

File No. 170214

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date March 16, 2017

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date March 10, 2017

Completed by: Linda Wong Date _____

1 [Purchase and Sale Agreement - Lendlease Development, Inc. - 30 Van Ness Avenue -
2 \$70,000,000]

3 **Resolution approving a purchase and sale agreement by and between the City and**
4 **County of San Francisco and Lendlease Development, Inc. for the sale of City-owned**
5 **property located at 30 Van Ness Avenue for \$70,000,000; including a City lease-back at**
6 **an annual rent expense of \$4,500,000 increasing by 3% per year after each year of the**
7 **initial period and at the beginning of each extension option exercised, if any, for a period**
8 **of not more than three years in the initial term, with two one-year options to extend;**
9 **affirming the Planning Department's determination under the California Environmental**
10 **Quality Act; adopting findings that the sale is consistent with the General Plan, and the**
11 **eight priority policies of Planning Code, Section 101.1; and urging the Mayor's Office of**
12 **Housing and Community Development and the Planning Department to explore certain**
13 **development strategies relating to affordable housing at the site in connection with any**
14 **future development.**

15
16 WHEREAS, The City and County of San Francisco owns certain real property known as
17 Assessor's Parcel Block No. 0835, Lot No. 004, commonly known as 30 Van Ness Avenue, San
18 Francisco (the "Property"); and

19 WHEREAS, The City selected Newmark Cornish & Carey through a competitive bid
20 process to competitively bid the sale of the Property as the listing broker for the City; and

21 WHEREAS, The Director of Property executed an agreement dated February 21, 2017,
22 ("Purchase Agreement") to sell the Property to Lendlease Development, Inc. for the price
23 of \$70,000,000, a copy of which is on file with the Clerk of the Board of Supervisors in File
24 No. 170214, which is hereby declared to be a part of this resolution as if set forth fully herein;
25 and

1 WHEREAS, The Planning Department, by letter dated July 9, 2015, found that the sale
2 of the Property is categorically exempt from environmental review under the California
3 Environmental Quality Act ("CEQA", Pub. Resources Code Section 21000 et seq.), pursuant to
4 CEQA Guidelines Section 15312 and Chapter 31 of the City's Administrative Code, and is
5 consistent with the General Plan, and the eight priority policies of Planning Code,
6 Section 101.1, which letter is on file with the Clerk of the Board of Supervisors in File
7 No. 170214, and incorporated herein by this reference; and

8 WHEREAS, The Purchase Agreement includes a leaseback of the Property, to
9 commence immediately upon consummation of the sale, allowing for continued occupancy by
10 the City for an initial period of three years plus two extension options of one-year each, at an
11 annual rent expense of \$4,500,000, increasing by 3% per year after each year of the initial
12 period and at the beginning of each extension option exercised, if any; and

13 WHEREAS, The Purchase Agreement includes a notice of special restriction effectuating
14 affordable housing requirements upon any future residential redevelopment of the Property to
15 meet or exceed the affordable housing requirements [passed on June 7th, 2016 amending the
16 City's Charter to increase the City's Affordable Housing Requirements, as set forth in Planning
17 Code, Sections 401 and 415]; now, therefore, be it

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

1 FURTHER RESOLVED, This Board urges the Mayor's Office of Housing and Community
2 Development and the Planning Department through the Hub project rezoning to explore
3 development strategies with the developer of the Property that would:

- 4 (i) provide for 25% inclusionary on-site units as defined in the Purchase and Sale Agreement, and
5 (ii) enable the developer to pay an additional \$10.48 per gross square foot of residential above the
6 current requirements of the Market and Octavia Affordable Inclusionary Housing Fee (unless
7 new or increased affordable housing fees are applied to the Property through the Hub rezoning
8 process or otherwise), thereby increasing the total amount of affordable housing attributed to the
9 development of the Property by directing all affordable housing fees generated for the production
10 of affordable housing off-site so that the total number of affordable housing units attributed to the
11 development will equal an estimated 33% of all housing units created within the development, if
12 all of the following occur: (a) the site obtains a height increase to approximately 520' in height
13 and modest bulk increases as part of the site's final entitlements; (b) the site obtains entitlements
14 for the development of a mixed-use project with an office component equal to at least the amount
15 of office space that currently exists; and (c) the Board authorizes and directs the Mayor's Office
16 of Housing and Community Development to use all of the affordable housing fees generated
17 from the development for the production of affordable off-site units within a one mile radius of the
18 site; and be it

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

23 FURTHER RESOLVED, This Board authorizes the Director of Property to take all
24 reasonable and necessary actions for the sale of the Property consistent with this resolution,
25 including the payment of all typical seller expenses, including approximately \$350,000 for


1 brokerage commissions, out of the escrow closing pursuant to escrow instructions approved
2 by the City Attorney; and be it

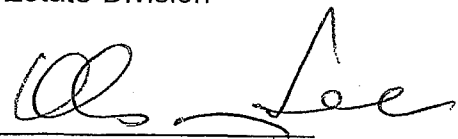
3 FURTHER RESOLVED, That within thirty (30) days after the close of escrow finalizing
4 the sale of the Property, the Director of Real Estate shall provide the executed Purchase
5 Agreement and relevant closing documents to the Clerk of the Board for inclusion into the
6 official file.

7
8 \$750,000 Available for Fiscal Year 2016-17
9 Index Code: 70RE30VN
10 Subobject: 03011

11
12 
13 Controller

14 RECOMMENDED:

15
16 
17 Director of Property
18 Real Estate Division

19 
20 Director
21 Mayor's Office of Housing and Community Development

Item 8
File 17-0214

Departments:
Administrative Services, Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution (a) approving a purchase and sale agreement between the City and County of San Francisco (City) and Lendlease Development, Inc. for City-owned property at 30 Van Ness Avenue for \$70,000,000, including a City lease-back at an annual rent expense of \$4,500,000 increasing by 3% per year for three years, with two one-year options to extend; (b) affirming the Planning Department's determination under the California Environmental Quality Act (CEQA); (c) adopting findings that the sale is consistent with the General Plan and Planning Code; and (d) urging the Mayor's Office of Housing and Community Development and the Planning Department to explore certain development strategies relating to affordable housing at the site in connection with any future development.

Key Points

- 30 Van Ness Avenue, located on the northeast corner of Van Ness Avenue and Market Street, is a five-floor 180,363 square foot City-owned office building, housing five City departments. The City has a total capital investment of approximately \$44,139,800 in the 30 Van Ness Avenue building, including an outstanding principal balance of \$27,065,000.
- On July 28, 2015, the Board of Supervisors authorized the sale of 30 Van Ness Avenue for not less than \$87,000,000 and imposed minimum affordable housing obligations of 12% affordability, prior to buyers due diligence on the property. On December 8, 2015, the Board of Supervisors did not approve a sale of 30 Van Ness for \$80,000,000 at 15% affordability. The proposed sale at \$70,000,000 includes a minimum of 25% affordability, in accordance with Proposition C.

Fiscal Impact

- An appraisal of the 30 Van Ness Avenue property ranged from \$69,900,000 to \$74,000,000.
- Lendlease Development Inc. will pay the City's \$2,100,000 transfer tax, typically paid by the seller. At the \$70,000,000 offer plus \$2,100,000, results in a total of \$72,100,000 from this offer. Lendlease will pay an estimated \$825,440 of property taxes annually.
- If the City sells 30 Van Ness at the \$70,000,000 sales price, the City would receive \$42,545,000 in net sale proceeds, after broker commissions, fees and defeasance of current debt on 30 Van Ness.
- A holdover office lease will allow City departments to occupy 30 Van Ness Avenue for three more years with two one-year options. The City will pay \$13,909,050 of rent to Lendlease and incur total costs of \$19,551,308 to remain in 30 Van Ness for three years.

Recommendation

- Approval of the proposed resolution is a policy decision 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. City Administrative Code Chapter 23A provides that it is City policy that proceeds from the sale of City surplus property be used to finance affordable housing in San Francisco.

BACKGROUND

Purchase of 30 Van Ness City Office Building

In May 2001, the Board of Supervisors authorized the issuance of \$35,950,000 of Certificates of Participation (COPs) to partially finance the City's purchase and renovation of the 30 Van Ness Avenue office building (Resolution 344-01). In October 2001, the City purchased 30 Van Ness from the Herbst Foundation for \$32,000,000 and expended an additional \$5,830,000, for tenant improvements, for a total initial cost of \$37,830,000. 30 Van Ness Avenue, located on the northeast corner of Van Ness Avenue and Market Street, is a five-floor 180,363 square foot City-owned office building.

In November 2006, the Board of Supervisors authorized the issuance of \$162,000,000 of COPs to finance the acquisition and renovation of additional City properties¹, which included \$6,309,800 to renovate the 30 Van Ness City office building (Resolution 680-06). Therefore, the City has a total capital investment of approximately \$44,139,800 (\$37,830,000 + \$6,309,800) in the 30 Van Ness Avenue building. The City's total current outstanding principal balance on the COPs for 30 Van Ness is \$27,065,000, with debt service payments of \$2,500,000 annually.

City employees from the Department of Public Works, Recreation and Park, Department of Public Health, Department of Emergency Management, Office of Civic Engagement and Immigrant Affairs, and Administrative Services' Contract Monitoring Division are currently located in the 30 Van Ness City office building, comprising 164,011 square feet. The building also includes privately leased spaces comprising approximately 16,352 square feet, including Walgreens on the ground floor. The private leases expire by August 31, 2018, although Walgreens has an option to extend.

Decision to Sell 30 Van Ness Avenue

Mr. John Updike, Director of Real Estate, advises that the existing offices at 30 Van Ness are dysfunctional because (a) the interior layout is inefficient, given current fire code requirements, (b) the building systems are not effective, and (c) this modest 5-story office building, including Walgreens on the ground floor, does not take full advantage of the transit-rich location at Van Ness and Market which could support a larger, residential mixed use development.

¹ Major acquisitions of City properties with the \$162,000,000 of COPs in 2006 included the purchase of 1 South Van Ness Avenue and 1650 Mission Street.

At the same time, the City is pursuing a potential development of a new City-owned office building at 1500 Mission Street, near South Van Ness for relocation of City staff, which is still subject to environmental review and Board of Supervisors approval. The City anticipates consolidating office space in this new City-owned office building for the (a) Department of Public Works, (b) Department of Building Inspection and (c) City Planning. These City departments are currently in 30 Van Ness, 1660 and 1680 Mission Street City-owned buildings and in other leased office space in the Civic Center.

1500 Mission Street – City Office Building

On December 9, 2014, the Board of Supervisors approved a Conditional Land Disposition and Acquisition Agreement with Related California Urban Housing, LLC (Related)² to develop a new City office building at 1500 Mission Street, subject to environmental review and approval. Related plans to develop this site to include (a) an approximately 463,300 gross square foot 16-story City-owned office building along 11th street and (b) an approximately 39-story, 550 multifamily residential unit development, with ground level retail, along South Van Ness Avenue (Ordinance 254-14).

