD.
- 1.2.7. Monitoring. From time to time and in its sole discretion, OEWD may monitor and investigate compliance of General Contractor and all construction subcontractors working on the Office Project. Contractor shall allow representatives of OEWD, in the performance of their duties, to engage in random inspections of the Site. Contractor and all Subcontractors shall also allow representatives of OEWD to have access to employees of General Contractor and all construction subcontractors and the records required to be maintained under the Policy.
- 1.2.8. Noncompliance and Penalties. Failure of General Contractor and/or its construction subcontractors to comply with the requirements of the Policy may subject General Contractor to the consequences of noncompliance specified in Section 6.22(G)(7)(f) of the Administrative Code, including but not limited to the penalties prescribed in Section 6.22(G)(7)(f)(ii). In the event the General Contractor fails to adhere to the penalties administered by OEWD, the Developer will be responsible for penalties for noncompliance. The assessment of penalties for noncompliance shall not preclude the City from exercising any other rights or remedies to which it is entitled. Refer to Administrative Code Section 6.22(G)(7)(f)(iv) for a description of the recourse procedure applicable to penalty assessments under the Policy.

2. First Source Requirements

2.1. General Provisions and Definitions.

- 2.1.1. Developer shall participate in the Workforce System program managed by the Office of Economic and Workforce Development ("OEWD") as established by the City pursuant to Chapter 83 of the San Francisco Administrative Code ("First Source Hiring Policy"). The provisions of the First Source Hiring Policy are incorporated by references into this Agreement. Developer agrees that Developer has had a full and fair opportunity to review and understand the terms of the First Source Hiring Policy.

2.1.2. Developer shall require the Architect and all contractors or subcontractors performing professional services in excess of \$50,000 on behalf of the Developer as part of the Office Project to comply with all applicable requirements of the First Source Hiring Policy.

2.2. Developer agrees that OEWD will have the authority to enforce all terms of the First Source Hiring Policy. Further information on the First Source Hiring Policy and its implementation may be found at the OEWD website at: www.workforcedevelopmentsf.org.

2.3. Definitions. For purposes of this section, the following terms shall be defined as follows:

2.3.1. "Entry Level Position" means any non-managerial position that requires no education above a high school diploma or certified equivalency, and less than two (2) years training or specific preparation, and shall include temporary, permanent, trainee and intern positions.

2.3.2. "Workforce System" means the First Source Hiring Administrator established by the City and managed by OEWD.

2.3.3. "Referral" means a member of the Workforce System who has been identified by OEWD as having the appropriate training, background and skill sets for a Lessee specified Entry Level Position.

2.3.4. **OEWD Workforce System Participation Requirements.** Architect and all professional services contractors and subcontractors shall notify OEWD's Business Team of every available Entry Level Position for work performed by the Architect and all professional services contractors and subcontractors in the City and provide OEWD 10 business days to recruit and refer qualified candidates prior to advertising such position to the general public. Architect and all professional services contractors and subcontractors shall provide feedback including but not limited to job seekers interviewed, including name, position title, starting salary and employment start date of those individuals hired by the Architect and all professional services contractors and subcontractors no later than 10 business days after date of interview or hire. Architect and all professional services contractors and subcontractors will also provide feedback on reasons as to why referrals were not hired. Architect and all professional services contractors and subcontractors shall have the sole discretion to interview any Referral by OEWD and will inform OEWD's Business Team why specific persons referred were not interviewed. Hiring decisions shall be entirely at the discretion of Architect and all professional services contractors and subcontractors. Failure to comply with the terms of the First Source Hiring Policy may result in penalties as defined in Chapter 83 of the Administrative Code.

3. Local Business Enterprise Program Requirements

3.1. Purpose. Developer agrees to partner with the Contract Monitoring Division ("CMD") to provide Local Business Enterprises ("LBE") with meaningful opportunities to participate in the construction of the Office Project.

3.2. LBE Participation Goal. Developer agrees to make good faith efforts to award at least 20 percent of the cost of all professional services and 15 percent of construction contracts awarded by Developer as part of the Office Project to LBE businesses certified by CMD pursuant to Chapter 14B of the Administrative Code.

3.3. Reporting. Beginning as of the PSA Ratification Date and every six months thereafter, Developer shall report in writing to the Director of Real Estate with a copy to the Director of CMD a summary of Developer's attainment of the LBE Participation Goal.

EXHIBIT J

ASSIGNMENT OF CONTRACTS, WARRANTIES AND GUARANTIES AND OTHER INTANGIBLE PROPERTY

THIS ASSIGNMENT is made and entered into as of this _____ day of _____, 20_____, (the "Effective Date") by and between _____, a _____ ("Assignor"), and the CITY AND COUNTY OF SAN FRANCISCO, a Charter city and county ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the Effective Date, Assignor hereby assigns and transfers to Assignee, and Assignee assumes, all of Assignor's rights, obligations, claims, title, and interest in and under:

A. all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of that certain real property described in Exhibit A attached hereto (the "Office Parcel") including, without limitation, those warranties and guaranties listed in Schedule 1 attached hereto (collectively, "Warranties");

B. any intangible personal property now or hereafter owned by Assignor and used in the ownership, use or operation of the Office Parcel, including the Assumed Contracts listed in Schedule 1.

