

BOARD of SUPERVISORS



City Hall
1 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

BUDGET AND FINANCE SUB-COMMITTEE SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Budget and Finance Sub-Committee

FROM: Linda Wong, Assistant Clerk

DATE: March 20, 2017

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, March 21, 2017

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, March 21, 2017, at 2:00 p.m. This item was acted upon at the Sub-Committee Meeting on Thursday, March 16, 2017, at 10:00 a.m., by the votes indicated.

Item No. 21 File No. 170213

Resolution approving a purchase and sale agreement by and between the City and County of San Francisco and SF Prosperity 2, LLC, for the sale of City-owned properties located at 1660 Mission Street and 1680 Mission Street for \$52,000,000; including a City lease-back at an annual rent expense of \$3,362,220 increasing by 3% per year for each year after the initial period, with rent to be set at the then fair market rental value prior to the beginning of each extension option exercised, if any, for a period of not more than three years in the initial term, with two one-year options to extend; affirming the Planning Department's determination under the California Environmental Quality Act; and adopting findings that the sale is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

AMENDED, AMENDMENT OF THE WHOLE BEARING SAME TITLE

Vote: Supervisor Malia Cohen - Aye
Supervisor Norman Yee - Aye
Supervisor Katy Tang - Excused

RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Norman Yee - Aye
Supervisor Katy Tang - Excused

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. 170213

Committee Item No. 7
Board Item No. 21

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee Date March 16, 2017

Board of Supervisors Meeting Date March 21, 2017

Cmte Board

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Completed by: Linda Wong Date March 10, 2017
Completed by: Linda Wong Date March 20, 2017

AMENDED IN COMMITTEE

3/16/17

FILE NO. 170213

RESOLUTION NO.

1 [Purchase and Sale Agreement - SF Prosperity 2, LLC - 1660 Mission Street and 1680
2 Mission Street - \$52,000,000]

3 **Resolution approving a purchase and sale agreement by and between the City and**
4 **County of San Francisco and SF Prosperity 2, LLC, for the sale of City-owned**
5 **properties located at 1660 Mission Street and 1680 Mission Street for \$52,000,000;**
6 **including a City lease-back at an annual rent expense of \$3,362,220 increasing by 3%**
7 **per year for each year after the initial period, with rent to be set at the then fair market**
8 **rental value prior to the beginning of each extension option exercised, if any, for a**
9 **period of not more than three years in the initial term, with two one-year options to**
10 **extend; affirming the Planning Department's determination under the California**
11 **Environmental Quality Act; and adopting findings that the sale is consistent with the**
12 **General Plan, and the eight priority policies of Planning Code, Section 101.1.**

13
14 WHEREAS, The City and County of San Francisco owns certain real property known
15 as Assessor's Parcel Block No. 3512, Lot Nos. 005 and 006, commonly known as 1660
16 Mission Street, San Francisco; and

17 WHEREAS, The City and County of San Francisco owns certain real property known
18 as Assessor's Parcel Block No. 3512, Lot Nos. 009 and 010, commonly known as 1680
19 Mission Street, San Francisco; and

20 WHEREAS, 1660 Mission Street and 1680 Mission Street are collectively, the
21 "Properties"; and

22 WHEREAS, The City selected Collier's International through a competitive bid process
23 to competitively bid the sale of the Properties as the listing broker for the City; and

24 WHEREAS, The Director of Property executed an Agreement for Sale of Real Estate,
25 dated February 27, 2017 ("Purchase Agreement"), to sell the Properties to SF Prosperity 2,

1 LLC for the price of \$52,000,000, a copy of which is on file with the Clerk of the Board of
2 Supervisors in File No. 170213, which is hereby declared to be a part of this resolution as if
3 set forth fully herein; and

4 WHEREAS, The Planning Department, by letter dated February 27, 2017, found that
5 the sale of the Properties is categorically exempt from environmental review under the
6 California Environmental Quality Act ("CEQA", Pub. Resources Code Section 21000 et seq.),
7 pursuant to CEQA Guidelines Section 15312 and Chapter 31 of the City's Administrative
8 Code, and is consistent with the City's General Plan, and the eight priority policies of Planning
9 Code, Section 101.1, which letter is on file with the Clerk of the Board of Supervisors in File
10 No. 170213, and incorporated herein by this reference; and

11 WHEREAS, The public interest or necessity will not be inconvenienced by the
12 conveyance of 1660 Mission Street and 1680 Mission Street from the City to SF Prosperity 2,
13 LLC.; and

14 WHEREAS, The Purchase Agreement includes leasebacks of the Properties to the
15 City, to commence immediately upon consummation of the sale, allowing for continued
16 occupancy by the City for an initial period of three years plus two extension options of one-
17 year each, at an annual rent expense of \$3,362,220, increasing by 3% per year for each year
18 after the initial period, with rent to be set at the then fair market rental value prior to the
19 beginning of each extension option exercised, if any; and

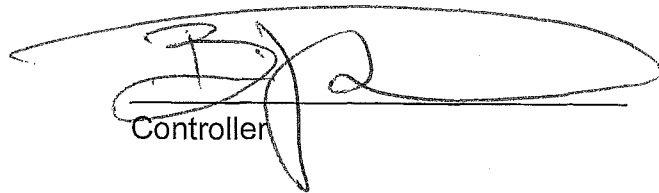
20 RESOLVED, This Board approves the Purchase Agreement and authorizes the
21 Director of Property to enter into and perform all City rights and obligations under the
22 Purchase Agreement, and to enter into any additions or amendments to the Purchase
23 Agreement (including in each instance, without limitation, the attachment of exhibits) that the
24 Director of Property, in consultation with the City Attorney, determines are in the best interests
25 of the City and do not materially increase the obligations or liabilities of the City; and, be it

1 FURTHER RESOLVED, This Board affirms the Planning Department's determination
2 under the California Environmental Quality Act, and finds that the proposed sale of the
3 Properties is consistent with the General Plan, and with Planning Code, Section 101.1(b) for
4 the reasons set forth in the Director of Planning's letter; and, be it


5 FURTHER RESOLVED, This Board authorizes the Director of Property to take all
6 reasonable and necessary actions for the sale of the Properties consistent with this resolution,
7 including the payment of all typical seller expenses, including approximately \$240,000 for
8 brokerage commissions, out of the escrow closing pursuant to escrow instructions approved
9 by the City Attorney; and, be it

10 FURTHER RESOLVED, That within thirty (30) days after the close of escrow finalizing
11 the sale of the Properties, the Director of Real Estate shall provide the executed Purchase
12 Agreement and relevant closing documents to the Clerk of the Board for inclusion into the
13 official file.

14
15 \$560,370 Available for Fiscal Year 2016-17
16 Index Code: 70RE1660MISS
17 Subsubject: 03011

18 
19 Controller

20
21 RECOMMENDED:

22 
23 _____
24 John Updike
25 Director of Property
Real Estate Division

<p>Item 7 File 17-0302</p>	<p>Department: Administrative Services, Real Estate Division</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> The proposed resolution approves the purchase and sale agreement between the City and SF Prosperity 2, LLC for the sale of City-owned properties located at 1660 Mission Street and 1680 Mission Street for \$52,000,000, including a City leaseback for a period of three years in the initial term, with two, one-year options to extend, for a total leaseback of not more than five years. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> The Real Estate Division is recommending the sale of two City-owned buildings – 1660 Mission Street and 1680 Mission Street – as a source of funds to pay for development of a new City-owned office building at 1500 Mission Street, if the City elects to proceed with the project following the environmental review process. 1660 Mission Street is a six-story 75,321-square-foot building that is mostly occupied by employees of DBI. 1680 Mission Street is a 36,753-square-foot four-story building that is mostly occupied by employees of Public Works. Leasebacks will allow City departments to continue to occupy 1660 and 1680 Mission Street for three years, with two additional one-year options, or through April 30, 2022. The City will pay SF Prosperity 2, LLC \$3,362,220 in rent the first year, plus operating expenses, or \$41.13 per square foot annually. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> SF Prosperity 2, LLC will pay (1) the sale price of \$52,000,000, (2) the City's transfer tax at a cost of approximately \$1,560,000, which is typically paid by the seller, and (3) annual property taxes of about \$613,184 in the first year. Transfer and property taxes are deposited into the City's General Fund. The total value of the property purchase of approximately \$53,560,000 (the purchase price plus the transfer tax) exceeds the appraised value of \$53,480,000. Following CEQA approval and assuming the Board elects to proceed with the project, proceeds of \$52 million from the sale of 1660 and 1680 Mission Street will be allocated to the potential development of the new City-owned office building at 1500 Mission Street, which is estimated to cost \$326,690,953, with a total estimated project cost net of prior appropriations of \$439,265,000. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> Administrative Code Chapter 23A defines surplus property as any property that is not required to fulfill the mission of the City department with jurisdiction over the property. Chapter 23A also provides for the transfer of surplus properties to the Mayor's Office of Housing and prioritizes the use of surplus property for affordable housing. Because the funds from the sale of 1660 and 1680 Mission Street are being used for a City development that does not involve affordable housing, approval of the proposed resolution is a policy matter. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> Amend the proposed resolution to add a finding that the public interest or necessity will not be inconvenienced by the conveyance of 1660 Mission Street and 1680 Mission Street from the City to SF Prosperity 2, LLC. Approval the proposed resolution, as amended, is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Administrative Code Section 23.3 provides that the Director of Property may sell real property owned by the City, after the Board of Supervisors (a) determines that the public interest or necessity will not be inconvenienced by the conveyance, (b) authorizes the means of disposition, and (c) approves the conveyance.

BACKGROUND

The Real Estate Division is recommending the sale of two City-owned buildings – 1660 Mission Street and 1680 Mission Street located near the southern intersection of Mission Street and Otis Street – as a source of funds to pay for relocation opportunities, such as the potential development of a new City-owned office building at 1500 Mission Street, if the City elects to proceed with the project following the environmental review process. 1660 Mission Street is a six-story 75,321-square-foot building with a basement parking garage that is predominantly occupied by employees of the Department of Building Inspection (DBI). 1680 Mission Street is a 36,753-square-foot four-story building that is mostly occupied by employees of the Department of Public Works (Public Works).

The City acquired the 1660 Mission Street property in March 1993 for \$5,425,000. The City acquired the 1680 Mission Street property in July 1965. It was under the jurisdiction of what is now known as the Human Services Agency until April 1988, when it was transferred to Public Works at a cost to Public Works of \$105,000. There is no outstanding debt on either property.

DBI currently pays the Real Estate Division rent of \$24.12 per square foot for 1660 Mission Street, based on the Real Estate Division's FY 2016-17 aggregate rent model that covers the costs of utilities and Real Estate Division staffing to service the building. According to Mr. John Updike, Director of Real Estate, Public Works opted out of the aggregate rent model at the 1680 Mission Street property, and services the building using its own in-house staff or contractors engaged directly by Public Works. At the 1680 Mission Street property, Mr. Updike estimates that Public Works incurs operating expenses of approximately \$11.13 per square foot per year in FY 2016-17.

Decision to Sell 1660 and 1680 Mission Street

The City is pursuing potential development of a new City-owned office building at 1500 Mission Street at the intersection of Mission Street and 11th Street, currently awaiting certification of the environmental review, to: (1) create a One-Stop Permitting Center that would improve service to planning, building, and street permit applicants by co-locating DBI, City Planning, and Public Works; (2) consolidate human resources-related functions to improve staff service; (3) improve the building quality and resiliency of the Civic Center portfolio; and (4) migrate from leasing to ownership. The project will increase City office space to accommodate growth and relocate these departments' offices.