The new potential City office building at 1500 Mission Street is estimated to cost \$326,690,953. The total estimated project cost net of prior appropriations is \$439,265,000. A major source of funding for this new City office building is from the sale of three City office buildings: (1) 30 Van Ness (subject of the proposed resolution), and (2) 1660 Mission Street, and (3) 1680 Mission Street (see the Budget and Legislative Analyst's March 16, 2017 report to the Budget and Finance Committee, File 17-0213).

Mr. Joshua Keene of the Real Estate Division advises regarding the status of the potential 1500 Mission Street development:

- 100% design development and 50% of construction drawings for the core and shell are complete;
- Certification of the Environmental Impact Report (EIR) for the project is scheduled to be heard by the Planning Commission on March 23, 2017, with subsequent final approval by the Board of Supervisors;
- Board of Supervisors potential approval of a conditional Purchase and Sale Agreement with Related for the entitled land by June of 2017, such that the City would acquire the property in July 2017;
- If the project is approved, construction is anticipated to begin in October 2017 and extend for two years, such that the project will be substantially complete by November 2019; and
- City employees would then move in through the spring of 2020.

If the 1500 Mission Street project is not approved, the City would continue to explore other relocation opportunities during the initial term, and possibly extended terms, of the leaseback.

² Related California Urban Housing LLC created a subsidiary, Goodwill SF Urban Development, to acquire and develop this site.

Selection of Real Estate Brokers for 30 Van Ness

In early 2015, based on a competitive process with four prequalified firms, the Real Estate Division selected the lowest bidder, Newmark, Knight, Frank, Cornish & Carey (Newmark, Cornish & Carey) to provide brokerage services for the sale of 30 Van Ness. Newmark, Cornish & Carey bid the lowest commission of 0.5% of the sale price.

Initial Offering of 30 Van Ness Avenue

On April 13, 2015, the City's Real Estate Division, working with Newmark, Cornish & Carey, issued a preliminary offer to sell 30 Van Ness Avenue. The City's review committee³ ultimately selected the top four responses. All four of these respondents committed to residential redevelopment and initially offered a purchase price equal to or greater than \$87,000,000 for 30 Van Ness Avenue. Mr. Updike notes that these initial offers were made prior to commencement of any due diligence regarding the condition of the building.

Board of Supervisors Initial Ordinance to Sell 30 Van Ness Avenue

On July 28, 2015, the Board of Supervisors authorized the (a) sale, by public competitive bid, of 30 Van Ness Avenue for not less than \$87,000,000, imposing redevelopment requirements that met or exceeded the minimum affordable housing obligations in the Market Octavia Area Plan and included a holdover lease for the City, subject to ratification by the Board of Supervisors; (b) appropriation of a portion of the sale proceeds to defease up to \$31,770,000⁴ of the outstanding COPs; (c) exclusion of the sale from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A; (d) affirming CEQA findings; (e) adopting findings consistent with the General Plan and Planning Code; and (f) finding that the public interest or necessity would not be inconvenienced by the sale, as required under City Administrative Code Section 23.3 (File 15-0728; Ordinance 153-15).

Board of Supervisors Rejected Resolution to Sell 30 Van Ness Avenue

On December 8, 2015, the Board of Supervisors did not approve a resolution to ratify the purchase and sale agreement between the City and 30 Van Ness Holdings, LLC for the sale of 30 Van Ness Avenue for \$80,000,000 (File 15-1182). Some of the reasons this resolution was not approved was because the Board of Supervisors wanted the City:

- To receive not less than the \$87,000,000 previously authorized by the Board of Supervisors in Ordinance 153-15 from the sale of 30 Van Ness.
- To maximize future potential housing affordability on this City-owned property while producing maximum sales proceeds for the City to relocate its employees;
- To obtain guaranteed minimum affordability from the buyer for this site and such affordability commitment be recorded against the property, not just in the purchase and sale agreement; and

³ The City's review committee consisted of representatives from the Real Estate Division, Economic and Workforce Development, Controller's Office, Office of Public Finance, Planning Department, Mayor's Office of Housing, and Mayor's Budget Office, with advisory services provided by Newmark, Cornish & Carey.

⁴ As noted above, the City's total current outstanding principal balance on the COPs is \$27,065,000.

- To re-offer the property for sale and to more closely resemble an auction, which required setting fixed offer terms, such as required affordability, leaseback provisions, transfer tax requirements, etc. such that the most important variables to award the transaction would simply be based on price and use of property as residential and/or office development.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would

(a) approve a purchase and sale agreement between the City and County of San Francisco (City) and Lendlease Development, Inc. (Lendlease) for the sale to Lendlease of the City-owned property at 30 Van Ness Avenue for \$70,000,000, including a City lease-back at an annual rent expense of \$4,500,000 increasing by 3% per year after each year of the initial three years, and at the beginning of each extension option exercised with two one-year options to extend;

(b) affirm the Planning Department's determination under the California Environmental Quality Act (CEQA);

(c) adopt findings that the sale is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1; and

(d) urge the Mayor's Office of Housing and Community Development and the Planning Department to explore certain development strategies relating to affordable housing at the site in connection with any future development.

Purchase and Sale Agreement

In September 2016, Newmark, Cornish & Carey, the City's broker, issued a public offering to sell 30 Van Ness, and received 11 offers by late October 2016. These initial offers ranged from \$45 million to \$80 million. Based on clarifying questions and confirmation of contingencies, the City received three revised offers ranging from \$65 million to \$70 million. Final negotiations with these three bidders resulted in the final highest viable residential redevelopment offer of \$70 million from Lendlease.

The Director of Property executed a purchase and sale agreement on February 21, 2017 to sell the City-owned 30 Van Ness property to Lendlease for \$70,000,000.

Holdover Lease for City

The proposed purchase and sale agreement includes a holdover office lease, to allow City departments to continue to occupy the 30 Van Ness Avenue office building, comprising approximately 164,011 square feet. This holdover lease would extend from the close of escrow, estimated to occur on May 1, 2017 through April 30, 2020, or three years, with two additional one-year options for renewal, or potentially through April 30, 2022. The extended term will terminate if the City approves proceeding with the 1500 Mission Street development, after environmental approval and receiving the certificate of occupancy for 1500 Mission Street.

Housing Affordability Obligations

Currently, the zoning on the 30 Van Ness property is C-3-G, with 400' height restrictions for residential development, including ground floor retail and office uses permitted up to the fourth floor. The proposed purchase and sale agreement includes special restrictions on any future residential redevelopment on the property to meet or exceed affordable housing requirements. These restrictions are in accordance with Proposition C approved by San Francisco voters on June 7, 2016 amending the City's Charter to increase the City's Affordable Housing Requirements as set forth in Planning Code Sections 401 and 415. Proposition C provides for either rental units, condominium units or any combination for either:

- 25% affordable units of residential units on-site, with 15% affordable to low-income residents⁵ and 10% affordable to middle-income residents, or
- 33% affordable units of residential units off-site, with 20% affordable to low-income residents and 13% affordable to middle-income residents.

The purchase and sale agreement provisions described above will also be recorded as a Notice of Special Restrictions, such that any future residential redevelopment on this site will be required to include these minimum levels of housing affordability requirements. These affordability requirements would transfer to any future owner of the property. According to Mr. Keene, this means that if the Board of Supervisors lowers these affordability levels, which the Board of Supervisors has the authority to do under Proposition C, the minimum levels stated in this agreement and recorded with the property would remain in effect. However, if the Board of Supervisors increases these affordability levels, the increased levels would then apply.

While not required, the proposed resolution also specifically urges the Mayor's Office of Housing and Community Development (MOHCD) and the Planning Department through the Hub project rezoning⁶ to explore certain development strategies with the developer of 30 Van Ness that will

- Provide 25% inclusionary on-site units as defined in the purchase and sale agreement, and
- Enable the developer to pay an additional \$10.48 per gross square foot of residential which is more than the current requirements of the Market and Octavia Affordable Inclusionary Housing Fee, thereby increasing the total amount of affordable housing attributed to this property, by directing all affordable housing fees generated off-site so the total number of affordable housing units equal an estimated 33% of all housing units

⁵ Low-income residents are defined as households whose median income does not exceed 55% of average median income (AMI as defined by the Mayor's Office of Housing and Community Development) for rental units and 80% of AMI for condominium units. Middle-income residents are defined as households whose median income does not exceed 100% AMI for rental units and 120% AMI for condominium units.

⁶ The Hub project rezoning is a Planning Department initiative that seeks to evaluate opportunities to enhance implementation of the policy goals of the *Market & Octavia Area Plan*, including affordable housing and coordinated transportation planning. This could include increasing the existing height and bulk limits for the 30 Van Ness Avenue site to further these goals.

created within the development, if all the following occur: (a) site obtains a height increase to approximately 520' in height and modest bulk increases as part of the site's final entitlements⁷; (b) the site obtains entitlements for the development of a mixed-use project with an office component equal to at least the amount of office space that currently exists; and (c) the Board of Supervisors authorizes and directs MOHCD to use all of the affordable housing fees generated from the development for the production of affordable off-site units within a one mile radius of the site.

While not required, these provisions could allow the developer to increase the level of affordability above the 25% required on-site to up to 33% affordability off-site, based on a future residential development at 30 Van Ness, by using additional affordable housing fees and urging the Planning Department to consider increasing the height, bulk and mixed-uses on the 30 Van Ness site.

California Environmental Quality Act (CEQA), General Plan and Planning Code Findings

On July 9, 2015, the Planning Department found that the sale of 30 Van Ness is categorically exempt from environmental review under the California Environmental Quality Act (CEQA), and is consistent with the City's General Plan and the eight priority policies of Planning Code, Section 101.1. The Board of Supervisors would affirm these findings in the proposed resolution.

FISCAL IMPACT

Transfer Taxes and Property Taxes

In addition to the \$70 million purchase price to be received by the City, Mr. Keene notes that the City negotiated for Lendlease to pay the City's one-time transfer tax, which is typically paid by the seller in San Francisco, at a cost of \$2,100,000. Transfer taxes are deposited into the City's General Fund. Therefore, as shown in Table 1 below, the City will actually receive \$72,100,000 from the proposed sale of 30 Van Ness.

Table 1: Value of Proposed Sale of 30 Van Ness

Sale Price	\$70,000,000
Transfer Tax (3% of Purchase Price)	2,100,000
Total Estimated Value	\$72,100,000

If the purchase and sale agreement is approved, Lendlease will also pay an estimated \$825,440 of property taxes⁸ in the first year. Property taxes are deposited into the City's General Fund.

⁷ The 30 Van Ness property is currently zoned to allow development of a residential or mixed use tower of up to 400 feet in height.