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

- 1. In the event of any litigation between Assignor and Assignee arising out of this Assignment, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, attorneys' fees.
- 3. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.
- 4. This Assignment shall be governed by and construed in accordance with the laws of the State of California.
- 5. This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

ASSIGNOR:

a _____

By: _____

[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN
FRANCISCO, a Charter city and county

By: _____

[NAME]

Its: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

[DEPUTY'S NAME]

Deputy City Attorney

SCHEDULE 1

DEFINED TERMS

As used in this Agreement (unless otherwise specifically provided), the following terms shall mean the following:

"Agreement" shall have the meaning set forth in the initial paragraph hereof, including all attached Exhibits or Appendices.

"Affiliate" means, with respect to a Person, any other Person(s) that, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with the first person.

"Approved Draw" shall have the meaning set forth in Section 3.4

"Approved Soft Costs" means those costs more particularly delineated on Schedule 1.A. attached hereto. [*need to see this*]

"Architect" means SOM, a New York limited liability partnership or such architect who is selected to serve as the principal architect for the Office Project.

"Assignment of Intangible Property" shall have the meaning set forth in Section 12.

"City" shall mean the City and County of San Francisco, a municipal corporation, acting by and through its Real Estate Division.

"City Indemnitees" shall mean the City and its boards and commissions and all of their officers, directors, members, managers, employees, affiliates, agents, successors and assigns.

"City's Representative" shall have the meaning set forth in Section 4.2.

"Claims" means all losses, damages, charges, liabilities, claims, costs, expenses (including reasonable attorneys' fees and expenses) and suits or other asserted causes of action of any nature whatsoever, but specifically excluding special, indirect, consequential, remote, incidental or punitive damages or damages associated with lost profits or opportunities.

"CMD" means the Contract Monitoring Division of the City.

"Control" and **"Controlled by"** means the ability, directly or indirectly, whether through the ownership of voting securities, by contract, or otherwise (including by being a general partner, managing member, officer or director of the Person in question), to both (a) direct or cause the direction of the management and policies of a Person, and (b) conduct the day-to-day business operations of a Person.

"Construction Contract" means the _____.

"COPs" means the certificates of participation issued by the City on or before the effective date of this Agreement to pay all Office Project Costs.

"Deliverables" means Developer's work product resulting from the Developer Services that are provided by Developer to the City during the course of Developer's performance of the Agreement, including

without limitation, the Office Project Contracts and all work product arising out of the Office Project Contracts and all work product otherwise described in Section 3 of this Agreement.

“Developer” shall have the meaning set forth in the initial paragraph of this Agreement.

“Developer Parties” shall mean Developer and its Affiliates and their respective direct and indirect partners, shareholders, directors, officers, members, managers, employees, agents, successors and assigns.

“Developer Services” means administrative, coordinative and supervisory services in connection with the planning and construction management for the Development Site as more particularly set forth in this Agreement and on Exhibit C attached hereto and made a part hereof and any other project management services reasonably incidental thereto or reasonably inferable therefrom.

“Development Services Fee” shall have the meaning set forth in Section 6.1.

“Development Site” shall have the meaning set forth in the recitals hereof.

“Final Completion” means the completion of the Office Project as evidenced by the issuance of a certificate of occupancy or equivalent for the Office Project.

“General Contractor” means Swinerton or such replacement general contractor selected by the City and Developer to construct the Office Project in accordance with this Agreement.

“Office Project” shall have the meaning set forth in the recitals hereto.

“Project Budget” means the budget for the Office Project attached here to as Exhibit B, prepared by Developer and approved by the City, as the same may be amended by the City from time to time.

“Office Project Contracts” shall have the meaning set forth in Section 3.2(a).

“Office Project Contract Costs” shall have the meaning set forth in Section 3.2(b).

“Project Coordinator” shall have the meaning set forth in Section 3.3.

“Office Project Costs” shall mean the sum of (a) \$ _____ [the purchase price and other amounts paid by City in connection with the City’s acquisition of the Development Site (including carrying costs while Developer holds title to the Development Site) is to be inserted], plus (b) all other costs and expenses incurred (in addition to those covered by clause (a) above) in connection with the design, development and construction of the Office Project, which is anticipated to be approximately \$ _____.

“Office Project Development Approvals” means all approvals, permits, variances, licenses, certificates of occupancy, easements, assessments, required or desirable in connection with the development and construction of the Office Project and as contemplated in the Office Project Plan.

“Office Project Plan” means a development plan for the Office Project prepared by Developer under this Agreement, including the Project Budget and Office Project Schedule, as the same may be amended by the City from time to time.

“Office Project Schedule” means the anticipated schedule for the Office Project attached hereto as Exhibit D, as the same may be amended by the City from time to time.

"Owner Contracting Requirements" shall have the meaning set forth in Section 3.2(g) as listed in Exhibit G.

"Party" and "Parties" mean the City and Developer either collectively or individually.

"Person" means a natural person, corporation, partnership, limited liability company, trust, joint venture, unincorporated association, governmental authority or other entity.

"Plans and Specifications" means the plans and specifications prepared by the Architect and adopted by the City, as the same may be amended by Developer with the approval of the City from time to time pursuant to this Agreement.