On December 9, 2014, the Board of Supervisors approved an ordinance for a Conditional Land Disposition and Acquisition Agreement with Related California Urban Housing, LLC (Related) to

potentially develop the new City office building at 1500 Mission Street (Ordinance 254-14). Related plans to develop this site to include (a) an approximately 463,300 gross square foot 18-story City-owned office building along 11th Street and (b) an approximately 38-story, multifamily residential development with 550 residential units and ground level retail along Van Ness Avenue.

Pending certification of the environmental review, construction of the proposed project at 1500 Mission Street is expected to begin in 2017 and be completed in 2020, a construction period of approximately three years. The Real Estate Division planned for the sale of three City-owned buildings - 30 Van Ness Avenue¹, 1660 Mission Street, and 1680 Mission Street - as a source of funds to pay for the potential development of 1500 Mission Street, following certification of the environmental review and subsequent approval to proceed with the project by the Board of Supervisors.

Selection of Listing Broker

In May 2016, the Real Estate Division issued a Request for Proposals (RFP) to real estate brokers to sell 1660 and 1680 Mission Street via one brokerage agreement. Four prequalified firms responded in the first round with offers to charge the City ranging from 0.39 to 0.75 percent of the sale price, or a fixed fee of 0.5 percent of the sale price increasing for any amount over the appraised value yielded. Since the offers included different conditions, the Real Estate Division issued a second round RFP seeking a simple all-inclusive fixed fee offer. Colliers International submitted the most responsive proposal at a fixed fee of \$240,000, inclusive of all costs (which comes out to approximately 0.46 percent of the sale price of \$52,000,000), with a waiver of claims to payment if either property does not sell.

Offering of 1660 and 1680 Mission Street

On December 1, 2016, the Real Estate Division, working with Colliers International, offered the 1660 and 1680 Market Street properties for sale. Eighty-eight interested parties signed the confidentiality agreement from the offering, and over 22 interested parties toured the properties. Round one generated seven offers by January 12, 2017, ranging from \$37 million to \$49 million. In round two, four offers were received by January 19, 2017, ranging from \$41 million to \$52 million. The offer at \$52 million, the highest bid, was tentatively advanced to the final stages of due diligence and Purchase and Sale Agreement negotiation, following staff team review and recommendation.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the purchase and sale agreement by and between the City and County of San Francisco (City) and SF Prosperity 2, LLC², the highest bidder, for the sale of City-owned properties located at 1660 Mission Street and 1680 Mission Street for \$52,000,000, including a City leaseback for a period of three years in the initial term, with two, one-year options to extend, for a total leaseback of not more than five years. The proposed

¹ The sale and leaseback of 30 Van Ness Avenue is considered in separate legislation (File No. 17-0214).

² SF Prosperity 2, LLC is an entity of Michael Wang.

resolution would also affirm the Planning Department's determination under California Environmental Quality Act (CEQA) and adopt findings that the sale is consistent with the General Plan and Planning Code Section 101.1.

Leasebacks for City Office Use

The proposed resolution specifies that the purchase and sale agreement includes leasebacks to allow City departments to continue to occupy the buildings at 1660 and 1680 Mission Street for an initial term extending from the close of escrow, estimated to occur in early May 2017, through April 30, 2020, or not more than three years, with two additional one-year options to extend, through approximately April 30, 2022. DBI, which currently predominantly occupies 1660 Mission Street, and Public Works, which currently predominately occupies 1680 Mission Street, will relocate to 1500 Mission Street when construction is completed, anticipated for early 2020 pending completion of the environmental review process and a subsequent project approval by the Board of Supervisors, as noted above.

SF Prosperity 2, LLC intends to continue use of 1660 Mission Street and 1680 Mission Street as office space when the leasebacks end and the respective City departments relocate to the proposed new City-owned office building at 1500 Mission Street, if the City elects to proceed with the project following the environmental review process.

FISCAL IMPACT

Sale of 1660 Mission Street and 1680 Mission Street

Value of Proposed Sale

SF Prosperity 2, LLC, as the highest bidder, has agreed to pay the City \$52,000,000 to purchase 1660 and 1680 Mission Street. SF Prosperity 2, LLC will also pay the City's one-time transfer tax estimated to be \$1,560,000.³ In addition, SF Prosperity 2, LLC will pay annual property taxes⁴ of an estimated \$613,184 in the first year.⁵ Transfer taxes and property taxes are deposited into the City's General Fund. Therefore, the City will receive the sales price and transfer taxes of \$53,560,000 upon closing the proposed sale of 1660 and 1680 Mission Street, and will receive annual property taxes in the first year of an estimated \$613,184.

Appraised Value

The Real Estate Division obtained appraisal reports, prepared by Carneghi + Partners, and appraisal reviews, conducted by Clifford Advisory LLC, for 1660 and 1680 Mission Street, in compliance with Administrative Code Section 23.3.

³ Equal to the transfer tax rate of 3 percent times the sales price of \$52,000,000.

⁴ The City does not assess property tax on its own properties, so property taxes are not currently paid on 1660 and 1680 Mission Street.

⁵ Equal to the property tax rate of 1.1792 percent (the FY 2016-17 City property tax rate) times the sales price of \$52,000,000. The property tax amount is subject to (1) the Assessor's assessed value, which may be above the purchase price; and (2) the annual increase in the assessed value, which is capped at 2 percent and can be lower, as determined by the State.

The April 2016 appraisals of 1660 Mission Street and 1680 Mission Street by Carneghi + Partners concluded that the properties had respective as-is market values of \$42,500,000 and \$19,350,000, totaling \$61,850,000 as shown in Table 1 below. In March 2017, Clifford Advisory LLC, the review appraiser, prepared supplemental valuations for both properties, which consider the impact on the valuations of the 3-year leaseback agreements. Clifford Advisory LLC concluded that the properties have respective as-is values of \$37,250,000 and \$16,230,000 due to the 3-year rent loss under the leasebacks, totaling \$53,480,000, which is \$8,370,000 less than the original appraisal of \$61,850,000 without the 3-year leaseback. A summary of the appraisal and appraisal review values is shown in Table 1 below.

Table 1: Appraisal Report and Appraisal Review Values for 1660 and 1680 Mission Street

Carneghi + Partners Appraisal Reports – April 2016	
	Amount
1660 Mission Street	\$42,500,000
1680 Mission Street	19,350,000
As-Is Market Value	\$61,850,000
Clifford Advisory Appraisal Reviews – March 2017	
1660 Mission Street	\$37,250,000
1680 Mission Street	16,230,000
As-Is Market Value, with 3-Year Leasebacks	\$53,480,000
Difference in Value due to Leasebacks	(\$8,370,000)

While the appraised value of \$53,480,000 exceeds the \$52,000,000 purchase price, Ms. Sandi Levine, Project Manager at the Real Estate Division, states that the estimated transfer tax of \$1,560,000 should be added to the purchase price of \$52,000,000 for a total value of the property purchase of approximately \$53,560,000. Ms. Levine states that adding the transfer tax to the purchase price to calculate the total value of the purchase is reasonable because the transfer tax is customarily paid by the seller (the City) but will be paid by the buyer (SF Prosperity 2, LLC) for this transaction.

Listing Broker Commission

As mentioned above, the City will pay Colliers International a fixed fee of \$240,000, inclusive of all costs, upon closing the sale of the 1660 and 1680 Mission Street properties. The City will not owe Colliers International a commission if either property does not sell.

Use of Net Proceeds for New City Office Space

Proceeds of \$52 million from the sale of 1660 Mission Street and 1680 Mission Street will be allocated to the potential development of the new City-owned office building at 1500 Mission Street, which is estimated to cost \$326,690,953, with a total estimated project cost net of appropriations of \$439,265,000, if the City elects to proceed with the project following the environmental review process. The sources and used of funds of the \$439,265,000 estimated project cost for the proposed 1500 Mission Street project are shown in Table 2 below.

Table 2: Sources and Uses of Funds for 1500 Mission Street

Sources	Amount
Certificates of Participation (COPs) Par Amount	\$317,265,000
Sale Proceeds – 30 Van Ness Avenue	70,000,000
Sale Proceeds – 1660 and 1680 Mission Street ^a	52,000,000
Total Sources	\$439,265,000
Uses	
Development Costs	\$326,690,953
Less Prior Appropriation	(1,250,000)
FF&E, DT, and Moving Costs	29,397,433
City Services Auditor Fee (0.2% of Development Costs)	653,382
Certificates of Participation Delivery Expenses	
Reserve Fund	21,832,100
Interest & Fees/Capitalized Interest	31,051,471
Cost of Issuance	603,807
Underwriter's Discount	2,220,855
Closing Costs (including broker commission) ^a	1,000,000
Defease Outstanding COPs on 30 Van Ness Avenue	27,065,000
Total Uses	\$439,265,000

^a The City will pay a commission to the broker of \$240,000 from the sale proceeds of \$52 million for 1660 and 1680 Mission Street.

Funding for the 1500 Mission Street project, which is estimated to cost \$326,690,953 for development with an estimated project cost of \$439,265,000 is subject to future Board of Supervisors approval, including (a) certification of the environmental review; (b) appropriation of sale proceeds of \$70,000,000 for 30 Van Ness Avenue and \$52,000,000 for 1660 and 1680 Mission Street, totaling \$122,000,000; and (c) issuance and appropriation of \$317,265,000 in COPS.

Leaseback Costs

The base rent for 1660 Mission Street and 1680 Mission Street would be \$30.00 per square foot per year, escalating 3 percent per year during the initial three-year term. Rent for the fourth or fifth year options would be set at 100 percent fair market rent at that time, but not less than the previous year's rent.

Under the leasebacks, the City would be responsible for continuing to pay for all operating costs, consisting of utilities custodial, engineering, maintenance, property management, and security service costs, which are estimated to cost \$11.13 per square foot per year, escalating at 3 percent per year. The landlord will pay property taxes and insurance. The two properties have a combined total of 112,074 rentable square feet.

Table 3 below shows the total annual rent and operating costs to be paid by the City over the first three years of the leaseback to be \$14,247,934.

Table 3: Estimated Cost of Leasebacks

Lease Year	1660 Mission Annual Rent	1680 Mission Annual Rent	Total Rent	Estimated Annual Operating Costs	Total Rent and Operating Costs	Rent and Operating Costs/SF /Year
Year 1: 2017	\$2,259,630	\$1,102,590	\$3,362,220	\$1,247,384	\$4,609,604	\$41.13
Year 2: 2018	2,327,419	1,135,668	3,463,087	1,284,805	4,747,892	42.36
Year 3: 2019	2,397,241	1,169,848	3,567,089	1,323,349	4,890,438	43.64
Total	\$6,984,290	\$3,408,106	\$10,392,396	\$3,855,538	\$14,247,934	

According to Ms. Sandi Levine, Project Manager at the Real Estate Division, the fully serviced lease rate of \$41.13 in the first year of the leaseback is lower than other recent leases in the Civic Center area. According to Ms. Levine, the current fair market value for leases for comparable space in the Civic Center area is approximately \$53.47 per square foot per year, which is \$12.34 per square foot per year, or approximately 30 percent higher than the first year rent and operating costs of \$41.13.

Under the proposed leaseback, DBI's rent and operating costs for 1660 Mission Street will increase by \$1,281,210 in the first year and Public Work's cost for 1680 Mission Street will increase by \$1,102,590 in the first year, for total additional rent and operating cost to the City in the first year of \$2,383,800, an increase of 107 percent, as shown in Table 4 below.

Table 4: Increase in Costs Under Proposed 3-Year Leaseback Agreement

	Square Feet	Current Costs ^a		Proposed New Costs ^b		Increase	Percent
		Per SF ^a	Total	Per SF ^b	Total		
1660 Mission	75,321	\$24.12	\$1,816,743	\$41.13	\$3,097,953	\$1,281,210	71%
1680 Mission	36,753	\$11.13	409,061	\$41.13	1,511,651	1,102,590	270%
Total	112,074		\$2,225,803		\$4,609,604	\$2,383,800	107%

^a As noted above, (1) DBI currently pays aggregate rent to the Real Estate Division of \$24.12 per square foot to cover the costs of utilities and Real Estate Division custodial, maintenance and other operating services; and (2) Public Works pays their own costs of an estimated \$11.13 per square foot for utilities, custodial, maintenance and other operating services.