⁸ This amount is based on the current FY 2016-17 property tax rate of 1.1792 times the sales price of \$70,000,000. Future annual property taxes are subject to (1) assessed value which may be above the purchase price and (2) the annual increase in the assessed value which is capped at 2% per year and can be lower, as determined by the State.

Appraisal of 30 Van Ness

The Real Estate Division obtained an appraisal of the 30 Van Ness Avenue property, which ranged from \$69,900,000 to \$74,000,000 from R. Blum & Associates in February 2017. This appraisal found the current as-is market values as follows:

- Value at Highest and Best Use as Office Building \$74,000,000
- Value as a Residential Development Site (assumes Prop C requirements) \$72,000,000
- Value as Residential Development Site with Buyer Paying Transfer Tax \$69,900,000

Lendlease’s \$70,000,000 offer for 30 Van Ness assumed residential rental and condominium units with affordability restrictions as well as office and ground floor retail uses, including paying the City’s transfer tax. While Lendlease has indicated that they intend to pursue primarily residential redevelopment on this site, Mr. Keene advises that because this is a proposed purchase and sale agreement and not a development agreement, the actual future specific use of the property is not known and cannot be guaranteed. In addition, because the sale is subject to a leaseback by the City for three years with options up to a total of five years, no residential development will occur on this site during this leaseback period.

Commission and Fees

Based on the agreement between Real Estate and the brokerage firm, Newmark, Cornish & Carey, the City will pay Newmark, Cornish & Carey (a) up to \$40,000 for marketing materials based on actual costs, and (b) 0.5% commission based on the sale price of the 30 Van Ness building. If the 30 Van Ness building is sold for \$70,000,000, the commission to Newmark, Cornish & Carey would be \$350,000.

Net Revenues to the City

As shown in Table 2 below, if the City sells 30 Van Ness at the proposed \$70,000,000, it will result in \$42,545,000 in available net sale proceeds for the City.

Table 2: Sale Proceeds and Expenses for 30 Van Ness

Sale Price	\$70,000,000
Less Broker Commission	(350,000)
Less Broker Marketing Fee (not to exceed)	<u>(40,000)</u>
Net Sale Proceeds	\$69,610,000
Repayment of COPs (2001 and 2007)	(27,065,000)
Total Net Proceeds to City	\$42,545,000

Use of Net Proceeds for New City Office Space

Proceeds of \$70 million from the sale of 30 Van Ness, less broker commissions, fees and defeasance of the existing debt on 30 Van Ness, will be allocated to the potential development of a new City-owned office building at 1500 Mission Street, which has an estimated total project cost of \$439,265,000, as summarized in Table 3 below.

Table 3: 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 ^a	70,000,000
Sale Proceeds – 1660 and 1680 Mission Street	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 ^a	27,065,000
Total Uses	\$439,265,000

^a Regarding 30 Van Ness Avenue, the City will receive \$70 million from the sale of the property and pay commission and fees to the broker of up to \$390,000 and pay \$27,065,000 to defease the outstanding COPs at 30 Van Ness.

Funding for the 1500 Mission Street project estimated to cost \$439,265,000 is subject to future Board of Supervisors approval, including (1) appropriation of sale proceeds of \$70,000,000 from 30 Van Ness Avenue and \$52,000,000 from 1660 and 1680 Mission Street, totaling \$122,000,000; and (b) issuance and appropriation of \$317,265,000 in COPS.

Leaseback of 30 Van Ness

Under the holdover lease, the City would continue to pay for all utilities, custodial, engineering, maintenance, property management and security services. Table 1 below shows the total annual rent and rate per square foot payable by the City to Lendlease for each of the first three years plus two option years of the holdover lease. In addition, Table 4 below shows the annual operating costs the City will incur with the total rent and operating costs and total rate per square foot per year. As shown in Table 4 below, over the three-year term, the City will pay \$13,909,050 of rent to Lendlease and incur total costs of \$19,551,308 to remain in 30 Van Ness. If the City exercises the two one-year options to extend, rent and operating expenses would increase 3% each year.

Table 4: Estimated Cost of 164,011 Square Foot Holdover Lease

Lease Year	Annual Rent	Rate/Square Foot/Year	Annual Operating Costs	Total Costs	Rate/Square Foot/Year
Year 1: 2017-18	\$4,500,000	\$27.44	\$1,825,442	\$6,325,442	\$38.57
Year 2: 2018-19	4,635,000	28.26	1,880,205	6,515,205	39.72
Year 3: 2019-20	4,774,050	29.11	1,936,611	6,710,661	40.92
Three Year Total	\$13,909,050		\$5,642,250	\$19,551,308	
2 Option Years	3% increase per year		3% increase per year		

Mr. Keene advises that the total rent and operating cost of \$38.57 in the first year of the holdover lease is very favorable for the City. In comparison, Mr. Keene advises that the current fair market value for comparable fully serviced office leases in the Civic Center/Market Street area is \$53.47 per square foot per year. This comparable Civic Center/Market Street lease rate is \$14.90 or 39% higher than the first year of the proposed holdover lease rate.

The City intends to defease the existing debt on 30 Van Ness, such that the amount currently paid by City departments in 30 Van Ness to pay debt service will be available to pay increased rent to the new landlord, Lendlease. City departments currently pay Real Estate \$24.12 annually (escalating 3% per year) including operating costs, to occupy 30 Van Ness. However, as shown in Table 4 above, in the first year of the new lease, Real Estate will incur rent and operating costs of \$6,325,442 or \$38.57 per square foot per year. This \$38.57 initial rate is \$14.45 more per square foot than the \$24.12 rate that Real Estate collects from City departments. This first year additional cost to the City is estimated to be \$2,369,959 (\$14.45 x 164,011 sf).

Mr. Keene advises that Real Estate has sufficient budgeted funds previously appropriated by the Board of Supervisors to cover all rent and operating expenses for FY 2016-17. According to Ms. Melissa Whitehouse, Mayor's Budget Director, 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 CONSIDERATION

\$70,000,000 Sales Price

As noted above, on July 28, 2015, the Board of Supervisors authorized the sale of the City-owned property at 30 Van Ness Avenue for not less than \$87,000,000 and imposed redevelopment requirements that met or exceeded the minimum affordable housing

obligations in the Market Octavia Area Plan, which required at least 12% affordability. The previous offer to sell 30 Van Ness was for \$80,000,000, which was not approved by the Board of Supervisors, included 15% affordability. The proposed resolution would approve the sale of 30 Van Ness for \$70,000,000 with at least 25% affordability, which is \$17,000,000 or 19.5% less than the originally authorized amount⁹. However, Mr. Updike notes that the \$80,000,000 and \$70,000,000 sales offers were negotiated after each of the prospective buyers performed its due diligence, which was not the case with the initial \$87,000,000 offers.

Value of the Proposed Increased Affordability

Under the proposed agreement, Lendlease at a sales price of \$70,000,000 is committing to provide at least 25% affordable units of residential units on-site, with 15% affordable to low-income residents and 10% affordable to middle-income residents. As noted above, these are the City's current requirements in accordance with Proposition C.

In comparison, the previous agreement which was not approved by the Board of Supervisors at a purchase price of \$80,000,000 only included affordability of 15% for low-income residents. Therefore, the current proposal provides 10% more affordable units for middle-income residents.

Based on cost per unit estimates confirmed by MOHCD, if the City was to quantify the value of the additional 10% affordable units for middle-income residents, assuming a 400-unit residential development at 30 Van Ness, at \$300,000 per unit, the value to the City is shown below, or an estimated \$12,000,000:

400 total residential units x 10% affordability or 40 units x \$300,000=\$12,000,000.

Adding \$12,000,000 of value due to the additional affordable units to the sale price of \$70,000,000 equals a value of \$82,000,000.

However, it should be noted that any residential project currently constructed in the City must meet these increased affordability requirements, in compliance with Proposition C. And finally, while Lendlease indicated that they intend to pursue primarily residential redevelopment on this site, the Board of Supervisors is being requested to approve a proposed purchase and sale agreement and not a development agreement. Therefore, the actual future specific use of the 30 Van Ness property is not known and cannot be guaranteed. Therefore, approval of the proposed resolution is a policy decision for the Board of Supervisors.

⁹ Mr. Jon Givner, Deputy City Attorney advises that although the prior ordinance authorized the sale of 30 Van Ness for not less than \$87,000,000, a condition which is not being met by the proposed resolution, the previous ordinance does not need to be amended. Mr. Givner advises that because the Real Estate Division has not met the condition that the property sell for \$87,000,000 or more, the conditional approval in that ordinance is not operative and the Board of Supervisors need not amend it. However, the section of the prior ordinance waiving the application of the City's Surplus Property Ordinance under Administrative Code Chapter 23A was not conditioned on a particular sales price, so that waiver remains intact, as specified in the prior ordinance.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.

AGREEMENT FOR SALE OF REAL ESTATE

by and between

CITY AND COUNTY OF SAN FRANCISCO,
as Seller

and

Lendlease Development, Inc. or assignee,
as Buyer

For the sale and purchase of
The real property commonly known as 30 Van Ness Avenue,
San Francisco, California

February 21, 2017

TABLE OF CONTENTS

	<u>Page</u>
1. SALE AND PURCHASE	1
1.1 Property Included in Sale	1
2. PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE	2
3. TITLE 2	
3.1 Conditions of Title	2
3.2 Affordable Units	3
3.3 Local Hire and Prevailing Wage Requirements	4
3.4 Buyer's Responsibility for Title Insurance	4
4. "AS-IS" PURCHASE; RELEASE OF CITY	4
4.1 Buyer's Independent Investigation	4
4.2 Property Disclosures	5
4.3 Entry and Indemnity	5
4.4 "As-Is" Purchase	5
4.5 Release of City	6
5. CONDITIONS PRECEDENT	7
5.1 Buyer's Conditions Precedent	7
5.2 Permitted Exceptions.	7
5.3 Contingency Period	8
5.4 Title Review Following Execution of Agreement	8
5.5 City's Condition Precedent	9
5.6 Failure of City's Conditions Precedent	9
5.7 Buyer's Conditions to Closing	9
5.8 Failure of Buyer's Conditions Precedent	10
6. ESCROW AND CLOSING	11
6.1 Escrow	11
6.2 Closing Date	11
6.3 Deposit of Documents and Funds	11
6.4 Prorations	12
7. RISK OF LOSS	13
7.1 Loss	13
7.2 Self-Insurance	13