"Pre-Approved Office Project Contract" shall mean any Office Project Contract which satisfies the following requirements: (x) the amount of such Office Project Contract is less than \$250,000, (y) such Office Project Contract does not increase the Project Budget, and (z) which includes the applicable provisions set forth in Exhibit G attached hereto (provided, if such Office Project Contract is \$50,000 or less, then only paragraphs 1, 2, 3 (for construction contracts), 5, 6, 8, 9 and 12 of Exhibit G shall apply).

"Project Contractors" means all architects, engineers, consultants, contractors, subcontractors and suppliers retained by Developer for the Office Project in accordance with this Agreement, including the General Contractor and the Architect.

"Reimbursable Expenses" shall have the meaning set forth in Section 6.2.

"Substantial Completion" means the issuance of a temporary certificate of occupancy or equivalent for the Office Project.

Wong, Linda (BOS)

From: Keene, Joshua (ADM)
Sent: Friday, November 14, 2014 2:06 PM
To: Wong, Linda (BOS)
Subject: Goodwill Ordinance: Exhibit B-1 / Exhibit P
Attachments: Exhibit P - CMA Final.pdf

Linda –

Exhibit B-1 is a series of drawings prepared by SOM. These are the “Initial Schematic Designs” the Board authorized on July 29th.

Exhibit P (attached here) is the Construction Management Agreement. It is referenced in the legislation, so I want to make sure you have a copy of that for the Board file. This Exhibit is 49 pages.

Please confirm receipt so I know you were able to receive the file.

Thanks,

Josh Keene
City and County of San Francisco
Real Estate Division
25 Van Ness, Suite 400
San Francisco, CA 94102
415-554-9859
joshua.keene@sfgov.org

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee *EL*
RE: Conditional Purchase Agreement-Goodwill SF Urban Development-1500-1580 Mission St.-\$326,690,953 Anticipated Project Cost
DATE: October 28, 2014

Attached for introduction to the Board of Supervisors is an ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company ("Developer") for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block 3506, Lots 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost \$270,510,181, for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code Chapter 6 and Chapter 14B; and approving the Developer, architect and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City's local hire policy and first source hiring ordinance.

Should you have any questions, please contact Nicole Wheaton (415) 554-7940.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
OCT 28 11 30 57
AK

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

November 12, 2014

File No. 141120

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

On October 28, 2014, Mayor Lee introduced the following legislation:

File No. 141120

Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company ("Developer") for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block No. 3506, Lot Nos. 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost \$270,510,181 for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code, Chapter 6, and Chapter 14B; and approving the Developer, architect, and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City's local hire policy and first source hiring Ordinance.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

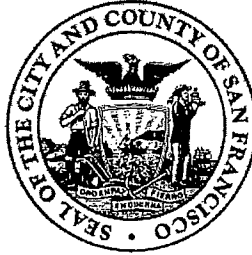
A handwritten signature in cursive script, appearing to read "A. Ausberry".

By: Andrea Ausberry, Assistant Clerk
Land Use & Economic Development Committee

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

November 12, 2014

Planning Commission
Attn: Jonas Ionin
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Commissioners:

On October 28, 2014, Mayor Lee introduced the following legislation:

File No. 141120

Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company ("Developer") for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block No. 3506, Lot Nos. 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost \$270,510,181 for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code, Chapter 6, and Chapter 14B; and approving the Developer, architect, and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City's local hire policy and first source hiring Ordinance.

The proposed ordinance is being transmitted pursuant to Planning Code Section 302(b) for public hearing and recommendation. The ordinance is pending before the Land Use and Economic Development Committee and will be scheduled for hearing upon receipt of your response.

Angela Calvillo, Clerk of the Board

A handwritten signature in cursive script, appearing to read "A. Ausberry".

By: Andrea Ausberry, Assistant Clerk
Land Use and Economic Development Committee

c: John Rahaim, Director of Planning
Aaron Starr, Acting Manager of Legislative Affairs
AnMarie Rodgers, Senior Policy Manager
Scott Sanchez, Zoning Administrator
Sarah Jones, Chief, Major Environmental Analysis
Jeanie Poling, Environmental Planning
Joy Navarrete, Environmental Planning

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: John Updike, Director, Real Estate Division
Naomi Kelly, City Administrator, Office of the City Administrator
Mohammed Nuru, Director, Public Works

FROM: Andrea Ausberry, Assistant Clerk, Land Use and Economic Development
Committee, Board of Supervisors

DATE: November 14, 2014

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Mayor Lee on October 28, 2014:

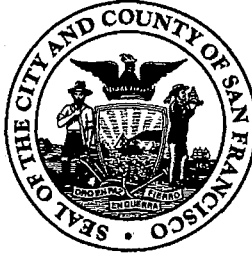
File No. 141120

Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company ("Developer") for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block No. 3506, Lot Nos. 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost \$270,510,181 for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code, Chapter 6, and Chapter 14B; and approving the Developer, architect, and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City's local hire policy and first source hiring Ordinance.