^b In the first year of the leaseback, DBI and Public Works would pay rent of \$30 per square foot to SF Prosperity2 and would incur operating costs of an estimated \$11.13 per square foot, totaling \$41.13 per square foot.

According to Ms. Melissa Whitehouse, Mayor's Budget Director, the Real Estate Division has sufficient funds in its budget previously appropriated by the Board of Supervisors to cover rent and operating expenses for the remainder of FY 2016-17. According to Ms. Whitehouse, the Mayor's Budget Office is currently evaluating different strategies for paying the incremental rent and operating expenses, but the rent model has not yet been finalized. Any future budget increases to City departments would be subject to future Board of Supervisors appropriation approval.

POLICY CONSIDERATIONS

Finding about No Inconvenience to Public Interest

As noted above, Administrative Code Section 23.3 requires the Board of Supervisors to make a finding that the public interest or necessity will not be inconvenienced prior to the conveyance of real property. The proposed resolution lacks this finding and should be amended to add it.

Surplus Property Ordinance

Chapter 23A of the Administrative Code defines surplus property as any property that is not required to fulfill the mission of the City department with jurisdiction over the property and shall not include any land to be exchanged for other land to be used by a City department. Chapter 23A also provides for the transfer of surplus properties to the Mayor's Office of Housing and prioritizes the use of surplus property for affordable housing. Because the funds from the sale of 1660 and 1680 Mission Street are being used for a City development that does not involve affordable housing, approval of the proposed resolution is a policy matter.

RECOMMENDATIONS

1. Amend the proposed resolution to add a finding that the public interest or necessity will not be inconvenienced by the conveyance of 1660 Mission Street and 1680 Mission Street from the City to SF Prosperity 2, LLC.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

AGREEMENT FOR SALE OF REAL ESTATE

by and between

CITY AND COUNTY OF SAN FRANCISCO,
as Seller

and

SF Prosperity 2, LLC, a California limited liability Company, or assignee,
as Buyer

For the sale and purchase of
The real property commonly known as 1660 Mission Street and 1680 Mission Street,
San Francisco, California

February 27, 2017

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AGREEMENT FOR SALE OF REAL ESTATE
(1660 and 1680 Mission Street, San Francisco)

THIS AGREEMENT FOR SALE OF REAL ESTATE (this "Agreement") dated for reference purposes only as of February 27, 2017, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Seller"), and SF Prosperity 2, LLC, a California limited liability company, or assignee ("Buyer").

THIS AGREEMENT IS MADE WITH REFERENCE TO THE FOLLOWING FACTS AND CIRCUMSTANCES:

A. As of the Closing Date (as defined hereinafter), City will hold legal title to the parcels of real property located at 1660 Mission Street (aka 1660-1670 Mission Street) (Block 3512, Lots 005 and 006) ("1660"), and 1680 Mission Street (Block 3512, Lots 009 and 010) ("1680") in the City and County of San Francisco as more particularly described in Section 1.1 below. 1660 consists of approximately 19,464 square feet and is improved with one six (6) story plus basement, steel and concrete frame building with approximately 58 parking spaces (51 in the basement garage and seven at grade). 1680 consists of approximately 11,030 square feet and is improved with one four (4) story steel and concrete frame brick infill building. As well as the other components of the "Property" (as defined below). 1660 and 1680 are more particularly described and shown in Exhibit A attached hereto (the "Real Property").

B. Buyer has submitted the highest and best responsible offer to purchase the Real Property as determined by the Director of Property.

C. Buyer desires to purchase the Real Property and City is willing to convey the Real Property directly to Buyer, subject to approval by City's Board of Supervisors and Mayor, on the terms and conditions set forth hereinbelow.

ACCORDINGLY, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Buyer agree as follows:

1. SALE AND PURCHASE

1.1 Property Included in Sale

Subject to the terms, covenants and conditions set forth herein, City agrees to convey the Real Property directly to Buyer, and Buyer agrees to purchase from City, the Real Property, together with (a) the personal property owned by City, if any, located at the Real Property and used exclusively in the operation or maintenance of the Real Property (the "Personal Property"); (b) to the extent assignable, all existing warranties, guaranties, permits, licenses, approvals and authorizations related to the Real Property or the Personal Property (the "Intangibles"); (c) all buildings and structures located on the Real Property, all apparatus, equipment and appliances used in connection with the operation or occupancy of the Real Property and its improvements such as heating and air conditioning systems and facilities used to provide any utility, refrigeration, ventilation, garbage disposal or other services, and together with all on-site parking (collectively, the "Improvements"); and (d) any and all rights, privileges, and easements incidental or appurtenant to, or used in connection with the beneficial use and enjoyment of, the Land or Improvements, including, without limitation, any and all minerals, oil, gas and other

hydrocarbon substances on and under the Land, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Land (collectively, the "Appurtenances"). The Real Property, Personal Property, Intangibles, Improvements and Appurtenances are collectively referred to herein as the "Property."

2. PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE

The purchase price for the Property is Fifty Two Million and no/100 Dollars (\$52,000,000.00) (the "Purchase Price").

Buyer shall pay the Purchase Price as follows:

(a) Within one (1) business day after this Agreement is executed by the parties hereto, Buyer shall deposit in escrow with Chicago Title Company (the "Title Company") the sum of Five Hundred Thousand and no/100 Dollars (\$500,000.00) as an initial earnest money deposit (the "Initial Deposit"). The Initial Deposit shall be considered as separate and independent consideration for Seller's execution of this agreement and the grant to Buyer to conduct its due diligence investigation of the Property and the grant to Buyer of the right to terminate this Agreement. The Initial Deposit and the Additional Deposit (as defined below) are collectively referred to as the "Deposit". The Initial Deposit shall be fully refundable to Buyer if the Agreement is terminated in accordance with Section 5.2 or for any reason prior to the expiration of the Contingency Period (as defined in Section 5.2 below). The Initial Deposit shall be held in an interest-bearing account, and all interest thereon shall be deemed a part of the Deposit. Upon Closing (as defined below) the Initial Deposit shall be paid to City and credited against the Purchase Price.

(b) On or before the next business day after the expiration of the Contingency Period as provided in Section 5.2 below, Buyer shall increase the Deposit to Two Million and no/100 Dollars (\$2,000,000.00) by depositing into escrow with the Title Company an additional One Million Five Hundred Thousand and no/100 Dollars (\$1,500,000.00) (the "Additional Deposit") in all cash or by wire transfer of immediately available funds. The Additional Deposit shall be held in an interest-bearing account and all interest thereon shall be deemed a part of the Deposit. At the Closing, the Additional Deposit shall be paid to City and credited against the Purchase Price.

(c) Buyer shall pay the balance of the Purchase Price, less the Deposit, which is Fifty Million and no/100 Dollars (\$50,000,000.00), less any credits due to the Buyer hereunder, and subject to any prorations or adjustments as provided in this Agreement, to City at the consummation of the purchase and sale contemplated hereunder (the "Closing").

(d) Notwithstanding any provision of this Agreement to the contrary, upon any early termination of this Agreement where Buyer is entitled to a refund of the Deposit, the Title Company shall deduct from the Deposit the sum of One Hundred Dollars (\$100) (the "Independent Contract Consideration") and deliver such Independent Contract Consideration to City, which amount the parties bargained for and agree to as consideration for Buyer's right to inspect and purchase the Property pursuant to this Agreement and for City's execution, delivery and performance of this Agreement. The Independent Contract Consideration is in addition to and independent of any other consideration or payment provided in this Agreement, is

nonrefundable, and is fully earned and shall be retained by City notwithstanding any other provision of this Agreement.

All sums payable hereunder including, without limitation, the Deposit, shall be paid in cash or by wire transfer of immediately available funds of lawful money of the United States of America.

3. TITLE

3.1 Conveyance of Title

At the Closing, City shall transfer its interest in and to the Real Property to Buyer by grant deed in the form of Exhibit B attached hereto (the "Deed") and shall convey title to the Personal Property by a bill of sale in the form of attached Exhibit C (the "Bill of Sale"), such title to be free of any liens, encumbrances or interests other than the Permitted Exceptions (as defined in Section 5.1 hereof.

3.2 Notice Regarding Development of Housing

Buyer represents that it does not intend to develop or construct three (3) or more residential units (a "Housing Project") on the Property and acknowledges that should Buyer desire to develop a Housing Project on the Property, San Francisco Planning and Administrative Code provisions, including but not limited to San Francisco Administrative Code Section 23.62, may apply.

3.3 Title Insurance

Delivery of title in accordance with Section 3.1 shall be evidenced by the commitment of the Title Company to issue to Buyer, or its nominee, an ALTA extended coverage owner's policy of title insurance (the "Title Policy") in the amount of the Purchase Price, insuring fee simple title to the Land, the Appurtenances and the Improvements in Buyer, 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 the Permitted Exceptions pursuant to Section 5.1(a) below. The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property, shall not contain any exclusion from coverage for creditor's rights or bankruptcy, and shall contain an affirmative endorsement that there are no violations of restrictive covenants, if any, affecting the Property such special endorsements as Buyer may reasonably request.

It is Buyer's obligation to pay for the costs of the Title Policy, except for any costs required to cure clouds on title to the Property that are not Permitted Exceptions. Buyer recognizes that any fences or other physical monument of the Property's boundary lines may not correspond to the legal description of the Property. City shall not be responsible for any unknown discrepancies in the parcel area or location of the property lines or any other matters which an accurate survey or inspection might reveal; provided City shall disclose to Buyer any known discrepancies. It is Buyer's sole responsibility to obtain a survey from an independent surveyor, if desired.

4. "AS-IS" PURCHASE; RELEASE OF CITY

4.1 Buyer's Independent Investigation

By Buyer electing to proceed by issuing its Contingency Removal Notice pursuant to Section 5.2 below, Buyer will be deemed to have acknowledged and agreed that it has been given a full opportunity to perform a diligent and thorough inspection and investigation of each and every aspect of the Property, either independently or through agents of Buyer's choosing, including, without limitation, the following matters (collectively, the "Property Conditions"); provided, however, that Buyer's acceptance or waiver of the Property Conditions shall not limit or modify City's express representations and warranties hereunder:

(a) Except as set forth in Section 5.1 and Section 5.3, all matters relating to title including, without limitation, the existence, quality, nature and adequacy of City's interest in the Property and the existence of physically open and legally sufficient access to the Property.

(b) Subject to Section 5.8, the zoning and other legal status of the Property, including, without limitation, the compliance of the Property or its operation with any applicable codes, laws, regulations, statutes, ordinances and private or public covenants, conditions and restrictions, and all governmental and other legal requirements such as taxes, assessments, use permit requirements and building and fire codes.

(c) The quality, nature, adequacy and physical condition of the Property, including, but not limited to, the structural elements, foundation, roof, interior, landscaping, parking facilities, and the electrical, mechanical, HVAC, plumbing, sewage and utility systems, facilities and appliance, and all other physical and functional aspects of the Property.

(d) The quality, nature, adequacy, and physical, geological and environmental condition of the Property (including soils and any groundwater), and the presence or absence of any Hazardous Materials in, on, under or about the Property or any other real property in the vicinity of the Property. As used in this Agreement, "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is now or hereafter 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.

(e) The economics and development potential, if any, of the Property.

(f) All other matters of material significance affecting the Property.