8.	EXPENSES	13
	8.1 Expenses	13
	8.2 Brokers	13
9.	LIQUIDATED DAMAGES	14
10.	GENERAL PROVISIONS	14
	10.1 Notices	14
	10.2 Successors and Assigns	15
	10.3 Amendments	15
	10.4 Authority	15
	10.5 Buyer’s Representations and Warranties	16
	10.6 Governing Law	16
	10.7 Merger of Prior Agreements	16
	10.8 Parties and Their Agents	17
	10.9 Interpretation of Agreement	17
	10.10 Attorneys’ Fees	17
	10.11 Time of Essence	17
	10.12 No Merger	17
	10.13 Non-Liability of City Officials, Employees and Agents	17
	10.14 Conflicts of Interest	18
	10.15 Notification of Limitations on Contributions	18
	10.16 Sunshine Ordinance	18
	10.17 Tropical Hardwood and Virgin Redwood Ban	18
	10.18 MacBride Principles – Northern Ireland	18
	10.19 No Recording	19
	10.20 Effective Date	19
	10.21 Severability	19
	10.22 Acceptance by Buyer	19
	10.23 Counterparts	19
	10.24 Cooperative Drafting.	19
	10.25 City’s Representations and Warranties	20

LIST OF EXHIBITS

EXHIBIT A	REAL PROPERTY DESCRIPTION
EXHIBIT B	GRANT DEED
EXHIBIT C	BILL OF SALE
EXHIBIT D	ASSIGNMENT AND ASSUMPTION OF LEASE(S)
EXHIBIT E	LEASEBACK AGREEMENT
EXHIBIT F	TENANT ESTOPPEL
EXHIBIT G	ASSIGNMENT OF INTANGIBLES
EXHIBIT H	LOCAL HIRE AND PREVAILING WAGE REQUIREMENTS
EXHIBIT I	NOTICE OF SPECIAL RESTRICTIONS

AGREEMENT FOR SALE OF REAL ESTATE
(30 Van Ness Avenue, San Francisco)

THIS AGREEMENT FOR SALE OF REAL ESTATE (this "Agreement") dated for reference purposes only as of February 21, 2017, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Seller"), and Lendlease Development, Inc., a Delaware corporation, or assignee ("Buyer").

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

A. U.S. Bank Trust National Association, a national banking association, as trustee ("**Trustee**") holds legal title to the parcel of real property at 30 Van Ness Avenue (Block 0835, Lot 004) located in the City and County of San Francisco more particularly described in Section 1.1 below, consisting of approximately 38,123 square feet and improved with one five (5) story building and more particularly described and shown in Exhibit A attached hereto (the "**Real Property**") as well as the other components of the "Property" (as defined below). Trustee's legal title is for the benefit of City as the beneficial owner of the Property.

B. In addition to its beneficial interest in the Property, City currently holds a leasehold interest in the Property pursuant to that certain Project Lease dated October 1, 2001 between Trustee and City recorded with the Office of the County Recorder of San Francisco County on October 4, 2001 as document No. 2001-H032670-00 (the "**Project Lease**"). Pursuant to the Project Lease, which shall be terminated upon Closing (as defined below), City has the right, power and authority to cause Trustee for and on behalf of the City to convey fee title (including all legal and beneficial interest held therein) to the Property directly to Buyer.

C. At the time of conveyance of the Real Property to Buyer, the Property will be subject to certain deed restrictions, as described in Section 3.2 and Section 3.3 below.

D. Buyer has submitted the highest and best responsible offer to purchase the Real Property.

E. Buyer desires to purchase the Real Property and City is willing to cause Trustee 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 cause Trustee to convey the Real Property directly to Buyer, and Buyer agrees to purchase from City, City's interest in the Real Property, together with (x) 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"), (y) all tenant leases and any other occupancy agreements (hereinafter collectively referred to as the "Leases") and any security deposits held pursuant to the Leases, and (z) to the extent assignable, all existing warranties, guaranties, permits, licenses, approvals and authorizations related to the Real Property or the Personal Property (the "Intangibles"). All of the foregoing items are collectively referred to herein as the "Property."

2. PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE

The purchase price for the Property is Seventy Million and no/100 Dollars (\$70,000,000.00) (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 Seven Million and no/100 Dollars (\$7,000,000.00) as an initial earnest money deposit (the "Initial Deposit"). The Initial Deposit and the Additional Deposit (as defined below) are collectively referred to as the "Deposit". The Initial Deposit shall be refundable to Buyer if the Agreement is terminated in accordance with Section 5.3. 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 5.3 below, Buyer shall increase the Deposit to Fourteen Million and no/100 Dollars (\$14,000,000.00) by depositing into escrow with the Title Company an additional Seven Million and no/100 Dollars (\$7,000,000.00) (the "Additional Deposit") in all cash. 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 (including interest thereon), which is approximately Fifty Six Million and no/100 Dollars (\$56,000,000.00), to City at the consummation of the purchase and sale contemplated hereunder (the "Closing"). City's Closing Costs obligation in Section 8.1 shall be paid from proceeds received from the consummation of the purchase and sale.

(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 of lawful money of the United States of America.

3. TITLE

3.1 Conditions of Title

At the Closing City shall cause the Trustee to directly 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"). Title to the Property shall be subject to the following: (a) liens of non-delinquent local real estate taxes and assessments, (b) the Permitted Exceptions (as defined in Section 5.2 hereof), (c) all items of which Buyer has actual notice or knowledge (subject to the provisions of Section

5.4 with respect to New Title Matters) and (d) the deed restrictions described in Section 3.2 below. All of the foregoing exceptions to title shall be referred to collectively as the “Conditions of Title.”

3.2 Affordable Units

(a) Buyer acknowledges and agrees that City would not sell the Property unless Buyer, its successors and assigns (collectively, the “Project Developers”), agreed in perpetuity, that if the Property is ever redeveloped as a residential development (a “Residential Project”), Buyer will develop the Property in accordance with certain conditions and covenants as detailed in Exhibit I (the “Notice of Special Restriction”). As more particularly set forth in the Notice of Special Restrictions, if the Property is redeveloped as a Residential Project with twenty-five or more residential units, the requirements of the Planning Code, including but not limited to Section 415 et seq. will apply, except that the Residential Project shall be required to meet or exceed either: (i) the “Minimum Affordable Onsite Units” (as defined in Section 3.2(b) below); (ii) the “Minimum Affordable Offsite Units” (as defined in Section 3.2(b) below); or (iii) a combination of both. For the avoidance of doubt, the satisfaction of the requirements may be through rental units, for-sale units or any combination thereof as Project Developers may elect in their sole discretion. Project Developer’s compliance with the Notice of Special Restrictions shall satisfy in full the affordable housing requirements under Section 415 of the City’s Planning Code (as modified by Charter Section 16.110(g)) to the extent applicable to the Property and shall not be in addition to those requirements.

(b) Definitions.

(i) “Lower Income” households shall be defined as households whose total household income does not exceed 55% of Area Median Income (“AMI”) for purposes of renting an affordable unit, or 80% of AMI for purposes of purchasing an affordable unit as AMI is determined under the income table produced by the Mayor’s Office of Housing annually called “Maximum Income by Household Size derived from the Unadjusted Area Median Income for HUD Metro Fair Market Rent Area that contains San Francisco”; except that in the event of a conflict between the AMI levels provided herein and the AMI levels applicable to the Residential Project under applicable project approvals, the project approvals will prevail.

(ii) “Minimum Affordable Onsite Units” shall mean the provision of inclusionary on-site units (as defined by Section 401 of City’s Planning Code) pursuant to Section 415 of the City’s Planning Code as administered by City’s Mayor’s Office of Housing and Community Development in an amount not less than 25% of all residential units constructed on the Property, with 15% of the residential units affordable to “Lower Income” or very low-income households and 10% of the residential units affordable to “Middle Income” households (as those terms are defined in Section 4(c) and 4(d) below), and subject to all otherwise applicable requirements of Section 415.6.

(iii) “Minimum Affordable Offsite Units” shall mean the provision of inclusionary off-site units (as defined by Section 401 of the City’s Planning Code) as administered by City’s Mayor’s Office of Housing and Community Development, for not less than 33% of all residential units constructed on the Property, with 20% of the units affordable to Lower Income and very low-income households and 13% of the units affordable to Middle Income households and subject to all otherwise applicable requirements of Section 415.7;

(iv) “Middle Income” households shall mean households whose total household income does not exceed 100% of AMI for purposes of renting an affordable unit, or

120% of AMI for purposes of purchasing an affordable unit as AMI is determined under the income table produced by the Mayor's Office of Housing annually called "Maximum Income by Household Size derived from the Unadjusted Area Median Income for HUD Metro Fair Market Rent Area that contains San Francisco", except that in the event of a conflict between the AMI levels provided herein and the AMI levels applicable to the Residential Project under applicable project approvals, the project approvals will prevail.

3.3 Local Hire and Prevailing Wage Requirements

Buyer understands and agrees to abide by the terms and conditions of the City's Local Hire and Prevailing Wage Requirements as particularly described in Exhibit H.

3.4 Buyer's Responsibility for Title Insurance

Buyer understands and agrees that the right, title and interest in the Property shall not exceed that vested in City, and it is Buyer's obligation (and a condition precedent to Buyer's obligations hereunder) to furnish at its cost, any policy of title insurance in connection with this transaction. 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 discrepancies in the parcel area or location of the property lines or any other matters which an accurate survey or inspection might reveal. 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

Buyer hereby represents and warrants to City that, as of the expiration of the Contingency Period described in Section 5.3 hereof, Buyer will have performed 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 5.2 and Section 5.4, 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) 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

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.

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 that certain Permit to Enter Property in Connection with Environmental and Geotechnical Investigation, dated January 18, 2017, by and between City and Lendlease Development Inc. (the "Access Permit").

Buyer shall maintain, and shall require that its Agents maintain, public liability and property damage insurance in amounts and in form and substance consistent with the requirements of the Access Permit, and Buyer shall provide City with evidence of such insurance coverage upon request from City.

Buyer shall indemnify City with respect to the Buyer's inspections as and to the extent provided in the Access Permit.

City made available to Buyer at City's Real Estate Division's offices, 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 did 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 representations and warranties set forth in 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: *JS*

5. CONDITIONS PRECEDENT

5.1 Buyer's Conditions Precedent

Buyer's obligation to purchase the Property is conditioned upon the following ("Buyer's Conditions"):

(a) Buyer's review and approval of an updated preliminary title report (the "Title Commitment") and survey of the Property (the "Survey"), together with copies of the underlying documents.

(b) Buyer's review and approval of an economic feasibility study of the Property.

(c) Buyer's review and approval of all tenant leases and any other occupancy agreements affecting the Property.

(d) Buyer's review and approval of the physical condition of the Property.

(e) Buyer's review and approval of all zoning, land use, building, environmental and other statutes, rules, or regulations applicable to the Property.

(f) Buyer's review and approval of soils reports and other documents of significance to the Property in City's possession.

5.2 Permitted Exceptions.

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

a. Each matter affecting title to Property disclosed by the Title Commitment and Survey not otherwise objected to by Buyer prior to the expiration of the Contingency Period under Section 5.3 hereof;

b. the lien of ad valorem real estate taxes, special taxes and assessments not yet delinquent 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.