If you have any additional comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Frank Lee, Public Works

President, District 3
BOARD of SUPERVISORS



Bos 11, Leg Dep
Bos Leg Clerk,
LN, B+F
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7450
Fax No. 554-7454
TDD/TTY No. 544-5227

DAVID CHIU
邱信福
市參事會主席

PRESIDENTIAL ACTION

Date: 11/14/2014

To: Angela Calvillo, Clerk of the Board of Supervisors

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
NOV 14 AM 11:01
AK

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____
(Primary Sponsor)

Title. _____

Transferring (Board Rule No. 3.3)

File No. 141120 Mayor
(Primary Sponsor)

Title. Purchase Agreement -1500-1580 Mission St

From: Land Use Committee

To: Budget Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

David Chiu

David Chiu, President
577 Board of Supervisors

**FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)**

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>
Name of contractor: Goodwill SF Urban Development, LLC
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i> CEO – William Witte, CFO – Steve Sherman, COO – Frank Cardone, Principal – Matthew Witte No political committees sponsored or controlled.

Contractor address: SoCal: 18201 Van Karman Blvd., Suite 900, Irvine, CA 92612

Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$326,690,953
---	--------------------------------------

Describe the nature of the contract that was approved: Conditional Purchase and Sale Agreement and all exhibits including the Construction Management Agreement
--

Comments: Board of Supervisors will vote whether or not to ratify Conditional Purchase and Sale Agreement after CEQA and Environmental Review. Upon City's acquisition of the Office Parcel, the Director of Property shall executed the Construction Management Agreement attached as Exhibit P to the Conditional Purchase and Sale Agreement.

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

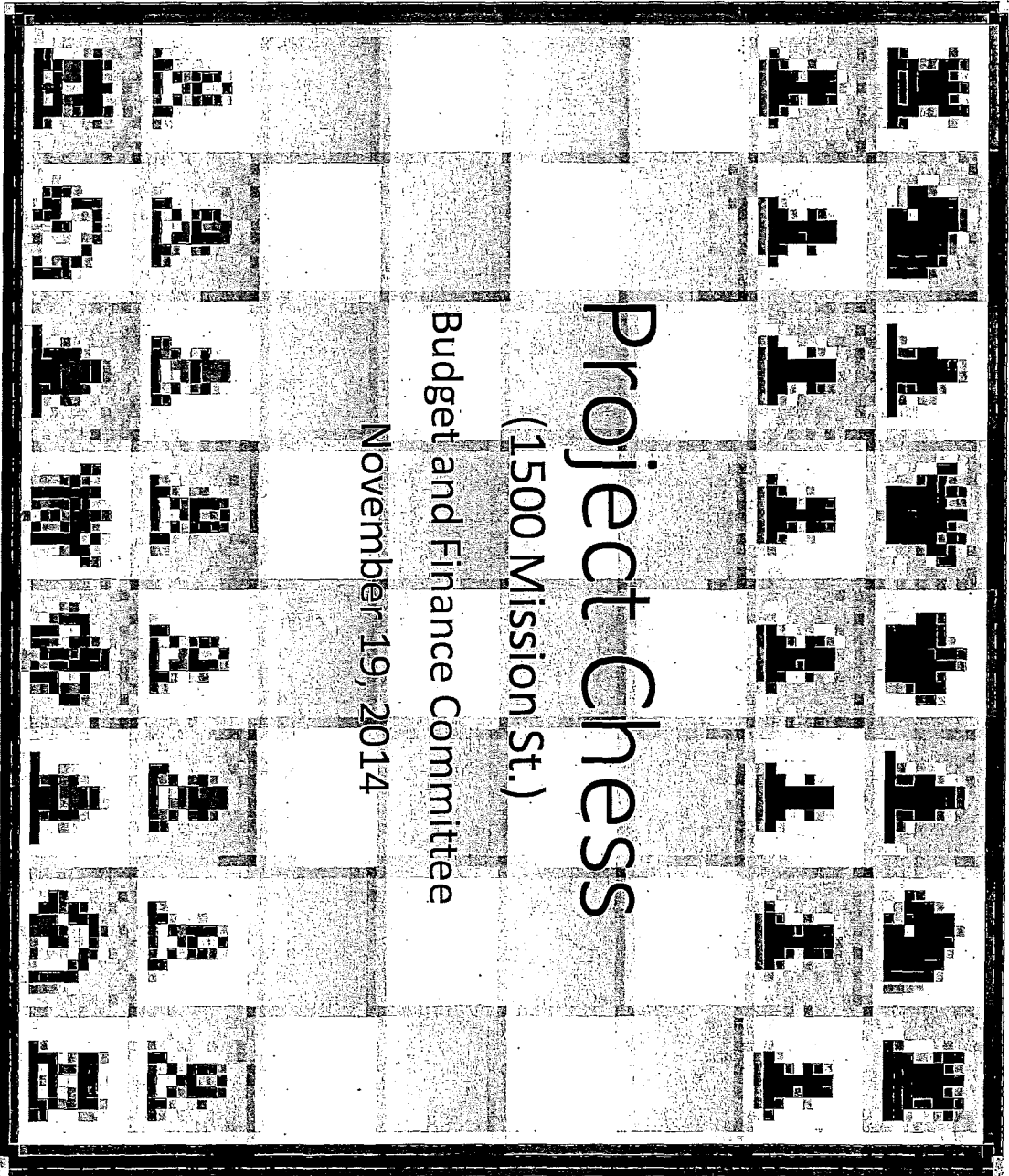
the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: <u>Board.of.Supervisors@sfgov.org</u>

Signature of City Elective Officer (if submitted by City elective officer) _____ Date Signed _____