4.2 Property Disclosures

(a) California law requires sellers to disclose to buyers the presence or potential presence of certain Hazardous Materials. Accordingly, Buyer is hereby advised that occupation of the Property may lead to exposure to Hazardous Materials such as, but not limited to, gasoline, diesel and other vehicle fluids, vehicle exhaust, office maintenance fluids, tobacco smoke, methane and building materials containing chemicals, such as formaldehyde. By execution of this Agreement, Buyer acknowledges that the notices and warnings set forth above satisfy the requirements of California Health and Safety Code Section 25359.7 and related statutes.

(b) **Natural Hazards Report.** Buyer acknowledges that on February 15, 2017, City delivered to Buyer a Natural Hazard Disclosure Statement prepared by Disclosure Source.

4.3 Entry and Indemnity

In connection with any entry by Buyer or its Agents onto the Property, Buyer shall give City reasonable advance written notice of such entry and shall conduct such entry and any inspections in connection therewith so as to minimize, to the extent possible, interference with uses being made of the Property and otherwise in a manner and on terms and conditions acceptable to City. All entries by Buyer or its Agents onto the Property to perform any testing or other investigations which could affect the physical condition of the Property (including, without limitation, soil borings) or the uses thereof will be made only pursuant to the terms and conditions of an executed Permit to Enter Property in Connection with Environmental and Geotechnical Investigation, by and between City and Buyer (the "Access Permit"). Buyer hereby agrees to indemnify and hold City harmless from any damage or injury to persons or property caused by Buyer or its Agents during any such entries onto the Property prior to the Closing, except to the extent such damage or injury is caused by the acts or omissions of Seller or any of its Agents. The foregoing Indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions or the non-negligent aggravation of pre-existing environmental conditions on, in, under or about the Property, including the Improvements. This indemnity shall survive the termination of this Agreement or the Closing, as applicable, provided that Seller must give notice of any claim it may have against City under such indemnity (i) within six (6) months of such termination if the claim is brought by a third party against Seller or (ii) within three (3) months of such termination or the Closing Date, as applicable, if the claim involves damage to Seller's Property or any other claim not brought by a third party against the Seller.

City shall also make available to Buyer without representation or warranty of any kind whatsoever, all non-privileged items in its files relating to the Property for Buyer's review and inspection, at Buyer's sole cost, during normal business hours. Notwithstanding the foregoing, Buyer's review shall not include a review of any of City's internal memoranda or reports, any privileged or confidential information, or City's appraisals of the Property, if any.

4.4 "As-Is" Purchase.

BUYER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT CITY IS SELLING AND BUYER IS PURCHASING CITY'S INTEREST IN THE PROPERTY ON AN "AS-IS WITH ALL FAULTS" BASIS. BUYER IS RELYING SOLELY ON ITS INDEPENDENT INVESTIGATION AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM CITY OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE PROPERTY, ITS SUITABILITY FOR BUYER'S INTENDED USES OR ANY OF THE PROPERTY CONDITIONS (EXCEPT FOR CITY'S EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT). CITY DOES NOT GUARANTEE THE LEGAL, PHYSICAL, GEOLOGICAL, ENVIRONMENTAL OR OTHER CONDITIONS OF THE PROPERTY, NOR DOES IT ASSUME ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE PROPERTY OR ITS USE WITH ANY STATUTE, ORDINANCE OR REGULATION (EXCEPT FOR CITY'S EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT). IT IS BUYER'S SOLE RESPONSIBILITY TO DETERMINE ALL BUILDING, PLANNING, ZONING AND OTHER REGULATIONS RELATING TO THE PROPERTY AND THE USES TO WHICH IT MAY BE PUT.

4.5 Release of City

As part of its agreement to purchase the Property in its "As-Is With All Faults" condition, Buyer, on behalf of itself and its successors and assigns, waives any right to recover from, and forever releases and discharges, City, its officers, employees, agents, contractors and representatives, and their respective heirs, successors, legal representatives and assigns, from any and all demands, claims, legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs or expenses whatsoever (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with (i) Buyer's and its Agents and customer's past, present and future use of the Property, (ii) the physical, geological or environmental condition of the Property, including, without limitation, any Hazardous Material in, on, under, above or about the Property, and (iii) the application to the Property of any federal, state, local or administrative law, rule, regulation, order or requirement applicable thereto, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended by Superfund Amendments and Reauthorization Act of 1986 ("SARA") (42 U.S.C. Sections 9601-9657), the Resource Conservation and Recovery Act of 1976, as amended by the Solid Waste and Disposal Act of 1984 (collectively, "RCRA") (42 U.S.C. Sections 6901-6987), the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 (collectively the "Clean Water Act") (33 U.S.C. Section 1251 et seq.), the Toxic Substances Control Act ("TSCA") (15 U.S.C. Sections 2601-2629), Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), the Carpenter-Presley-Tanner Hazardous Substance Account Law (commonly known as the "California Superfund" law) (California Health and Safety Code Sections 25300-25395), Hazardous Waste Control Act (California Health and Safety Code, Section 25100 et seq.), Hazardous Materials Release-Response Plans and Inventory Law (commonly known as the "Business Plan Law") (California Health and Safety Code Section 25500 et seq.), Porter-Cologne Water Quality Control Act (California Water Code Section 13000 et seq.), Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as "Proposition 65") (California Health and Safety Code Section 25249.5 et seq.); provided, however, that the provisions of this Section 4.5 do not extend to, and Buyer does not release City with respect to, the matters that are the subject of City's express obligations in this Agreement, representations and warranties set forth in this Agreement or under the other documents and instruments executed by City in connection with this Agreement.

In connection with the foregoing release, Buyer expressly waives the benefits of Section 1542 of the California Civil Code, which provides as follows:

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 TO HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

BY PLACING ITS INITIALS BELOW, BUYER SPECIFICALLY ACKNOWLEDGES AND CONFIRMS THE VALIDITY OF THE RELEASES MADE ABOVE AND THE FACT THAT BUYER WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THE ABOVE RELEASES.

INITIALS: BUYER: _____

5. CONDITIONS PRECEDENT

5.1 Permitted Exceptions.

For purposes of this Agreement, the following shall constitute "Permitted Exceptions:"

(a) Each matter affecting title to Property disclosed by that certain commitment to insure the Real Property from Chicago Title Company (the "Title Commitment") that Buyer has not objected to in writing prior to the expiration of the Contingency Period;

(b) the lien of ad valorem real estate taxes, special taxes and assessments not yet due and payable as of the date of Closing, subject to proration as herein provided;

(c) local, state and federal laws, ordinances or governmental regulations, including but not limited to building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Property;

(d) the usual printed exceptions and exclusions contained in such title insurance policies; and

(e) matters caused by or on behalf of Buyer or its agents.

Notwithstanding anything to the contrary contained in this Agreement, the Permitted Exceptions shall not include any monetary liens (other than real estate taxes and assessments that are not delinquent) and City shall have until the Closing to cause the satisfaction and removal of such monetary liens.

5.2 Contingency Period

Buyer has been given or will be given before the end of the Contingency Period (as defined below), a full opportunity to investigate the Property, either independently or through agents of 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 Buyer deems fit, as well as the suitability of the Property for Buyer's intended uses. Buyer and its Agents may commence due diligence investigations on the Property on or after the date this Agreement is executed by City. Buyer shall have until 5:00 p.m. San Francisco Time on Friday, March 31, 2017 to review and approve or waive any issues related to the condition of or title to the Property (such period being referred to herein as the "Contingency Period").

If as a result of Buyer's investigations, Buyer elects, in its sole and absolute discretion, to proceed with the purchase of the Property, then Buyer shall, before the expiration of the Contingency Period, notify City in writing that Buyer has approved all such matters (the

"Contingency Removal Notice"). If before the end of the Contingency Period Buyer fails to give City the Contingency Removal Notice Buyer shall be deemed to have elected not to proceed with the purchase of the Property. Notwithstanding the foregoing, if Buyer objects to any of the matters contained within Section 5.1 or any other matter discovered by Buyer in the course of its due diligence investigations within the Contingency Period, then City may, but shall have no obligation to remove or remedy any objectionable matter. If City agrees to remove or remedy the objectionable matter, it shall notify Buyer within ten (10) days following Buyer's notice of objection, and the Closing Date shall be delayed for so long as City diligently pursues such removal or remedy. If and when City elects not to remove or remedy the objectionable matter, which City may do at any time including following an initial election to pursue remedial or corrective actions, this Agreement shall automatically terminate, the Deposit shall be returned to Buyer, and neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or 12 [Authority] or as otherwise expressly provided herein.

5.3 Title Review Following Execution of Agreement

Seller shall have cause to have Title Company deliver to Buyer a current preliminary report on the Real Property, issued by Title Company, accompanied by copies of all documents referred to in the report (collectively, the "Preliminary Report"). Within five (5) days after the date of this Agreement, Seller shall deliver to Buyer copies of any existing or proposed easements, covenants, restrictions, agreements or other documents that affect the Property, and are not disclosed by the Preliminary Report, or, if Seller knows of no such documents, a written certification of Seller to that effect. Buyer may at its option and cost arrange for an "as-built" survey of the Real Property and Improvements prepared by a licensed surveyor (the "Survey").

Buyer shall advise Seller, prior to the end of the Contingency Period, what exceptions to title, if any, Buyer objects to ("Buyer's Objection Notice"). Seller shall have ten (10) days after receipt of Buyer's notice of any objections to title to give Buyer: (A) evidence satisfactory to Buyer of the removal of all objectionable exceptions from title or that such exceptions will be removed or cured on or before the Closing; or (B) notice that Seller elects not to cause such exceptions to be removed. If Seller gives notice under clause (B), Buyer shall have ten (10) business days following Seller's notice, to elect to proceed with the purchase or terminate this Agreement, and the Contingency Period shall be extended by the number of days required to allow for such ten (10) business day period. If Buyer shall fail to give Seller notice of its election within such ten (10) business days, Buyer shall be deemed to have elected to terminate this Agreement. If Seller gives notice pursuant to clause (A) and fails to remove any such objectionable exceptions from title prior to the Closing Date, and Buyer is unwilling to take title subject thereto, Seller shall be in default hereunder and Buyer shall have the rights and remedies provided herein or at law or in equity.

If any update of the Title Commitment or the Survey after the date of the expiration of the Contingency Period but prior to the Closing Date discloses new exceptions, matters or conditions which are (a) first discovered or disclosed to Buyer after the date of the expiration of the Contingency Period, (b) not disclosed by the Title Commitment or Survey prior to the expiration of the Contingency Period and (c) not permitted or consented to by Buyer, or otherwise result from actions of Buyer or its Agents (a "New Title Matter"), Buyer may notify Seller in writing (the "Gap Notice") of Buyer's objections to any such New Title Matter. If Buyer fails to deliver written notice to Seller of an objection to any such New Title Matter within

five (5) business days of receiving written notice of the existence of such New Title Matter, then Buyer shall be deemed to have accepted such New Title Matter, which shall constitute a Permitted Exception (as defined in Section 5.1). If Buyer sends a Gap Notice to Seller, then Seller shall have five (5) days after receipt of the Gap Notice to notify Buyer that Seller will either (a) cause such objectionable New Title Matter to be removed from title or insured over on or before the Closing, provided that Seller may extend the Closing for such period as shall be required to effect such cure (not to exceed sixty (60) days); or (b) elects not to cause such New Title Matter to be removed (a "Non-Removal Notice"). If Seller fails to notify Buyer of its election within said five (5) day period, then Seller shall be deemed to have delivered a Non-Removal Notice as to that exception. If Seller gives (or is deemed to have given) Buyer a Non-Removal Notice, then Buyer shall have five (5) business days within which to notify Seller in writing that Buyer elects to either (i) nevertheless proceed with the purchase and take title to the Property subject to such disapproved New Title Matter, or (ii) terminate this Agreement. If Buyer fails to notify Seller in writing of its election within said five (5) business day period, then Buyer shall be deemed to have elected to terminate this Agreement. Upon the termination of this Agreement, the Deposit shall be returned to Buyer, and neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or 12. [Authority] or as otherwise expressly provided herein. Notwithstanding the foregoing, in the event any such update of the Title Commitment or Survey is obtained on or after the date that is ten (10) business days prior to the Closing Date, Buyer shall have the right, at its option, on or prior to the Closing Date, to extend the Closing Date for up to ten (10) business days after such original Closing Date to accommodate the foregoing review and objection process.