5.3 Contingency Period

Buyer shall have until 5:00 p.m. San Francisco Time on Friday February 24, 2017 to review and approve or waive the Buyer's Conditions and otherwise to elect to proceed with the purchase of the Property (such period being referred to herein as the "Contingency Period"). If Buyer elects 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. If before the end of the Contingency Period Buyer fails to give City such written notice and fails to object to any of Buyer's Conditions or otherwise to disapprove the purchase of the Property, then Buyer shall be deemed to have waived Buyer's Conditions. Notwithstanding the foregoing, if Buyer objects to any of the matters contained within Section 5.2 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, or if Buyer elects not to proceed with the purchase of the Property within the Contingency Period for any reason, 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 10.4 [Authority of Buyer] or as otherwise expressly provided herein.

5.4 Title Review Following Execution of Agreement

If any update of the Title Commitment or the Survey after 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 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 resulting 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) days of being made aware 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 5.2). 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) 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) day period, then Buyer shall be deemed to have elected to proceed with the purchase and take title to the Property subject to such New Title Matter. 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 9.4 [Authority of Buyer] 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.

5.5 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 an Assignment and Assumption of Leases with City, as set forth in Exhibit D, and agrees that upon the Closing the City's right, title and interest as landlord under the Leases, including rents, security deposits, last month rent deposits, and any and all other securities, if any, shall be assigned, transferred and conveyed to Buyer or its successor, and that Buyer, or its successor, shall accept the assignment, transfer and conveyance of City's interest as landlord and assume all of the obligations of City as landlord under the Leases arising from and after the Closing Date.

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

5.6 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 10.4 [Authority of Buyer] or as otherwise expressly provided herein.

5.7 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) 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).

(b) 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.

(c) 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.

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

(e) Seller shall use commercially reasonable efforts to obtain estoppel certificates from each tenant of the Property not inconsistent with City's representations and warranties herein in any material respect and otherwise substantially in the form attached hereto as Exhibit F or, if a tenant's lease requires a different form, in the form required by the tenant's lease, or as otherwise provided in this paragraph below. It shall be a condition to Buyer's obligation to close the sale and purchase of the Property that on or before the Closing, Buyer is able to obtain an estoppel certificate not inconsistent with City's representations and warranties herein in any material respect and otherwise substantially in such form from tenants occupying at least one hundred percent (100%) of the area of the Property actually rented to tenants (collectively, the "Estoppel Threshold"). All estoppel certificates shall be dated no more than thirty (30) days prior to the Closing Date. An estoppel certificate, even though not in the required estoppel form, will be deemed reasonably acceptable to Buyer if it (i) contains the following information: confirming rent, security deposit, termination date and any extension options or rights of first refusal; that no rent has been paid more than one month in advance; that the Lease is in full force and effect and that the tenant has no knowledge of any landlord default; and that the Lease has not been amended, modified or supplemented except as described in the estoppel, (ii) is on the form required by the Lease, or (iii) is on the standard form of a national tenant which customarily issues its own form. If Seller is unable to obtain and deliver sufficient tenant estoppel certificates as required under this Section 5.7(e), or if the certificates received contain a statement that Seller is in default under a Lease or if the information contained in such tenant estoppel certificate is different than the information provided to Buyer (i.e. the termination date of such lease is later than the termination date disclosed to Buyer) or is inconsistent with City's representations and warranties herein in any material respect and Buyer objects thereto by written notice to Seller within five (5) business days after receipt by Buyer of the objectionable estoppel, but in any event on or before the Closing Date, then Seller will not be in default by reason thereof, and Seller may elect to extend the Closing Date by up to thirty (30) days in order to satisfy the requirement. If Seller still cannot satisfy the requirement at the end of such extended period, then Buyer may, by written notice given to Seller before the Closing, elect to terminate this Agreement and receive a refund of the Deposit or waive said condition. If Buyer so elects to terminate this Agreement, neither party shall have any further rights or obligations hereunder except as otherwise provided herein. If no such notice is delivered by Buyer, Buyer shall be deemed to have waived such condition.

(f) The Project Lease shall have been terminated prior to or effective upon the Closing Date.

(g) 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.

5.8 Failure of Buyer's Conditions Precedent

If any of the conditions set forth in Section 5.7 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.

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, or shall cause Trustee to, deposit into escrow the following items:

(i) the duly executed and acknowledged Deed conveying the Real Property to Buyer, in the form attached hereto as Exhibit B;

(ii) a duly executed counterpart of the Bill of Sale covering the Personal Property, in the form attached hereto as Exhibit C;

(iii) four (4) duly executed counterparts of an Assignment and Assumption of Lease(s) in the form attached hereto as Exhibit D (the "Assignment of Leases");

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

(v) four (4) duly executed counterparts of the Leaseback Agreement in the form attached hereto as Exhibit E (the "Leaseback Agreement");

(vi) four (4) duly executed counterparts of the Memorandum of Leaseback Agreement in the form attached as Exhibit D to the Leaseback Agreement; and

(vii) tenant estoppels satisfying the requirements of Section 5.7(e).

(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 Leases;
- (iv) four (4) duly executed counterparts of the Assignment of

Intangibles;

- (v) four (4) duly executed counterparts of the Leaseback Agreement;

and

(vi) four (4) duly executed counterparts of the Memorandum of Leaseback Agreement in the form attached as Exhibit D to the Leaseback Agreement.

(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 the Leases, and copies of the tenant correspondence files for the three (3) most recent years of City's ownership of the Property, and originals (or to the extent originals are not available, copies) of any other 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

Rents, including, without limitation, percentage rents, if any, and any additional charges and expenses payable under the Leases, all as and when actually collected (whether such collection occurs before, on or after the Closing Date); 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 or three hundred sixty-six (366)-day, as applicable, year. Any delinquent rents collected after the Closing shall be, first, paid to Buyer in respect of the month in which such amounts are collected (unless such month is the month in which Closing occurs); second, prorated among Buyer and City in respect of the month in which Closing occurs; third, paid to Buyer in respect of all months after the month in which Closing occurs; and fourth, paid to City. Buyer shall use all reasonable efforts to collect such delinquent rents. 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 and City shall each pay fifty percent (50%) of any escrow fees and recording charges and any other costs and charges of the escrow for the sale (the "Closing Costs"). City's Closing Costs shall be taken from sales proceeds during escrow. Buyer shall pay any transfer taxes applicable to the sale and personal property taxes.

8.2 Brokers

The parties represent and warrant to each other that no broker or finder other than Cornish & Carey Commercial, d.b.a. Newmark Cornish & Carey, who was engaged by City, 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. 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: SM BUYER: _____

10. GENERAL PROVISIONS

10.1 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

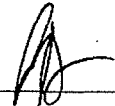
BUYER:

Lendlease
71 Stevenson Street, Suite 800
San Francisco, CA 94105

Attention: Alexa Arena
Executive General Manager

9. 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:  _____

10. GENERAL PROVISIONS

10.1 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

BUYER:

Lendlease
71 Stevenson Street, Suite 800
San Francisco, CA 94105
Attention: Alexa Arena
Executive General Manager

Re: 30 Van Ness Avenue

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: 30 Van Ness Avenue

with a copy to:

Lendlease
General Counsel - Americas
200 Park Avenue, 9th Floor,
New York, NY 10166, USA

and a copy to:

Gibson, Dunn & Crutcher
555 Mission Street, Suite 3000
San Francisco, CA 94105
Attention: Neil H. Sekhri

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.

10.2 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 without City consent, so long as Buyer promptly provides written notice to City identifying any such Permitted Assign. "Permitted Assign" shall mean an entity controlling, controlled by, or under common control with Buyer, or a Buyer-affiliated Real Estate Investment Trust (REIT) that has the same ultimate Board of Directors as Buyer. For purposes of the immediately preceding sentence, the term "control" and similar terms shall mean the ownership of greater than fifty percent (50%) of the voting or economic interests of the applicable entity.

10.3 Amendments

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

10.4 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 Delaware. 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 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.

10.5 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 Delaware 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.

(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.

10.6 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.

10.7 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.

10.8 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.

10.9 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.

10.10 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.

10.11 Time of Essence

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

10.12 No Merger

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

10.13 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.

10.14 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.

10.15 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.

10.16 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.

10.17 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.

10.18 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.

10.19 No Recording

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

10.20 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.

10.21 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.

10.22 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 21, 2017.

10.23 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.

10.24 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.

10.25 City's Representations and Warranties

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

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

(b) No document or instrument furnished or to be furnished by the City to the 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.

(c) The only Leases in force for the Property are set forth in a tenant list attached as Schedule 1 to Exhibit D attached hereto and made a part hereof, and to the best of City's knowledge, City has received no written notice of any default by City with respect to such leases which has not been cured. City has provided Buyer with true, complete and correct copies of all such Leases (including any amendments, modifications and supplements thereto), and there are no amendments, modifications or supplements to such leases except as set forth on Schedule 1. Unless Buyer elects to terminate the Leases prior to expiration dates of the Leases, including options to extend, there are no tenant improvement costs, leasing commissions and free rent payable in the future with respect to Leases in existence on the Effective Date.

(d) To the best of City's knowledge, except as set forth in the Phase I Report prepared by AllWest, dated March 28, 2015 (the "Phase 1 Report") and that certain letter dated October 1, 2015 from 3E Company to the City, copies of which have been provided to Buyer, the Property (a) is free of Hazardous Materials, and (b) has not been used for the storage or disposal of any Hazardous Materials. The Phase 1 Report and October 1, 2015 letter are the only report in City's possession regarding Hazardous Materials at the Property.

(e) To the best of city's knowledge, there are no contracts or agreements (including any service contracts and any union agreements or collective bargaining agreements) that will be binding on Buyer in its capacity as owner of the Property after the Closing other than the Leases.

(f) There are no suits, actions or proceedings related to the Property that are pending (in which service of process has been received by City) or, to the best of City's knowledge, threatened in writing against City.

(g) City has not received any written notice of, and to City's knowledge there is no, material violation of any law, ordinance, order, regulation or requirement applicable to the Property which remains outstanding.

(h) City has not entered into any agreement (written or oral) granting any rights of possession to any third party (other than pursuant to the Leases) and City has not executed any other agreement of sale, option agreement, right of first offer or right of first refusal with respect to the Property, except for this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

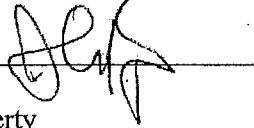
The parties have duly executed this Agreement as of the respective dates written below.