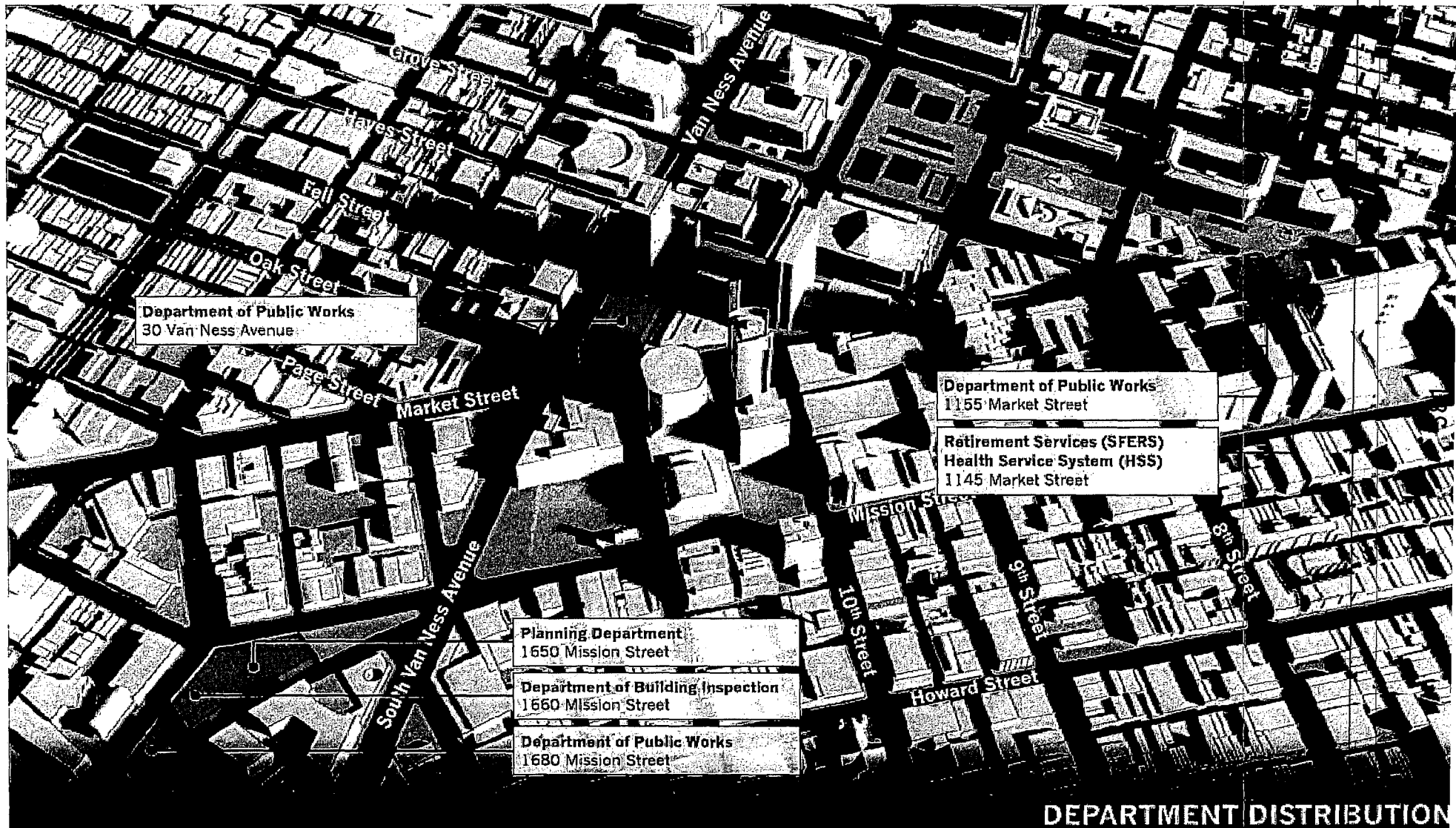
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) _____ Date Signed _____



File # 141120
Received in
Committee - 11/19/14
J.M.

Project Chess - Location





Department of Public Works
30 Van Ness Avenue

Department of Public Works
1155 Market Street

Retirement Services (SFERS)
Health Service System (HSS)
1145 Market Street

Planning Department
1650 Mission Street

Department of Building Inspection
1660 Mission Street

Department of Public Works
1680 Mission Street

DEPARTMENT DISTRIBUTION

Project Chess - History

- ENA/LOI executed with Related Development, ratified by Board in July, 2014
- ENA/LOI committed City to \$1,250,000 in costs
- Related Development acquired Goodwill site at 1500 Mission Street on October 21, 2014
- PPA and EEA submitted to Planning, EEA now in review