5.4 City's Condition Precedent

The following are conditions precedent to City's obligation to sell the Property to Buyer ("City's Conditions Precedent"):

(a) Buyer shall have performed all of its obligations hereunder and all of Buyer's representations and warranties shall be true and correct in all material respects as of the Closing.

(b) Buyer shall have delivered all funds required in connection with the Closing to Escrow, including without limitation, all Closing Costs (as defined in Section 8.1) and the Purchase Price.

(c) A resolution or ordinance approving and authorizing the transactions contemplated hereby and finding that the public interest or necessity demands, or will not be inconvenienced by the sale of the Property, shall have been adopted by the City's Board of Supervisors and Mayor, in their respective sole and absolute discretion.

(d) Buyer shall have executed and delivered a Leaseback Agreement with City in the form attached hereto as Exhibit E.

5.5 Failure of City's Conditions Precedent

Each of City's Conditions Precedent are intended solely for the benefit of City. If any of City's Conditions Precedent are not satisfied as provided above, City may, at its option, terminate this Agreement. Upon any such termination, except in the event that Buyer is in default of its obligations under this Agreement (in which case the provisions of Section 9 shall

apply), the Deposit shall be promptly delivered by Title Company to Buyer, and thereafter neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or 12 [Authority] or as otherwise expressly provided herein.

5.6 Buyer's Conditions to Closing

The Closing and Buyer's obligation to consummate the transactions contemplated by this Agreement and the exhibits attached hereto are subject to the satisfaction of the following conditions (which can be waived by Buyer):

(a) Buyer shall have reviewed and approved title to the Property in accordance with Section 5.3 above;

(b) Buyer's review and approval, within the Contingency Period, of the physical and environmental conditions of the Property, including, without limitation, structural, mechanical, electrical and other physical conditions of the Property.

(c) Buyer's review and approval, within the Contingency Period, of the environmental condition of the Property, including an examination for the presence or absence of any Hazardous Materials. Buyer shall be responsible for performing or arranging any such reviews at Buyer's expense, provided that if Buyer's consultants reasonably determine that, based upon their Phase I examination, a Phase II examination is necessary with respect to all or a part of the Real Property, Buyer may elect to perform a Phase II examination as approved by the Director of Property during the Contingency Period.

(d) Buyer's review and approval, within the Contingency Period, of the compliance of the Property with all applicable laws, regulations, permits and approvals.

(e) Buyer's review and approval, within the Contingency Period, of (i) the following documents, all to the extent such documents exist and are either in the possession or control of Seller: structural calculations for the Improvements; site plans; copies of the as-built plans and specifications for the Improvements; recent inspection reports by Seller's engineers; service contracts; utility contracts; maintenance contracts; ; brokerage and leasing commission agreements which may continue after Closing; certificates of occupancy; presently effective warranties or guaranties received by Seller from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Improvements; third-party insurance policies, and reports of insurance carriers insuring the Property and each portion thereof respecting the claims history of the Property; environmental reports; studies, surveys, tests and assessments; soils and geotechnical reports; and any other contracts or documents of significance to the Property (collectively, the "Documents"); and (ii) such other information relating to the Property that is specifically and reasonably requested by Buyer of Seller in writing during the Contingency Period (collectively, the "Other Information").

(f) To the best knowledge of the Director of Property, Seller shall not be in default in the performance of any covenant or agreement to be performed by Seller under this Agreement, and all of Seller's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct as of the Closing Date. At the Closing Seller shall deliver to Buyer a certificate certifying that each of

Seller's representations and warranties contained in Section 9.1 [Representations and Warranties of Seller] below are true and correct as of the Closing Date, in the form attached hereto as Exhibit I.

(g) The physical condition of the Property shall be substantially the same on the Closing Date as on the date of Buyer's execution of this Agreement, reasonable wear and tear and loss by casualty excepted (subject to the provisions of Section 7.1 [Risk of Loss]), and, as of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding, pending or threatened, which after the Closing would materially adversely affect the value of the Property or the ability of Buyer to operate the Property for its intended use, and no proceedings shall be pending or threatened which could or would cause the change, redesignation or other modification of any building or environmental code requirements applicable to, any of the Property.

(h) There shall be no material adverse changes to the Property.

(i) Fee title to the Property shall be vested in the City and the City shall be in a position to transfer title directly to Buyer.

(j) City's delivery of the items required to be delivered by City pursuant to Section 6.3 of this Agreement, not later than the Closing Date (unless otherwise provided).

(k) Title Company's issuance or commitment to issue on or before the Closing Date, an owner's policy of title insurance, in the amount of the Purchase Price, insuring Buyer as the fee simple owner of the Property to be conveyed hereunder, subject only to the Permitted Exceptions. Buyer shall satisfy or eliminate, on or before the Closing Date, those title requirements to be performed or otherwise satisfied by Buyer; Seller shall satisfy or eliminate, on or before the Closing Date, those title requirements to be performed or otherwise satisfied by Seller.

(l) City's representations and warranties contained in this Agreement shall be true and correct in all material respects as of the Closing, and City shall have otherwise performed in all material respects its obligations under this Agreement which are required to be performed by City prior to the Closing Date.

(m) Seller's delivery of actual possession of the Property, subject only to the Leaseback Agreement.

(n) A resolution or ordinance approving and authorizing the transactions contemplated hereby and finding that the public interest or necessity demands, or will not be inconvenienced by the sale of the Property, shall have been adopted by the City's Board of Supervisors and signed by the Mayor, in their respective sole and absolute discretion.

5.7 Failure of Buyer's Conditions Precedent

If any of the conditions set forth in Section 5.6 are not timely satisfied or waived by Buyer in its sole discretion, then:

(a) This Agreement and the rights and obligations of Buyer and City hereunder shall terminate, and this Agreement shall be of no further force or effect, except for those matters which, by the express terms of this Agreement, survive the termination of this Agreement; and

(b) Except in the event that Buyer is in default under this Agreement (in which case the provisions of Section 9 shall apply), the Deposit shall be promptly delivered by Title Company to Buyer.

5.8 Cooperation with Buyer

(a) City shall cooperate with Buyer and do all acts as may be reasonably requested by Buyer with regard to the fulfillment of any Conditions Precedent, but Seller's representations and warranties to Buyer shall not be affected or released by Buyer's waiver or fulfillment of any Condition Precedent. City hereby authorizes Buyer and its Agents to make all inquiries with and applications to any person or entity, including, without limitation, any regulatory authority with jurisdiction as Buyer may reasonably require to complete its due diligence investigations.

(b) The staff of the City's Real Estate Department will cooperate in good faith with Buyer and will not oppose Buyer with respect to Buyer's desire to rezone the Property as C-3-G. Buyer understands that any rezoning will be undertaken by the Planning Department of the City and the City's Board of Supervisors in their sole discretion.

6. ESCROW AND CLOSING

6.1 Escrow

On the date the parties hereto execute this Agreement, Buyer and City shall deposit an executed counterpart of this Agreement with the Title Company, and this instrument shall serve as the instructions to the Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. City and Buyer agree to execute such supplementary escrow instructions as may be appropriate to enable the Title Company to comply with the terms of this Agreement; provided, however, in the event of any conflict between the provisions of this Agreement and any supplementary escrow instructions, the terms of this Agreement shall control.

6.2 Closing Date

The Closing hereunder 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 the Title Company on May 1, 2017 or such earlier date and time as Buyer and City may mutually agree upon in writing (the "Closing Date"). Such date and time may not be extended without the prior written approval of both City and Buyer.

6.3 Deposit of Documents and Funds

(a) At or before the Closing, City shall deposit into escrow the following items:

(i) the duly executed and acknowledged Deeds conveying 1660 and 1680 to Buyer, in the forms attached hereto as Exhibit B;

(ii) duly executed counterparts of the Bills of Sale covering the Personal Property, in the forms attached hereto as Exhibit C;

(iii) four (4) duly executed counterparts of the Assignment and Assumption of Intangibles in the form attached hereto as Exhibit G (the "Assignment of Intangibles");

(iv) four (4) duly executed counterparts of the Office Lease (1660 Mission) in the form attached hereto as Exhibit E-1, and the Office Lease (1680 Mission) in the form attached hereto as Exhibit E-2 (the office leases shall collectively be referred to as the "Leases"); and

(v) the duly executed certificate regarding the accuracy of Seller's representations and warranties set forth in Section 9.1 as of the Closing Date.

(b) At or before the Closing, Buyer shall deposit into escrow the following items:

(i) the funds necessary to close this transaction;

(ii) a duly executed and acknowledged counterpart of the Deed;

(iii) four (4) duly executed counterparts of the Assignment of Intangibles; and

(iv) four (4) duly executed counterparts of the Leases.

(c) City and Buyer shall each deposit such other instruments as are reasonably required by the Title Company (including a duly executed owner's title affidavit of City in form reasonably acceptable to Buyer and the Title Company) or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.

(d) City shall deliver to Buyer originals (or to the extent originals are not available, copies) of any items which City is required to furnish Buyer copies of or make available at the Property, within five (5) business days after the Closing Date. City shall deliver to Buyer a set of keys to the Property on the Closing Date.

6.4 Prorations

Any real property taxes, refunds and assessments (prorated based on the payment period to which the same are attributable, regardless of whether then due and payable); water, sewer and utility charges; amounts payable under any service contracts; annual permits and/or inspection fees (calculated on the basis of the period covered); and any other expenses normal to the operation and maintenance of the Property (except as specifically provided below), shall all be prorated as of 12:01 a.m. on the date the Deed is recorded, on the basis of a three hundred sixty-five (365)-day year. City and Buyer hereby agree that if any of the above described prorations cannot be calculated accurately on the Closing Date, then the same shall be calculated as soon as reasonably practicable after the Closing Date and either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party.

7. RISK OF LOSS

7.1 Loss

City shall give Buyer notice of the occurrence of damage or destruction of, or the commencement of condemnation proceedings affecting, any portion of the Property. In the event that all or any portion of the Property is condemned, or destroyed or damaged by fire or other casualty prior to the Closing, then Buyer may, at its option to be exercised within ten (10) days of City's notice of the occurrence of the damage or destruction or the commencement of condemnation proceedings, either terminate this Agreement or consummate the purchase for the full Purchase Price as required by the terms hereof. If Buyer elects to terminate this Agreement with proper and timely notice as set forth above, then this Agreement shall terminate at the end of such ten (10)-day period, the Title Company shall return the Deposit to Buyer, and neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or otherwise expressly provided herein. If Buyer elects to proceed with the purchase of the Property, then upon the Closing, Buyer shall receive a credit against the Purchase Price payable hereunder equal to Buyer's reasonable estimate of the cost to repair any casualty damage (less any cost of repair actually expended by City prior to the Closing) or the amount of any condemnation awards actually collected by City. If any condemnation awards have not been collected as of the Closing, then City shall assign such awards to Buyer, and Buyer shall not receive any credit against the Purchase Price with respect to such awards.

7.2 Self-Insurance

Notwithstanding anything to the contrary above, Buyer acknowledges that City self-insures and shall not be obligated to purchase any third-party commercial liability insurance or property insurance.

8. EXPENSES

8.1 Expenses

Buyer 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. City shall be responsible for all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. Buyer and City shall equally share any escrow fees and recording charges and any other costs and charges of the escrow for the sale (the "Closing Costs"). Buyer shall pay the costs of any transfer taxes applicable to the sale of the Property. 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 the City and County of San Francisco, as determined by Title Company.