CITY:

CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation

By: _____

JOHN UPDIKE
Director of Property



Date: February 21, 2017

BUYER:

LENDLEASE DEVELOPMENT INC., a
Delaware corporation

By: _____

ALEXA ARENA
Executive Vice President

Date: February __, 2017

APPROVED AS TO FORM FOR CITY:

DENNIS J. HERRERA, City Attorney

By: _____

Heidi J. Gewertz
Deputy City Attorney



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

Date: February __, 2017

BUYER:

LENDLEASE DEVELOPMENT INC., a
Delaware corporation

By: _____



ALEXA ARENA
Executive Vice President

Date: February 24, 2017

APPROVED AS TO FORM FOR CITY:

DENNIS J. HERRERA, City Attorney

By: _____

Heidi J. Gewertz
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:

BEGINNING AT A POINT FORMED BY THE INTERSECTION OF THE EASTERLY LINE OF VAN NESS AVENUE WITH THE SOUTHERLY LINE OF FELL STREET; RUNNING THENCE SOUTHERLY ALONG THE EASTERLY LINE OF VAN NESS AVENUE 275 FEET TO THE NORTHERLY LINE OF OAK STREET; THENCE EASTERLY ALONG THE NORTHERLY LINE OF OAK STREET 24 FEET 10-1/4 INCHES TO ITS INTERSECTION WITH THE NORTHWESTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG THE NORTHWESTERLY LINE OF MARKET STREET 171 FEET 5-3/4 INCHES; THENCE NORTHERLY, PARALLEL WITH THE EASTERLY LINE OF VAN NESS AVENUE 174 FEET 9-3/4 INCHES TO THE SOUTHERLY LINE OF FELL STREET; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF FELL STREET 164 FEET TO THE POINT OF BEGINNING.

BEING A PORTION OF WESTERN ADDITION BLOCK NO. 70.

APN: Lot 004; Block 0835

EXHIBIT B

GRANT DEED

RECORDING REQUESTED BY,
AND WHEN RECORDED RETURN TO:

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

MAIL TAX STATEMENTS TO:

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

Documentary Transfer Tax of \$ _____ based upon full market value of the property without deduction for any lien or encumbrance

GRANT DEED
(Assessor's Parcel No. Block 835 Lot 004)

FOR VALUABLE CONSIDERATION, receipt and adequacy of which are hereby acknowledged, the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Grantor"), pursuant to Ordinance No. _____, adopted by the Board of Supervisors on _____, 2017 and approved by the Mayor on _____, 2017, and ratified pursuant to Resolution No. _____, adopted by the Board of Supervisors on _____, 2017 and approved by the Mayor on _____, 2017, City and _____, a _____ ("Buyer") hereby agree as follows.

1. **Grant Deed.** City, through Trustee, hereby GRANTS to Buyer, its successors and assigns ("Grantee"), the following described real property located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof.

2. **General Provisions.** (a) This instrument may be amended or modified only by a writing signed by the City and by the Buyer. (b) No waiver by any party of any of the provisions set forth herein shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver. Any waiver by the City must be signed by the City's Director of Property and include reference to this instrument. (c) All approvals and determinations of City requested, required or permitted hereunder may be made in the sole and absolute discretion of the City's Director of Property or his or her designee unless otherwise indicated or required by the City's Charter. (d) This instrument shall be governed by California law. (f) If the Buyer Parties consist of more than one person then the obligations of each person shall be joint and several. (g) All of the exhibits hereto are incorporated herein.

Executed as of this _____ day of _____, 2017.

CITY/GRANTOR

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

BUYER:

a _____

By: _____
JOHN UPDIKE
Director of Property

By: _____

Its: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

DESCRIPTION CHECKED/APPROVED:

By: _____
[NAME]
City Engineer

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT C

BILL OF SALE

For good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City”), does hereby sell, transfer and convey to _____, a _____ (“Buyer”), the personal property described in the attached Schedule 1 and used in connection with the operation of that certain real property located at 30 Van Ness Avenue, San Francisco, California.

WITHOUT LIMITING ANY OF THE PROVISIONS OF THE AGREEMENT OF PURCHASE AND SALE BETWEEN CITY AND BUYER, BUYER ACKNOWLEDGES AND AGREES THAT CITY IS SELLING AND BUYER IS PURCHASING SUCH PERSONAL PROPERTY ON AN “AS-IS WITH ALL FAULTS” BASIS AND THAT BUYER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM CITY, ITS AGENTS, EMPLOYEES OR OFFICERS, AS TO ANY MATTERS CONCERNING SUCH PERSONAL PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE (EXCEPT FOR CITY’S EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT OF PURCHASE AND SALE).

Executed as of this _____ day of _____, 2017.

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT D

ASSIGNMENT AND ASSUMPTION OF LEASE(S)

THIS ASSIGNMENT AND ASSUMPTION OF LEASE(S) (this "Assignment") is made and entered into as of this ____ day of _____, 2017, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Assignor") and _____, a _____ ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the date (the "Conveyance Date") City conveys title to that certain real property commonly known as 30 Van Ness Avenue (the "Property"), Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under certain lease(s) executed with respect to the Property as more fully described in Schedule 1 attached hereto (collectively, the "Lease(s)").

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

As of the Conveyance Date, Assignor hereby agrees to indemnify, defend and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the Conveyance Date and arising out of the landlord's obligations under the Lease(s) or the property owner's obligations under any contract(s) affecting the Property prior to the .

As of the Conveyance Date, Assignee hereby assumes all of the landlord's obligations under the Lease(s) and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the Conveyance Date and arising out of the landlord's obligations under the Lease(s) or the property owner's obligations under the Contract(s).

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 and 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.

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

This Assignment shall be governed by and construed in accordance with the laws of the State of California and City's Charter.

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

Assignor and Assignee have executed this Assignment as of the day and year first written above.

ASSIGNEE:

_____ a _____

By: _____

Its: _____

ASSIGNOR:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

SCHEDULE 1

LEASES

- Office Lease between the City and County of San Francisco (“City”) and The Herbst Foundation, Inc. (“Herbst”), dated September 27, 2001, for property located at 30 Van Ness Avenue, Suite 3600, San Francisco, CA 94102, as amended by a first amendment dated April 15, 2004, a second amendment dated September 15, 2005, a third amendment dated October 5, 2006, a fourth amendment dated August 1, 2007, a fifth amendment dated September 29, 2008, and a sixth amendment dated October 1, 2009.
- Retail Lease between the City and Irene Koga, O.D. (“Koga”), as assignee of Koga and Daniel C. NG, O.D., dated September 1, 2003, for property located at 34 Van Ness Avenue, San Francisco, CA 94102.
- Commercial Lease between the City, as successor to Herbst, and Vince Farina, Saleen R. Totah and Boston Deli, Inc., dated July 8, 1992, for property located at 28 Van Ness Avenue, San Francisco, CA 94102.
- Lease Agreement between the City, as successor to Herbst, and Walgreen Co., as assignee of Thrifty Payless, Inc., dated September 9, 1997, for property located at 30 Van Ness Avenue, San Francisco, CA 94102.

EXHIBIT E

LEASEBACK AGREEMENT

[Attached]

OFFICE LEASE

between

LENDLEASE DEVELOPMENT, INC.,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of a portion of
30 Van Ness Avenue
San Francisco, California

March 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
1. BASIC LEASE INFORMATION	1
2. PREMISES	4
2.1 Lease Premises.....	4
2.2 Common Areas	4
2.3 Operations Areas.....	4
2.4 Disability Access	4
2.5 Parking	4
3. TERM	5
3.1 Term of Lease	5
3.2 Commencement Date and Expiration Date.....	5
3.3 Delay in Delivery of Possession	5
3.4 Extension Options.....	5
4. RENT	6
4.1 Base Rent	6
4.2 Late Charges	6
4.3 Intentionally Omitted.....	6
4.4 Definitions.....	6
4.5 Payment of Real Estate Taxes.....	8
4.6 Proration.....	8
4.7 Intentionally Omitted.....	8
4.8 Records	8
5. USE	8
5.1 Permitted Use.....	8
5.2 Observance of Rules and Regulations	8
5.3 Interference with Access.....	8
6. LEASEHOLD IMPROVEMENTS	9
6.1 Intentionally Omitted	9
6.2 Intentionally Omitted.....	9
6.3 Installation of Telecommunications and Other Equipment	9
6.4 Intentionally Omitted.....	9
7. ALTERATIONS	9
7.1 Alterations by City.....	9
7.2 Title to Improvements.....	10
7.3 City's Personal Property	10
7.4 Alteration by Landlord.....	10
8. REPAIRS AND MAINTENANCE.....	11
8.1 City's Repairs.....	11
8.2 Liens	11
9. UTILITIES AND SERVICES	11
9.1 City's Provision of Utilities	11
9.2 Services	12
9.3 Engineering.....	12
9.4 Conservation	12
9.5 Disruption in Essential Utilities or Services	12
9.6 Leasing; Collection of Rents.....	12

10.	COMPLIANCE WITH LAWS; PREMISES CONDITION	12
10.1	Premises Condition and City's Compliance with Laws; Indemnity	12
10.2	City's Compliance with Laws; Indemnity	13
10.3	City's Compliance with Insurance Requirements.....	13
11.	SUBORDINATION.....	14
12.	DAMAGE AND DESTRUCTION.....	14
13.	EMINENT DOMAIN	15
13.1	Definitions.....	15
13.2	General.....	16
13.3	Total Taking; Automatic Termination.....	16
13.4	Partial Taking; Election to Terminate.....	16
13.5	Termination of Lease; Rent and Award.....	16
13.6	Partial Taking; Continuation of Lease	16
13.7	Temporary Taking	17
14.	ASSIGNMENT AND SUBLETTING	17
15.	DEFAULT; REMEDIES	17
15.1	Events of Default by City	17
15.2	Landlord's Remedies	18
15.3	Landlord's Default.....	18
15.4	City's Right of Self-Help.....	18
16.	INDEMNITIES.....	19
16.1	City's Indemnity	19
16.2	Landlord's Indemnity.....	19
17.	INSURANCE.....	19
17.1	City's Self-Insurance	19
17.2	Landlord's Insurance	19
17.3	Waiver of Subrogation.....	20
18.	ACCESS BY LANDLORD	20
19.	ESTOPPEL CERTIFICATES	20
20.	SURRENDER OF PREMISES.....	21
21.	HAZARDOUS MATERIALS.....	21
21.1	Definitions.....	21
21.2	Landlord's Representations and Covenants.....	21
21.3	Landlord's Environmental Indemnity.....	22
21.4	City's Covenants.....	22
21.5	City's Environmental Indemnity.....	22
22.	SPECIAL PROVISIONS.....	22
22.1	Existing Retail Leases.....	22
22.2	Net Lease	22
22.3	"As Is" Condition.....	23
23.	GENERAL PROVISIONS	23
23.1	Notices	23
23.2	No Implied Waiver	23
23.3	Amendments	23
23.4	Authority	24
23.5	Parties and Their Agents; Approvals.....	24
23.6	Interpretation of Lease	24
23.7	Successors and Assigns.....	25