Project Chess Delivers

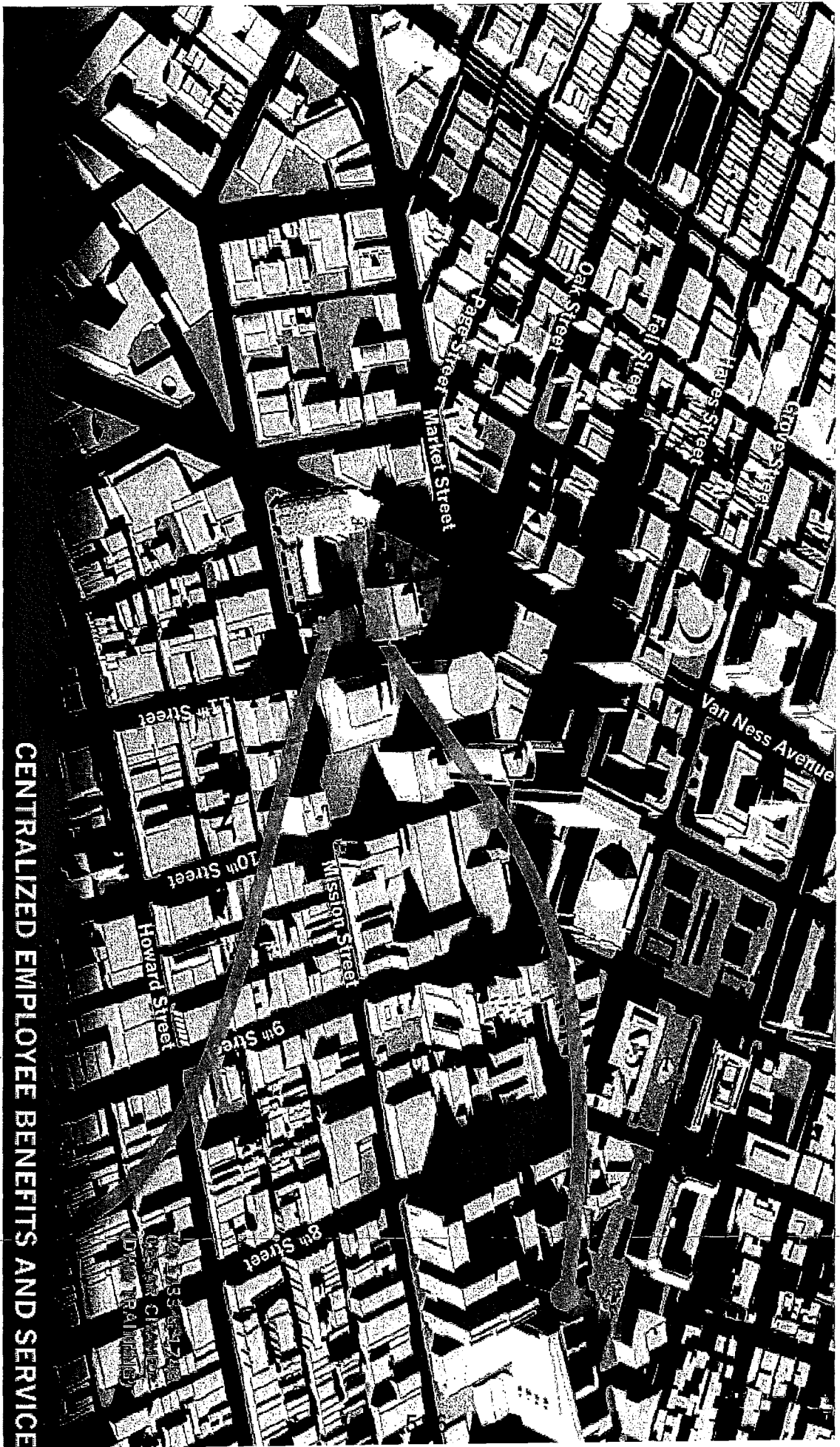
- Consolidation:
 - One stop permitting, centralized DPW workforce (& improved synergy with SFMTA), plus city staff processing needs all met on same block
- Portfolio Improvement:
 - Dispose of less resilient assets, place critical staff into seismically robust new building
 - Dispose of less sustainable assets, place staff into green/efficient new building
- Spark Investment/Renewal in Civic Center:
 - Van Ness/Market residential TOD opportunity, new office space in Mission Corridor not subject to Prop M allocation
- Migration from Leasing to Ownership:
 - Potential to terminate 100,000 square feet in leased premises
- Establish a Developer Partnership:
 - Related has strong experience, local knowledge and national presence