8.2 Brokers

The parties represent and warrant to each other that no broker or finder other than Collier's International, who was engaged by City pursuant to a separate agreement, was instrumental in arranging or bringing about this transaction and that there are no other claims or

rights for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement. If any person brings a claim for a commission or finder's fee based on any contact, dealings, or communication with Buyer or City, then the party through whom such person makes a claim shall defend the other party from such claim, and shall indemnify the indemnified party from, and hold the indemnified party against, any and all costs, damages, claims, liabilities, or expenses (including, without limitation, reasonable attorneys' fees and disbursements) that the indemnified party incurs in defending against the claim. The provisions of this Section shall survive the Closing, or, if the purchase and sale is not consummated for any reason, any termination of this Agreement.

9. REPRESENTATIONS AND WARRANTIES

9.1 Representations and Warranties of City

To the best knowledge of the Director of Property, City represents and warrants to, and covenants with Buyer as follows:

(a) Except as disclosed to Buyer, there are now, and at the time of the Closing will be, 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).

(b) All existing and pending leases and other occupancy agreements affecting the Property ("Leases"), documents and other information furnished to Buyer are all of the relevant documents and information pertaining to the condition and operation of the Property to the extent available to Seller, and are and at the time of Closing will be true, correct and complete copies of such documents and the Leases are and at the time of Closing will be in full force and effect, without default by (or notice of default to) any party.

(c) No document or instrument furnished or to be furnished by the City to Buyer in connection with this Agreement contains or will contain any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading, under the circumstances under which any such statement shall have been made.

(d) City does not have knowledge of any condemnation, either instituted or planned to be instituted by any governmental or quasi-governmental agency, which could detrimentally affect the use, operation or value of the Property.

(e) To City's knowledge, all utilities required by law or by the normal use and operation of the Property are installed to the property lines of the Property and at the time of Closing are adequate to service the Property.

(f) Except as disclosed to Buyer, or as set forth in any title report relating to the Property there are no easements or rights of way which have been acquired by prescription or which are otherwise not of record with respect to the Property, and 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. 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) There is no litigation pending or, after due and diligent inquiry, to the best of City's knowledge, threatened, against City on any basis therefor that arises out of the ownership of the Property or that might detrimentally affect the use or operation of the Property for its intended purpose or the value of the Property or the ability of City to perform its obligations under this Agreement.

(h) City is the legal and equitable owner of the Property, with full right to convey the same, and without limiting the generality of the foregoing, City 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) City knows of no facts nor has City failed to disclose any fact that would prevent Buyer from using and operating the Property after Closing in the normal manner in which it is intended.

(j) City hereby represents and warrants to and covenants with Buyer that to the best knowledge of the John Updike, Director of Property, the following statements are true and correct and will be true and correct as of the Closing Date: (i) 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 Schedule 1 ("Seller's Environmental Disclosure"); (iii) there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property; (iv) 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 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 Seller'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 beyond that allowed under the permits issued; (v) the Property does not consist of any landfill or of any building materials that contain Hazardous Material; and (vi) 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).

(k) There are now, and at the time of Closing will be, no occupancy agreements affecting the Property except the Leaseback Agreement. At the time of Closing there will be no outstanding written or oral contracts made by City for any of the Improvements that have not been fully paid for and City shall cause to be discharged all mechanics' or materialmen's liens arising from any labor or materials furnished to the Property prior to the time of Closing. There are no obligations in connection with the Property which will be binding upon Buyer after Closing except for matters which are set forth in the Preliminary Report and except for the Leaseback Agreement.

(l) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code.

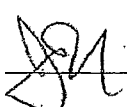

9.2 Survival.

The express representations and warranties made by Seller in Section 9.1 of this Agreement shall not merge into any instrument or conveyance delivered at the Closing; *provided, however*, that any action, suit or proceeding with respect to the truth, accuracy or completeness of such representations and warranties shall be commenced, if at all, on or before the date that is twelve (12) months following the Closing Date, and, if not commenced on or before the expiration of such date, thereafter shall be void and of no force or effect. In addition to the foregoing, Buyer shall not be permitted to commence any action, suit or proceeding with respect to the truth, accuracy or completeness of such representations and warranties unless the damages suffered by Buyer as a result thereof shall exceed Five Hundred Thousand Dollars (\$500,000.00) in the aggregate for all such breaches and Seller's maximum aggregate liability hereunder for all such breaches shall not exceed Five Million Dollars (\$5,000,000.00).

10. LIQUIDATED DAMAGES

IF THE SALE OF THE PROPERTY IS NOT CONSUMMATED DUE TO THE FAILURE OF ANY CONDITION PRECEDENT OR CITY'S DEFAULT OF ITS

OBLIGATIONS HEREUNDER AND BUYER IS NOT THEN IN DEFAULT OF ITS OBLIGATIONS HEREUNDER, THEN BUYER MAY ELECT, AS BUYER'S SOLE AND EXCLUSIVE REMEDY, UPON NOTICE TO CITY NOT MORE THAN THIRTY (30) DAYS AFTER THE ORIGINALLY SCHEDULED CLOSING DATE, EITHER (X) TO TERMINATE THIS AGREEMENT AND RECEIVE A REFUND OF THE DEPOSIT OR (Y) TO FILE SUIT TO OBTAIN SPECIFIC PERFORMANCE OF CITY'S OBLIGATION TO CONVEY THE PROPERTY, BUT NOT DAMAGES (AND BUYER'S FAILURE TO DELIVER A NOTICE ELECTING ONE OF THE REMEDIES DESCRIBED IN THIS SENTENCE SHALL BE DEEMED TO BE BUYER'S ELECTION TO TERMINATE THIS AGREEMENT AND RECEIVE A REFUND OF THE DEPOSIT); PROVIDED, THAT IF BUYER FILES SUIT FOR SPECIFIC PERFORMANCE BUT IS UNABLE TO OBTAIN THE SAME, THEN THEREAFTER THE DEPOSIT SHALL BE RETURNED TO BUYER. IF THE SALE IS NOT CONSUMMATED DUE TO ANY DEFAULT BY BUYER OF ITS OBLIGATIONS HEREUNDER AND CITY IS NOT THEN IN DEFAULT OF ITS OBLIGATIONS HEREUNDER, THEN THE TITLE COMPANY SHALL DELIVER THE DEPOSIT TOGETHER WITH ACCRUED INTEREST THEREON TO CITY, AND CITY SHALL BE ENTITLED TO RETAIN SUCH SUM AS LIQUIDATED DAMAGES. THE PARTIES HAVE AGREED THAT CITY'S ACTUAL DAMAGES, IN THE EVENT OF A FAILURE TO CONSUMMATE THIS SALE AS SPECIFIED IN THE PRECEDING SENTENCE, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. AFTER NEGOTIATION, THE PARTIES HAVE AGREED THAT, CONSIDERING ALL THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, THE AMOUNT OF THE DEPOSIT TOGETHER WITH ACCRUED INTEREST THEREON IS A REASONABLE ESTIMATE OF THE DAMAGES THAT CITY WOULD INCUR IN SUCH AN EVENT. BY PLACING THEIR RESPECTIVE INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION;

INITIALS: CITY:  BUYER: 

11. MAINTENANCE; CONSENT TO NEW CONTRACTS

11.1 Maintenance of the Property by City

Between the date of City's execution of this Agreement and the Closing, City shall maintain the Property in good order, condition and repair, reasonable wear and tear excepted, shall perform all work required to be done by the landlord under the terms of any Lease, and shall make all repairs, maintenance and replacements of the Improvements and any Personal Property and otherwise operate the Property in the same manner as before the making of this Agreement, as if City were retaining the Property.

11.2 Buyer's Consent to New Contracts Affecting the Property; Termination of Existing Contracts

After the date of this Agreement, City shall not enter into any contract affecting the Property, or any amendment thereof, or enter into any Lease affecting the Property, without in each instance obtaining Buyer's prior written consent thereto which consent maybe withheld if the term extends beyond the Closing Date. Buyer agrees that it shall not unreasonably withhold or delay any such consent for any lease which will expire 30 days prior to the Closing Date. City shall terminate prior to the Closing, at no cost or expense to Buyer, any and all management agreements and other agreements affecting the Property that Buyer does not agree in writing prior to the Closing to assume.

12. GENERAL PROVISIONS

12.1 Notices

Any notices required or permitted to be given under this Agreement shall be in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, or (c) by U.S. Express Mail or commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be addressed as follows:

CITY:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property
Re: 1660-1680 Mission Street

with a copy to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Attn: Real Estate/Finance Team
Re: 1660-1680 Mission Street

BUYER:

SF Prosperity 2, LLC
c/o Sansome Street Management LLC
290 Division Street #401
San Francisco, CA 94103
Attn: Michael Wang

with a copy to:

Perkins Coie LLP
505 Howard Street, Suite 1000
San Francisco, CA 94103
Attn: Allan Low

or such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed given when actually delivered if such delivery is in person, two (2) days after deposit with the U.S. Postal Service if such delivery is by certified or registered mail, and the next business day after deposit with the U.S. Postal Service or with the commercial overnight courier service if such delivery is by overnight mail.

12.2 Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, legal representatives, administrators and assigns. Buyer's rights and obligations hereunder shall not be assignable without the prior written consent of City; provided, however, even if City approves any such proposed assignment, in no event shall Buyer be released of any of its obligations hereunder. Notwithstanding the foregoing sentence, prior to

Closing, Buyer may assign all (but not less than all) of its rights and interest under this Agreement to a Permitted Assign. "Permitted Assign" shall mean an entity controlling, controlled by, or under common control with Buyer.

12.3 Amendments

This Agreement may be amended or modified only by a written instrument signed by the Buyer and City.

12.4 Authority

Buyer represents and warrants to City that Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California. Buyer further represents and warrants to City that this Agreement and all documents executed by Buyer which are to be delivered to City at Closing: (a) are or at the time of Closing will be duly authorized, executed and delivered by Buyer; (b) are or at the time of Closing will be legal, valid and binding obligations of Buyer; and (c) do not and at the time of Closing will not violate any provision of any agreement or judicial order to which Buyer is a party or to which Buyer is subject. Notwithstanding anything to the contrary in this Agreement, the foregoing representations and warranties and any and all other representations and warranties of Buyer contained herein or in any other agreements or documents executed by Buyer in connection herewith shall survive the Closing Date. City represents and warrants to Buyer that City is a municipal corporation duly organized, validly existing, and in good standing under the laws of the State of California. City further represents and warrants to Buyer that this Agreement and all documents executed by City which are to be delivered to Buyer at Closing: (a) are or at the time of Closing will be duly authorized, executed and delivered by City; (b) are or at the time of Closing will be legal, valid and binding obligations of City; and (c) do not and at the time of Closing will not violate any provision of any agreement or judicial order to which City is a party or to which City is subject. Notwithstanding anything to the contrary in this Agreement, the foregoing representations and warranties and any and all other representations and warranties of City contained herein or in other agreements or documents executed by City in connection herewith, shall survive the Closing Date.

12.5 Buyer's Representations and Warranties

Buyer makes the following representations as of the date of this Agreement and at all times throughout this Agreement:

(a) Buyer is a California limited liability company duly organized and validly existing and in good standing under the laws of the jurisdiction in which it was formed. Buyer has duly authorized by all necessary action the execution, delivery and performance of this Agreement. Buyer has duly executed and delivered this Agreement and this Agreement constitutes a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with the terms hereof.

(b) Buyer represents and warrants to 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 Buyer 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 City. Any such suspension, debarment, discipline or prohibition may result in the termination or suspension of this Agreement if such violation is not reasonably susceptible to cure by Buyer prior to the Closing Date.

(c) No document or instrument furnished or to be furnished by the Buyer to the City in connection with this Agreement contains or will contain any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading, under the circumstances under which any such statement shall have been made.