23.8 Brokers.....25

23.9 Severability25

23.10 Governing Law25

23.11 Entire Agreement.....25

23.12 Attorneys’ Fees25

23.13 Holding Over26

23.14 Cumulative Remedies26

23.15 Time of Essence.....26

23.16 Survival of Indemnities.....27

23.17 Signs27

23.18 Quiet Enjoyment and Title.....27

23.19 Bankruptcy27

23.20 Transfer of Landlord’s Interest.....27

23.21 Non-Liability of City Officials, Employees and Agents28

23.22 Non-Liability of Landlord’s Officers, Employees, Agents, Etc.....28

23.23 Controller’s Certification of Funds.....28

23.24 Prevailing Wages for Construction Work.....28

23.25 Non Discrimination in City Contracts and Benefits Ordinance.....29

23.26 Tropical Hardwood and Virgin Redwood Ban30

23.27 Bicycle Parking Facilities30

23.28 Resource-Efficient City Buildings and Pilot Projects.....30

23.29 Counterparts.....30

23.30 Effective Date30

23.31 Certification by Landlord.....31

23.32 Memorandum of Lease31

23.33 Sunshine Ordinance31

23.34 Conflicts of Interest.....31

23.35 Notification of Limitations on Contributions31

23.36 Preservative-Treated Wood Containing Arsenic32

23.37 Cooperative Drafting32

LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A – Floor Plans of Premises
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Rules and Regulations
- EXHIBIT D – Form of Memorandum of Lease
- EXHIBIT E – Legal Description

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of March 30, 2017, is by and between LENDLEASE DEVELOPMENT, INC., a Delaware corporation [or **insert of permitted assignee**]("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the "Basic Lease Information"). Each item below shall be deemed to incorporate all of the terms in this Lease pertaining to such item. In the event of any conflict between the information in this Section and any more specific provision of this Lease, the more specific provision shall control.

Lease Reference Date:	March 30, 2017
Landlord:	LENDLEASE DEVELOPMENT, INC. [or insert name of permitted assignee]
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Modified Net Basis:	Landlord will be responsible for paying all Real Estate Taxes and Landlord's Insurance during the Term of the Lease and is responsible for other Landlord Costs; City will pay for all other Operating Costs and building maintenance and all other costs and expenses of or related to the Building (as hereinafter more particularly set forth).
Building (<u>Section 2.1</u>):	30 Van Ness Avenue, San Francisco, CA
Premises (<u>Section 2.1</u>):	Office space on floors 2-5, Operations Area, roof, and exclusive use of parking facilities, including storage and approximately 36 parking spaces, subject to the rights of tenants under the Existing Retail Leases (as defined in Section 22.1).
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 164,011 rentable square feet. City acknowledges that the Premises are delivered, and City accepts the same, "as is", and that no representation or warranty is being made by Landlord as to the Premises, their condition, or the Rentable Area thereof.
Term (<u>Section 3</u>):	Estimated commencement date: May 1, 2017 Expiration date: April 30, 2020

Extension Options (Section 3.4):

Two additional term(s) of one year (each), each exercisable by City by notice to Landlord given not less than 180 days in advance of each Extended Term. Base Rent for the first Extended Term will be increased by three percent (3%) over the Base Rent in effect from the previous year at the time the first Extended Term begins. Base Rent for the second Extended Term will be increased by three percent (3%) over the Base Rent in effect from the previous year at the time the second Extended Term begins. The Extension Options are subject to termination pursuant to the provisions of Section 3.4. The right to exercise either of the Extension Options are personal to City and non-assignable.

Base Rent (Section 4.1):

Period	Per Year	Per Month
5/1/2017 - 4/30/2018	\$4,500,000	\$375,000
5/1/2018 - 4/30/2019	\$4,635,000	\$386,250
5/1/2019 - 4/30/2020	\$4,774,050	\$397,838

Use (Section 5.1):

General office use by City Departments

Leasehold Improvements (Section 6):

None.

Utilities (Section 9.1):

City shall be responsible for furnishing utilities to the Building at its sole cost in a manner consistent with its furnishing as of the Commencement Date. This includes providing utilities to other tenants in the Building as may be required by third party leases pursuant to the conditions included in Section 9.1 herein.

Services (Section 9.2):

City shall be responsible for providing custodial and security services to the Building at its sole cost in a manner consistent with the services provided as of the Commencement Date. This includes providing services to other tenants in the Building as may be required by third party leases pursuant to the conditions included in Section 9.1 herein.

Engineering (Section 9.3):

City shall be responsible for property management, ongoing maintenance and general repair of the Building and Building systems at its sole cost in a manner consistent with the functions provided as of the Commencement Date. This includes providing

engineering services to other tenants in the Building as may be required by third party leases pursuant to the conditions included in Section 9.1 herein.

Notice Address of Landlord (Section 23.1):

Lendlease
Executive General Manager, 71 Stevenson
Street, Suite 800
San Francisco, CA 94105
Attn: Alexa Arena
Fax No.:

with copies to:

Lendlease
General Counsel - Americas
200 Park Avenue, 9th Floor,
New York, NY 10166, USA
Fax No.: (212) 592 6988

Gibson Dunn & Crutcher
555 Mission Street, Suite 3000
San Francisco, CA 94105
Fax No.: (415) 374-8435

Key Contact for Landlord:

Alexa Arena
Executive General Manager, 71 Stevenson
Street, Suite 800
San Francisco, CA 94105

Landlord Contact Telephone No.:

██

Notice Address for Tenant (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: John Updike,
Director of Property
Re: 30 Van Ness Avenue
Fax No.: (415) 552-9216

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Heidi J. Gewertz
Deputy City Attorney
Re: 30 Van Ness Avenue
Fax No.: (415) 554-4755

Key Contact for Tenant:

Gerald Sui

Tenant Contact Telephone No.: (415) 554-9807
Alternate Contact for Tenant: Josh Keene
Alternate Contact Telephone No.: (415) 554-9859
Brokers (Section 23.8): Newmark Cornish & Carey
Other Noteworthy Provisions (Section 22): Existing Retail Leases; Net Lease; "As Is" Condition

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the approximate rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. The land is more particularly described on Exhibit E. The Building and the land upon which the Building is located are referred to as the "Property".

2.2 Common Areas

City shall have the non-exclusive right to use, together with other tenants in the Building, the lobbies, corridors, elevators, stairways and other public areas of the Building and the Property (collectively, the "Common Areas"), and the non-exclusive right of access to and from the Premises by the main entrances to the Building and the Property.

2.3 Operations Areas

City shall have the exclusive right to use non-public areas of the Building, including back of house offices and corridors, core Building equipment and buildings systems, elevator shafts, stairways, roof, and other non-public areas of the Building and the Property (collectively, the "Operations Areas", which is a portion of the Premises), subject, in any event, to the Existing Retail Leases.

2.4 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements.

City is hereby advised that the Premises have not been inspected by a CASp.

2.5 Parking

City shall have the exclusive right to park in the Building's parking facilities, which consists of approximately 36 spaces. City shall have exclusive use of the storage facilities located within the parking facilities. The rights granted under this Section 2.5 are subject to the rights of tenants under the Existing Retail Leases.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date as Landlord shall have delivered the Premises to City. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Options), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) as provided below.

3.2 Commencement Date and Expiration Date

The dates on which the Term commences and terminates pursuant hereto are referred to respectively as the "Commencement Date" and the "Expiration Date." If the Commencement Date occurs on a date other than the Estimated Commencement Date, then promptly thereafter Landlord shall deliver to City a notice substantially in the form of Exhibit B attached hereto, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term.

3.3 Delay in Delivery of Possession

If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease.

3.4 Extension Options

City shall have the right to extend the Initial Term of this Lease (the "Extension Options") for the additional terms specified in the Basic Lease Information (the "Extended Terms"). Such Extension Options shall be on all of the terms and conditions contained in this Lease. City may exercise each of the Extension Options, if at all, by giving written notice to Landlord no later than one-hundred eighty (180) days prior to expiration of the Term or the then-exercised Extended Term, in the case of the Second Extension Option; provided, however, (x) if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure, or (y) if City is in material default after the giving of notice and the expiration of any applicable cure periods under this Lease on the day immediately preceding the commencement of such Extension Option, such Extension Option shall be null and void.

The parties acknowledge that in the event the City elects in the future to purchase a portion of the Mission Premises (as defined below), certain City departments currently occupying the Premises would move to the office building that is presently under development located at 1500 Mission Street, San Francisco, California (the "Mission Premises"). Notwithstanding anything to the contrary herein, if during the Initial Term or either Extended Term, the Department of Building Inspection has issued one or more occupancy certificates (the "Occupancy Certificate(s)") that will allow all of the designated City departments currently occupying 30 Van Ness to occupy the Mission Premises, the Lease shall terminate on the date that is 90 days after the date of such Occupancy Certificate(s); however, in no event shall the Lease terminate prior to the expiration date of the Initial Term without Landlord's consent, in its

absolute, sole discretion. City shall promptly furnish formal written notice to Landlord within five (5) business days after it receives the Occupancy Certificate(s) with a list of the affected City departments that have been designated to move. Any holding over beyond 90 days without Landlord's consent shall be subject to the provisions of Section 23.13 hereof (Holding Over).

4. RENT

4.1 Base Rent

Beginning on the Commencement Date, City shall pay to Landlord during the Term the annual Base Rent specified in the Basic Lease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. At the request of Landlord, Base Rent shall be payable when due by wire transfer or ACH transfer of funds to an account or accounts from time to time designated by Landlord. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30)-day month.

4.2 Late Charges

City and Landlord acknowledge that this Lease is directly connected to the Landlord's purchase of the Property and Rent payments from City under this Lease are connected to Landlord's ability to acquire the Property. Because of this unique arrangement, if Rent is not paid by City within thirty (30) days following the date when due ("30-Day Grace Period"), City shall pay to Landlord, as Additional Rent, (a) a late charge in the amount of five cents (\$0.05) for each dollar of the amount unpaid when due and (b) interest thereon from the due date until actually paid at a rate equal to the lesser of (i.) the maximum rate permitted by law; or the (ii.) the sum of five percent (5%) in excess of the rate from time to time publicly announced by Citibank, N.A. or its successor as its 'prime rate' ("Late Charges"). In the event that the City exceeds the 30-Day Grace Period more than twice within any 12-month period during the Term, Late Charges shall apply after five (5) days following the date when due going forward through the remainder of the Term. Landlord's acceptance of any late charge or interest shall not constitute a waiver of City's default with respect to the overdue amount or prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease, at law or in equity. The provisions of this Section 4.2 shall not in any way extend the due dates provided for in this Lease.