DEPARTMENT CENTRALIZATIO



ONE-STOP PERMITTING



CENTRALIZED EMPLOYEE BENEFITS AND SERVICE

Market Street

Oak Street

Fell Street

James Street

Van Ness Avenue

Missouri Street

11th Street

10th Street

Howard Street

9th Street

8th Street

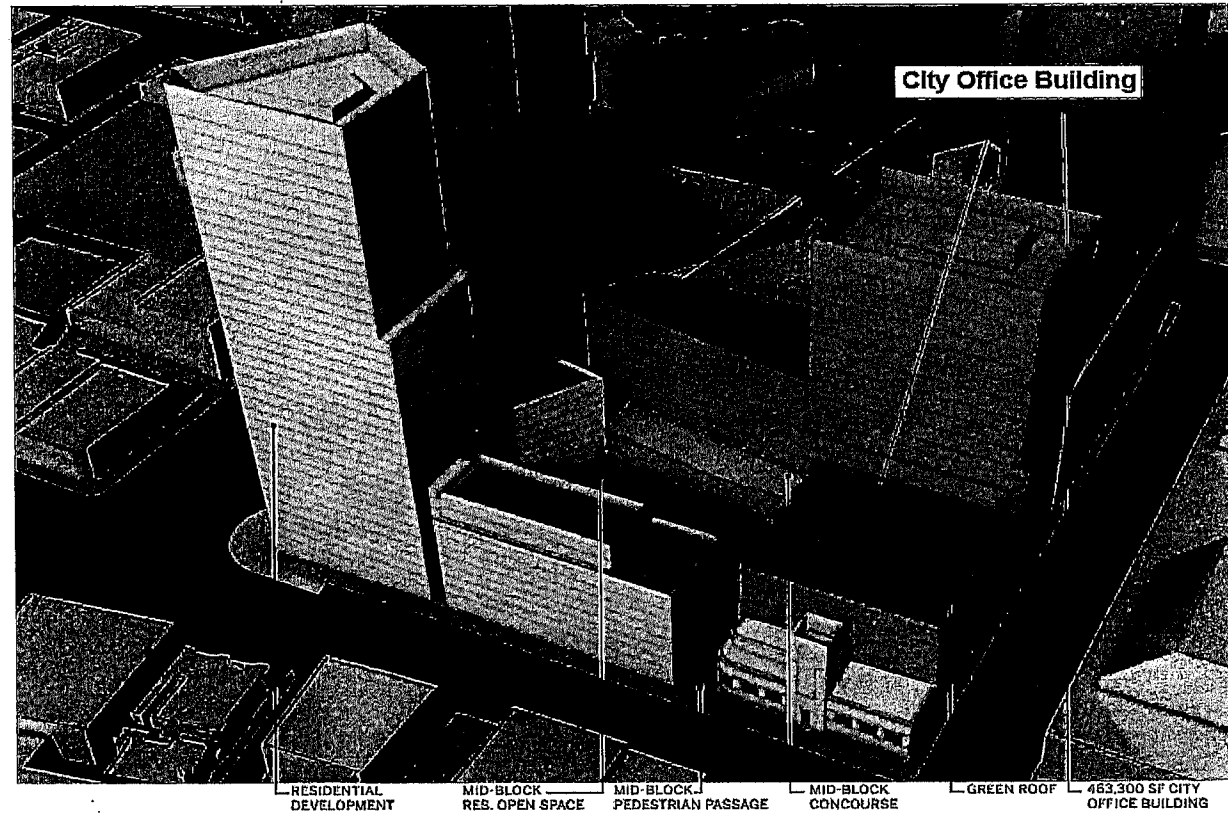
Project Chess Delivers

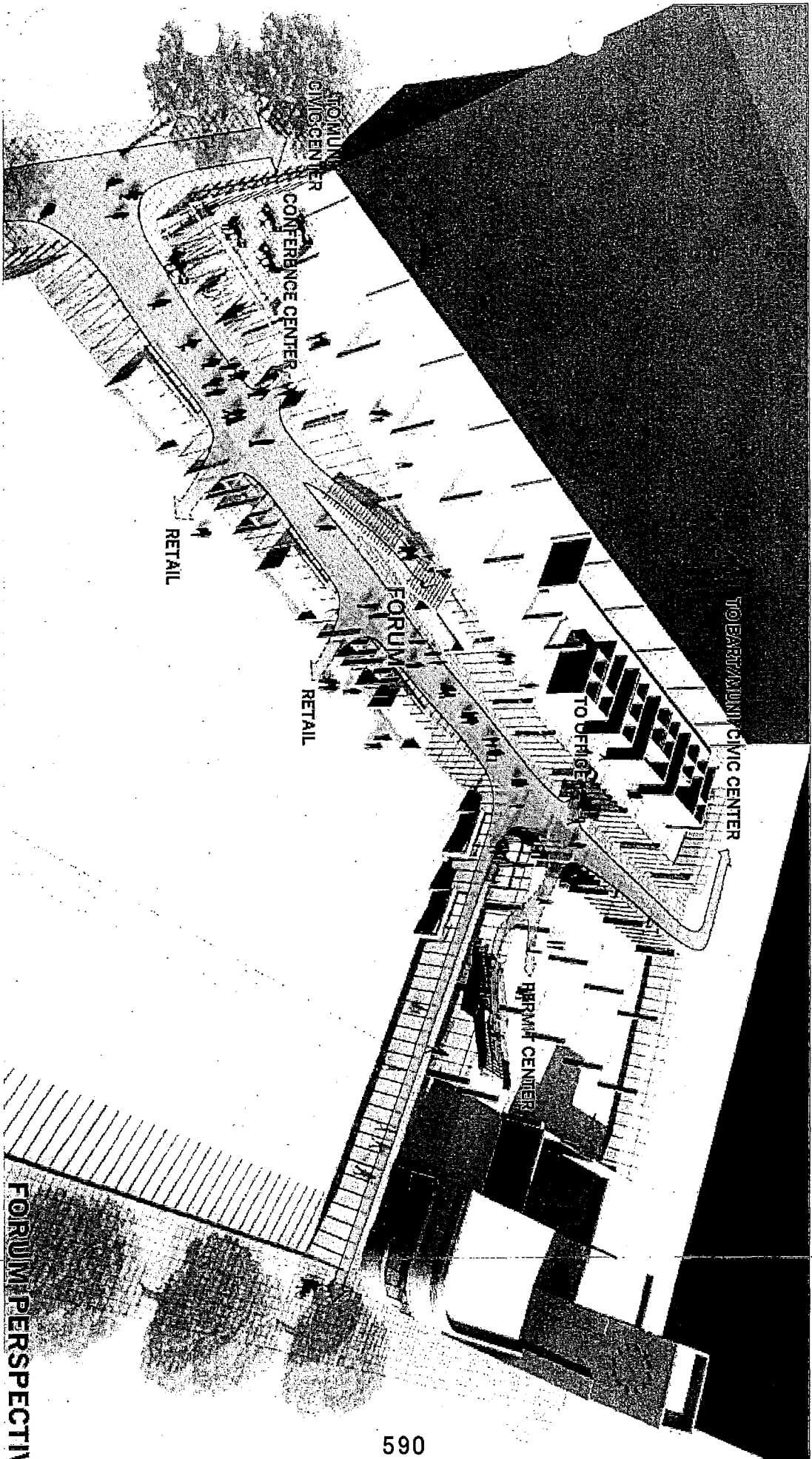
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- Migration from Leasing to Ownership:
 - Potential to terminate 100,000 square feet in leased premises
- Establish a Developer Partnership:
 - Related has strong experience, local knowledge and national presence