12.6 Governing Law

This Agreement shall be governed by, subject to, and construed in accordance with the laws of the State of California and City's Charter and Administrative Code.

12.7 Merger of Prior Agreements

This Agreement, together with the exhibits hereto, contain any and all representations, warranties and covenants made by Buyer and City and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Agreement together with the exhibits hereto.

12.8 Parties and Their Agents

The term "Buyer" as used herein shall include the plural as well as the singular. If Buyer consists of more than one (1) individual or entity, then the obligations under this Agreement imposed on Buyer shall be joint and several. 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.

12.9 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.

12.10 Attorneys' Fees

If either party hereto fails to perform any of its respective obligations under this Agreement or if any dispute arises between the parties hereto concerning the meaning or

interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. For purposes of this Agreement, the reasonable fees of attorneys of the Office of the City Attorney of the City and County of San Francisco 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 City Attorney's Office.

12.11 Time of Essence

Time is of the essence with respect to the performance of the parties' respective obligations contained herein.

12.12 No Merger

The obligations contained herein shall not merge with the transfer of title to the Property but shall remain in effect until fulfilled.

12.13 Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to Buyer, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Buyer, its successors and assigns, or for any obligation of City under this Agreement.

12.14 Conflicts of Interest

Through its execution of this Agreement, Buyer acknowledges that it is familiar with the provisions of Section 15.103 or City's 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 constitute a violation of said provisions and agrees that if it becomes aware of any such fact during the term of this Agreement, Buyer shall immediately notify the City.

12.15 Notification of Limitations on Contributions

Through its execution of this Agreement, Buyer 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 the 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 (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) 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. Buyer 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. Buyer further acknowledges that the prohibition on contributions applies to each Buyer; each member of Buyer's board of directors, and Buyer's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Buyer; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Buyer. Additionally, Buyer acknowledges that Buyer must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Buyer further agrees to provide to City the names of each person, entity or committee described above.

12.16 Sunshine Ordinance

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

12.17 Tropical Hardwood and Virgin Redwood Ban

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 product except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code.

12.18 MacBride Principles – Northern Ireland

The City 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 also urges companies to do business with corporations that abide by the MacBride Principles. Buyer acknowledges that it has read and understands the above statement of the City concerning doing business in Northern Ireland.

12.19 No Recording

Neither this Agreement nor any memorandum or short form thereof may be recorded by Buyer.

12.20 Effective Date

As used herein, the term "Effective Date" shall mean the date, which is the later of: (a) the date on which the City's Board of Supervisors and Mayor enact a resolution approving and authorizing this Agreement and the transactions contemplated hereby; or (b) the date of execution of this Agreement by both parties.

12.21 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 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.

12.22 Acceptance by Buyer

This Agreement shall be null and void unless it is accepted by Buyer and two (2) fully executed copies hereof are returned to City on or before 5:00 p.m. San Francisco time on February 7, 2017.

12.23 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.

12.24 Cooperative Drafting.

This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

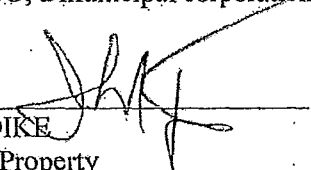
NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, BUYER ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AGREEMENT UNLESS AND UNTIL A RESOLUTION OR ORDINANCE OF CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON THE DUE ENACTMENT OF SUCH A RESOLUTION OR ORDINANCE, 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 THE TRANSACTIONS CONTEMPLATED HEREBY BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH ORDINANCE OR RESOLUTION WILL BE ENACTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[SIGNATURES ON FOLLOWING PAGE]

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

CITY:
CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation

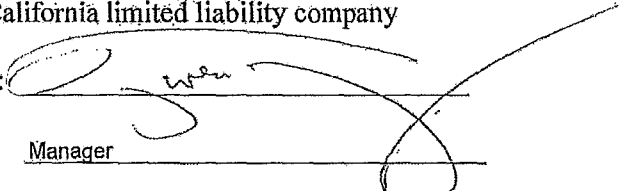
By:



JOHN UPDIKE
Director of Property

BUYER:
SF Prosperity 2, LLC,
a California limited liability company

By:

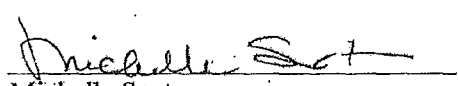


Its: Manager

APPROVED AS TO FORM FOR CITY:

DENNIS J. HERRERA, City Attorney

By:



Michelle Sexton
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

All that certain real property located in the City and County of San Francisco, State of California, described as follows:

1660 Mission Street --

PARCEL ONE:

Beginning at a point on the Northwesterly line of Mission Street, distant thereon 335 feet and 10 5/8 inches Northeasterly from the point of intersection of the Northwesterly line of Mission Street and the Easterly line of Otis Street; running thence Northeasterly along the Northwesterly line of Mission Street 102 feet and 8-1/2 inches; thence Northwesterly 153 feet and 9-5/8 inches to the Easterly line of Otis Street to a point distant thereon 479 feet and 7-3/8 inches Northwesterly from the point of intersection of the Northwesterly line of Mission Street and the Easterly line of Otis Street; thence Southerly along the Easterly line of Otis Street 112 feet and 11-1/2 inches; thence Easterly 111 feet and 3-1/8 inches to the point of beginning.

Being a portion of Mission Plaza.

APN: Lot 005; Block 3512

PARCEL TWO:

Beginning at a point on the Easterly line of Otis Street distant thereon 311 8-5/8 inches Northerly from the point formed by the intersection of the Northwesterly line of Mission Street with the Easterly line of Otis Street; running thence Northerly along said line of Otis Street 54 feet 11-1/4 inches; thence Southeasterly 111 feet 3-1/8 inches, more or less, to the Northeasterly line of Mission Street at a point distant thereon 335 feet 10-5/8 inches Northeasterly from the point of intersection of the Northwesterly line of Mission Street with the Easterly line of Otis Street; thence Southwesterly along the Northwesterly line of Mission Street 50 feet 1-7/8 inches; thence Northwesterly 92 feet, more or less, to the point of beginning.

Being a part of Mission Plaza.

APN: Lot 006; Block 3512

PARCEL THREE:

A non-exclusive easement for ingress and repair through the ground flood parking area of premises adjacent to the Northeast, as granted in the Grant of Easement Agreement recorded June 19, 1989, Instrument No. E382612 at Reel E894, Image 880, of Official Records.

1680 Mission Street –

PARCEL ONE:

Beginning at a point on the Easterly line of Otis Street, distant thereon 19.689 feet Northerly from the Northwesterly line of Mission Street; running thence Northerly along said line of Otis Street 292.0297 feet; thence Southeasterly 92 feet, more or less, to a point on the Northwesterly line of Mission Street, distant thereon Northeasterly 285.7292 feet from the Easterly line of Otis Street; thence Southwesterly along said line of Mission Street 265.4152 feet to a line drawn from the point of beginning at a right angle to the Easterly line of Otis Street; thence westerly along said line so drawn 5.00 feet to the point of beginning.

Being a portion of Mission Plaza.

EXCEPTING THEREFROM, that portion of the above described property dedicated to the public to be open public street on that certain map entitled, "Map showing the Widening of Mission Street at Thirteenth Street" filed in the Office of the County Recorder on April 14, 1966 in Book "U" of Maps at Page 105.

PARCEL TWO:

All that portion of the street area at the intersection of Otis and Mission Streets, as shown on the Department of Public Works drawing No. SUR 789, dated August 15, 1989 vacated by Resolution No. 754-89 by the Board of Supervisors of the City and County of San Francisco, recorded October 13, 1989 in Book E977, Page 1056, Instrument No. E447240, Official Records.

APN's: Lot 009, Block 3512 and Lot 010, Block 351



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Date: February 27, 2017

Case No. 2017-002253GPR
Sale of City-owned office buildings -
1660 & 1680 Mission Street


Block/Lot No: 3512/005-006
3512/009-010

Project Sponsors: John Updike, Director
San Francisco Real Estate Department
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Applicant: Same as Above

Staff Contact: Jon Swae – (415) 575-9069
jon.swae@sfgov.org

Recommendation: Finding the project, on balance, is in conformity with the
General Plan

Recommended By: 
John Rahaim, Director of Planning

PROJECT DESCRIPTION

On February 22, 2017, the Planning Department (herein “the Department”) received a request from the City and County of San Francisco Real Estate Division to consider the sale of City-owned properties at 1660 and 1680 Mission Streets. The properties are six and four story office buildings occupied by City offices. No change of use is proposed and City offices will remain until the new proposed City office building at 1500 Mission Street is completed or other space is found (no earlier than December 31, 2019). The new Owner of 1660 and 1680 Mission Street will retain the buildings for office use and will comply with all zoning requirements after the City’s end of lease back.

ENVIRONMENTAL REVIEW

On February 23, 2017, the Environmental Planning Division of the Planning Department determined the project to be categorically exempt under CEQA Guidelines Sections 15301 and 15312.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

As described below, the Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in-conformity with the following Objectives and Policies of the General Plan:

Note: General Plan Objectives and Policies are in bold font; General Plan text is in regular font. Staff comments are in italic font.

Commerce and Industry Element

OBJECTIVE 6

MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.

POLICY 6.3

Preserve and promote the mixed commercial-residential character in neighborhood commercial districts. Strike a balance between the preservation of existing affordable housing and needed expansion of commercial activity.

1660 Mission Street is zoned as NCT-3 (Moderate Scale Neighborhood Commercial Transit District). The building's existing office uses contribute to the mixed-use character of the neighborhood. Employees drawn daily to both 1660 and 1680 Mission Street help support many neighborhood commercial businesses in the surrounding area.

OBJECTIVE 7

ENHANCE SAN FRANCISCO'S POSITION AS A NATIONAL AND REGIONAL CENTER FOR GOVERNMENTAL, HEALTH, AND EDUCATIONAL SERVICES.

POLICY 7.1

Promote San Francisco, particularly the civic center, as a location for local, regional, state and federal governmental functions.

The buildings at 1660 and 1680 Mission Street house City and County of San Francisco offices including the Planning Department and Public Works. These government offices are located in close proximity to the Civic Center and contribute to the area's role as a center of government activity.

Market and Octavia Area Plan

OBJECTIVE 1.1

CREATE A LAND USE PLAN THAT EMBRACES THE MARKET AND OCTAVIA NEIGHBORHOOD'S POTENTIAL AS A MIXED-USE URBAN NEIGHBORHOOD.

POLICY 1.1.2

Concentrate more intense uses and activities in those areas best served by transit and most accessible on foot.

The properties proposed for sale are located within the Market and Octavia Plan Area and surrounded by rich transit resources including Muni bus lines, the Van Ness Muni Metro Station and the Market Street transit spine. The buildings' new owner will retain the buildings for office use and will comply with all zoning requirements after the City's end of lease back.

Eight Priority Policies Findings

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

The proposed property sale will not negatively affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. The properties' existing office uses and concentration of employees contribute to strong neighborhood commercial activity.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.

The proposed property sale would not displace any existing housing. The buildings are planned to continue as office use after property sale.

3. That the City's supply of affordable housing be preserved and enhanced.

The proposed property sale involves existing office buildings and will not affect the City's supply of affordable housing.

4. That commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking.

The proposed property sale will not result in commuter traffic impeding Muni's transit service, overburdening the streets or altering current neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

The proposed property sale will not displace industrial or service sector uses.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The proposed property sale will result in relocation of City operations currently located at the sites to a more resilient asset in the area, helping facilitate enhanced public sector responsiveness in the event of an emergency.

7. That landmarks and historic buildings be preserved.

The proposed property sale will not affect any landmarks or historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

The proposed property sale will not affect City parks or open spaces, or their access to sunlight and vistas.