Project Chess - Overview

- 463,300 gross square feet (sf) of Office
 - 33,300 sf Permitting
 - 55,000 sf Conference/Training/Hearing Rms
 - 375,000 sf Office Uses – 1,300 employees
- 550 Residential Units – 110 BMR on site
- One acre+ of ground floor retail/restaurant
- LEED Gold, meet/exceed childcare requirements
- Sell 30 Van Ness for new development, sell 1660 Mission & 1680 Mission – all proceeds go toward project

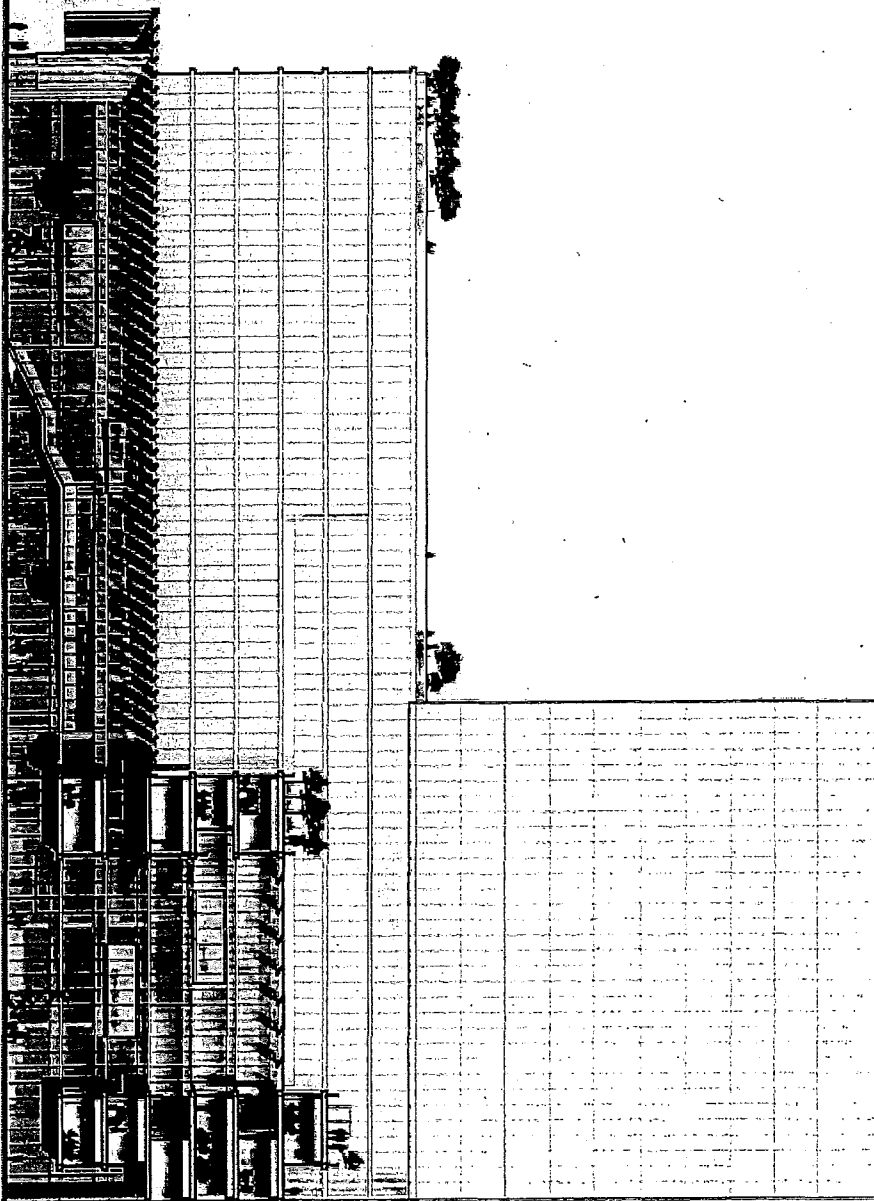
Mixed-Use Development





FORUM PERSPECTIV

SOUTH VAN NESS AVE.



11TH ST.

SECTION THROUGH FORUM

Project Chess - Costs

- Initial fiscal commitment through mid-2016 capped at \$8,072,300
- Total project cost now estimated at \$327 M (not to exceed)
- Recent sales of existing Class A office buildings in mid \$600/sf range. Chess delivers new Class A office building at \$700/sf.
- Pro-forma over 30 years shows project is break-even

Project Chess