RECOMMENDATION: Finding the Project, on balance, in-conformity with the General Plan

cc: Sandi Levine, Real Estate Division

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 FEB 28 PM 4:23

BY

cu

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *[Signature]*
RE: Sale of City Property to SF Prosperity 2, LLC – Street and 1680 Mission Street - \$52,000,000
DATE: February 28, 2017

Attached for introduction to the Board of Supervisors is a resolution approving a purchase and sale agreement by and between City and SF Prosperity 2, LLC for the sale of City-owned properties located at 1660 Mission Street and 1680 Mission Street for \$52,000,000, including a City lease back for a period of not more than three years in the initial term, with two, one-year options to extend; affirming the Planning Department's determination under the California Environmental Quality Act; adopting findings that the sale is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

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: SF Prosperity 2, LLC	
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.	
1. Board of Directors: - Michael Tzuwen Wang 2. <ul style="list-style-type: none"> - Group Chief Executive Officer – Michael Tzuwen Wang - Group Chief Financial Officer – Michael Tzuwen Wang - Chief Executive Officer – Michael Tzuwen Wang 3. None 4. No political committees sponsored or controlled.	
Contractor address: SF Prosperity 2, LLC; c/o Sansome Street Management LLC; 290 Division Street # 401; San Francisco, CA 94103	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$55,362,220.00
Describe the nature of the contract that was approved: Purchase and Sale Agreement for sale of City-owned properties at 1660 and 1680 Mission Street for \$52 Million; Leaseback to City at base rent of \$3,362,220 per year escalating at 3% per year.	
Comments:	

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:	Contact telephone number:
Address:	E-mail:

 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 # 170213 & 170214
Received in Committee
3/16/17 fm

Sales of City Assets

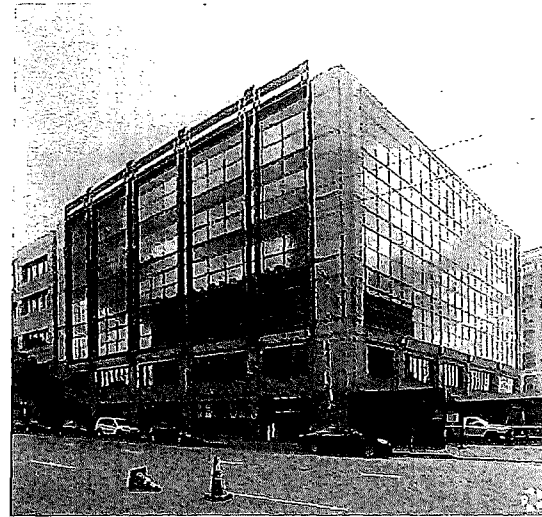
1660/80 Mission St. & 30 Van Ness Ave.

San Francisco Budget and Finance Committee
March 16, 2017

1660/80 Mission: Today

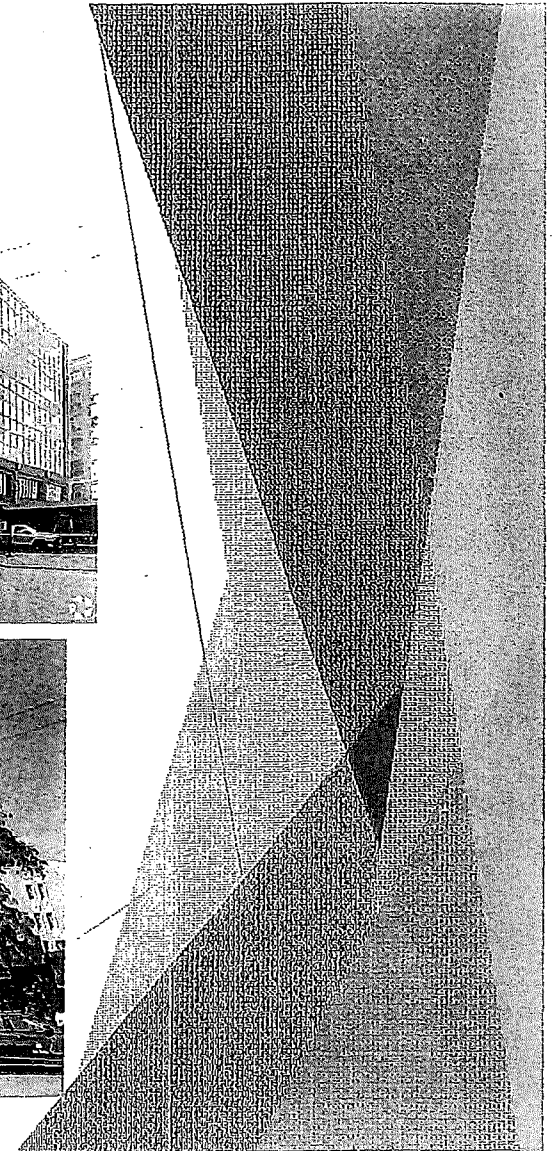
1660 Mission Street

- Built in 1990, City acquired in 1993
- 75,321-square-feet, six-stories
- Currently occupied by DBI
- 2017 MAI Appraisal: \$36M



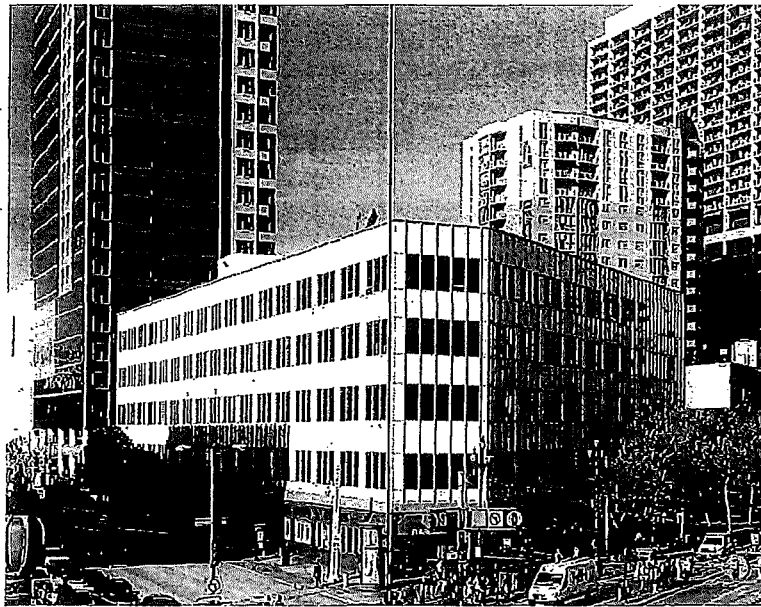
1680 Mission Street

- City acquired in 1965
- 36,753-square-feet, four-stories
- Currently occupied by Public Works
- 2017 MAI Appraisal: \$15.8M



30 Van Ness: Today

- Built in 1908/1964, City acquired in 2001
- 164,000 square feet, five-stories
- Currently Occupied by:
 - Public Works
 - Public Health
 - DEM
 - Rec. Park
- Currently zoned at 400'
- Up to \$60M in capital repairs & improvements needed to extend useful life if City doesn't sell
- \$27M existing debt on building
- 2017 MAI Appraisal: \$69.9M



Sale of 30 Van Ness - Timeline to Date

October 2001	August 2012	April 2015	July 2015	Fall 2015	June 2016	September 2016	February 2017	Today
Purchased for \$32M	Appraisal \$43.5M	Building Listed for Sale	Board Authorized Sale (\$87M @ 12% affordable)	Board Rejected Sale (\$80M @ 15% affordable)	Prop. C Passed by Voters	Building Listed for Sale	Appraisal \$69.9M	Proposed Resolution: \$70M @ 25% affordable

↓
Direction from Board

1. *Increase minimum affordability from Buyer*
2. *Negotiate a better deal with more total value to City*
3. *Record affordability requirements against the property*
4. *No contingencies regarding the minimum affordability*
5. *Offering should resemble an auction*

2017 Purchase and Sale Agreements

Purchase Prices:

- 1660/80 Mission Office Buildings: \$52M
- 30 Van Ness Residential Redevelopment: \$70M = \$122M

Transfer Tax to City (typically paid by Seller):

- 1660/80 Mission: \$1.56M
- 30 Van Ness: \$2.1M = ~\$3.66M

*Sales also generate new incremental property tax revenue to GF into perpetuity ~\$1.4M/yr.

Leasebacks

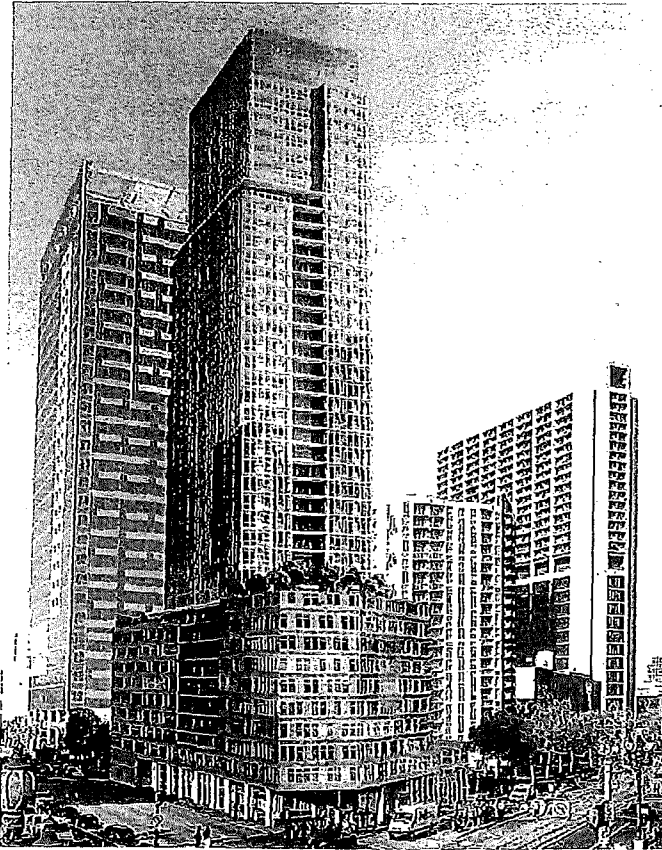
- 3-year initial term
- 2 one-year options to extend each lease
- ~ \$40 per sq. ft. all-in (market rate is \$55-\$70)

Deposits

- 1660/80 Mission: \$2M
- 30 Van Ness: \$14M = \$16M

*Non-refundable if BOS Resolutions are passed

30 Van Ness: Affordable Housing



**Hypothetical rendering as redeveloped*

- Prop C. Passed by Voters on June 7, 2016
 - Rentals
 - 15% low-income @ 55% AMI
 - 10% middle-income @ 100% AMI
 - Condos
 - 15% low-income @ 80% AMI
 - 10% middle-income @ 120% AMI
- Restriction in PSA permanently records this as the minimum, even if levels are lowered in future; If inclusionary levels are increased, the higher levels shall apply
- Residential redevelopment of 30VN is critical element of HUB
- Potential future up-zoning could contribute even more affordable housing to City's housing supply
- Substantial impact fees generated by redevelopment to be paid to MOHCD

30 Van Ness Agreements: 2015 vs. 2017

February 2017 Agreement

- Purchase Price: \$70M
- Affordability Minimum:
 - 15% low-income
 - 10% middle-income
 - 25% minimum* committed by Buyer
- Value to City of additional 10% is between \$12M - \$38M, depending on the development
- Transfer Tax: Buyer Pays

**Recorded against property*

November 2015 Agreement

- Purchase Price: \$80M
- Affordability Minimum:
 - 15% low-income
 - 0% middle-income
 - 15% minimum** committed by Buyer
- City could “buy” middle-income affordability at a cost of \$641,227 per 100% AMI unit
- Transfer Tax: Buyer Pays

***In purchase agreement, but not recorded against property*

Thank You