4.3 Intentionally Omitted

4.4 Definitions

For purposes hereof, the following terms shall have the meanings hereinafter set forth:

(a) "Landlord Costs" means the total costs and expenses actually paid or incurred by Landlord in connection with the cost incurred by Landlord for (1) all insurance required to be carried on the Building or the use or occupancy thereof, (2) wages, salaries, payroll taxes and other labor costs and employee benefits relating to home office employees of Landlord or its agents, (3) fees, charges and other costs of all independent contractors engaged by Landlord (it being acknowledged and agreed that Landlord has no obligation to engage any

such persons, since all contractor costs are to be paid by City), and (4) Landlord's accounting and legal expenses.

(b) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by City in connection with the management, operation, maintenance, repair and replacement, as determined by City to be reasonably required for continued operation, of the Building and all systems, equipment and appurtenances thereof or as may be required pursuant to any Existing Retail Leases, including, but not limited to: (1) the cost of air conditioning, electricity, steam, water, heating, mechanical, telephone, ventilating, escalator and elevator systems and all other utilities, (2) the cost of repairs and replacements, as determined by City to be reasonably required for continued operation or as may be required pursuant to any Existing Retail Leases, and all labor and material costs related thereto, and the cost of general maintenance, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost of capital improvements made to the Building after completion of its construction as a labor-saving or energy saving device or to effect other economies in the operation or maintenance of the Building and which benefit the Premises, or made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Landlord's deliberate or negligent violation of such law, rule or regulation, and except to the extent such improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City, and (4) any other expenses incurred by City in connection with the management, operation, maintenance, repair or replacement, as determined by City to be reasonably required for continued operation, of the Building and all systems, equipment and appurtenances thereof or as may be required pursuant to any Existing Retail Leases. By way of explanation but not of limitation, City shall be solely responsible for, and Operating Costs shall include, the management, operation, maintenance, repair and replacement, as determined by City to be reasonably required for continued operation, of the Building and all systems, equipment and appurtenances thereof or as may be required pursuant to any Existing Retail Leases, and all costs and expenses associated therewith throughout the Term, excluding solely (i) Real Estate Taxes (as defined in Section 4.4(c) below) and (ii) Landlord Costs (as defined in Section 4.4(a) above). Notwithstanding the foregoing, City shall not be obligated to pay any type of management fee to Landlord.

(c) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the portion of the Building owned by Landlord, or Landlord's interest in the Building. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, gross receipts, or capital stock taxes or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

(d) "Tax Year" means each calendar year during the Term, including any partial year during which this Lease may commence; provided that Landlord, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change. Tax Year shall not include the Base Year.

4.5 Payment of Real Estate Taxes

During the Term, Landlord shall be solely responsible for the payment of any and all Real Estate Taxes associated with or levied against the Building or the Property. City shall have no obligation whatsoever to pay Landlord for any portion of Real Estate Taxes.

4.6 Proration

If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year or Expense Year, City's payment of Operating Costs for the Expense Year in which the Commencement Date or Expiration Date occurs, shall be prorated based on a three hundred sixty-five (365)-day year.

4.7 Intentionally Omitted

4.8 Records

Landlord shall maintain at the Building or at its offices in San Francisco in a safe, complete and organized manner all of its records pertaining to Real Estate Taxes and Landlord Costs, as required pursuant to this Lease, for a period of not less than three (3) years following expiration of the Term. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof.

5. USE

5.1 Permitted Use

City may use the Premises for general office uses of City departments and such other uses as may be specified in the Basic Lease Information, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

5.2 Observance of Rules and Regulations

Landlord shall provide City with its reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit C (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which if accepted by City, shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants similarly situated, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other similarly-situated tenant

in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation. Notwithstanding the foregoing, City acknowledges that the Existing Retail Leases may include rules and regulations that differ from those applicable to City pursuant to this Lease.

5.3 Interference with Access

City shall have the right to access the Building, the Premises, and the Property twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building.

6. LEASEHOLD IMPROVEMENTS

6.1 Intentionally Omitted

6.2 Intentionally Omitted

6.3 Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that City is responsible for the installation of telecommunications, data and computer cabling facilities and equipment and has done so prior to the Commencement Date. City shall be allowed to install additional such facilities and equipment, and City shall have access to the main telephone service serving the floor(s) on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Premises and such other portions of the Building at any time during the Term in order to install, repair, or replace such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities that may impact other tenants of the Building.

6.4 Intentionally Omitted

7. ALTERATIONS

7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems (as defined in Section 8.1) or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. City agrees that it shall complete any Alterations that are commenced and shall obtain, and deliver to Landlord copies of, any required sign-offs and/or close-outs of building permits and any amendments to the Premises' or the Building's certificate of occupancy required in connection with such Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

City shall use its commercially-reasonable efforts to minimize interference with or disruption to the use and occupancy of the Building by Landlord and the retail tenants of the Building during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work within the Building, and the performance of any of City's maintenance, repair or replacement obligations pursuant to this Lease. City shall use commercially reasonable efforts to promptly remedy any such interference or disruption upon receiving Landlord's notice thereof.

7.2 Title to Improvements

Except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the Premises as of the Commencement Date or during the Term shall be and remain Landlord's property. City may not remove such property unless Landlord consents thereto.

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises and telecommunications, data and computer cabling facilities and equipment installed in the Building by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within ten (10) working days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property and Landlord may dispose of the same in any manner Landlord may elect, at City's sole cost and expense), and (ii) will repair any damage caused by the removal of City's Personal Property, and (iii) will not enter the Building or the Premises unless and until it delivers to Landlord a certificate, naming Landlord as additional insured, evidencing liability insurance in an amount reasonably required by Landlord. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term, within ten (10) days after the Expiration Date.

7.4 Alteration by Landlord

Landlord shall use its commercially-reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. Landlord shall use commercially reasonable efforts to promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 City's Repairs

City shall repair and maintain and, to the extent necessary, replace, at its cost, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems and any other systems of the Building (collectively, the "Building Systems") and the Common Areas; provided, however, that City shall not make, nor cause or suffer to be made, any repairs and/or replacements to the Building Systems or other work for which a building permit would be required by any applicable building code, standard or regulation (whether or not City is exempt from obtaining a building permit), without first obtaining Landlord's prior written consent, not to be unreasonably withheld or delayed. Without limiting the foregoing, City shall maintain the Building in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency, and shall not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property or constitutes a nuisance. City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. At all times during the Term of this Lease, City and its Agents shall have access to the Building to perform the repairs contemplated in this section.

8.2 Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises.

9. UTILITIES AND SERVICES

9.1 City's Provision of Utilities

City shall furnish the following utilities and services to the Premises: **(a)** heating, air conditioning and ventilation **(b)** electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); **(c)** elevator service on a Daily Basis; and **(d)** water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting City's obligations hereunder, City shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services provided at the Building as of the Commencement Date. City acknowledges that Landlord has no obligation to provide any utilities or other services of any kind to the Premises or the Building; provided, however, that City will continue to provide utilities and services for any leases executed subsequent to Landlord's acquisition of the Property from City (the "Subsequent Leases"), provided that Subsequent Leases require utilities and services at a comparable level as the Existing Retail Leases and there is no material change in such obligations to provide utilities and services. Accordingly, Landlord shall be responsible for any incremental costs associated with any material change in obligations due to material changes in the provisions of utilities and services under Subsequent Leases.

9.2 Services

(a) Janitorial Service

City shall provide at its cost janitorial and trash removal services for the Building at its sole cost in a manner consistent with the janitorial and trash removal services provided at the Building as of the Commencement Date.

(b) Security Service

City shall provide at its cost security for the Building in a manner consistent with the security provided as of the Commencement Date.

(c) Management and Other Services

City shall at its cost provide management and other services for the Building (including, without limitation, to all other current and future tenants of the Building) in a manner consistent with the management and other services provided as of the Commencement Date.

9.3 Engineering

City shall provide property management, engineering services, maintenance and repair of the Building at its sole cost in a manner consistent the services provided at the Building as of the Commencement Date.

9.4 Conservation

Landlord may establish reasonable measures to conserve energy and water, including automatic light shut off after hours and efficient lighting forms, so long as these measures do not unreasonably interfere with City's use of the Premises and are at no cost to the City.

9.5 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by City hereunder, City shall diligently attempt to restore service as promptly as possible.

9.6 Leasing; Collection of Rents

Notwithstanding that City shall, subject to such conditions included in Section 9.1 above, provide management and other services for the Building, Landlord shall have the sole right to collection of rents from other current and future tenants of the Building, to exercise rights and remedies against such tenants, to collect rents from such tenants, and to enter into leases or other agreements with respect to all portions of the Building other than the Premises.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1 Premises Condition and City's Compliance with Laws; Indemnity

City has been in possession and occupancy of the Premises and the Building prior to the Commencement Date and is fully aware of their condition. Accordingly, City acknowledges and agrees that Landlord makes no representations or warranties of any kind or nature with respect to the Premises, or the Building, including, without limitation, as to whether or not: **(a)** the physical structure, fixtures and permanent improvements of the Premises and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to,

the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks, drinking fountains, and parking facilities) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building, the Common Areas and Building Systems are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building, the Common Areas and Building Systems are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. City shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws (and further subject to the provisions of Section 8.1 hereof (City's Repairs)) and Landlord shall have no obligation for such compliance with Laws. Notwithstanding the foregoing, to the extent any Subsequent Leases impose any obligations on Landlord that are materially greater than those required by the Existing Retail Leases, Landlord shall be responsible for any incremental costs associated with such materially-greater obligations due to the provisions of such Subsequent Leases. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, arising out of any such failure, whenever occurring, to comply with applicable Laws as provided in this Section.

10.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of the City's particular use of the Premises for general office, the use made of the Premises by any of the tenants under the Existing Retail Leases, any Alterations to the Premises made by City pursuant to Section 7 hereof including, without limitation, any Alterations performed prior to the Commencement Date or any use or Alterations to the Premises made by any of the tenants under the Existing Retail Leases. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, except to the extent compliance is made Landlord's obligation for Subsequent Leases as provided in Section 10.1 above. Without limiting Section 16.1 (City's Indemnity) or Section 10.1, City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

10.3 City's Compliance with Insurance Requirements

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the

Building or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Building, (c) cause an increase in the fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount to which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At the request of the holder of the Encumbrance, the City shall enter into a subordination and nondisturbance agreement with such holder in the form required by such holder, evidencing such subordination or superiority of this Lease.

(b) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord, which attornment shall be upon and subject to the customary caveats and carveouts required by such holder or successor landlord. City's covenant under subsection (a) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (b). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord through its Landlord's Insurance required to be carried under Section 17.2 hereof, shall repair the same without delay, unless (i) Landlord reasonably estimates that the repair will not be completed prior to the expiration date of the Initial Term (or the applicable Extended Term in which the casualty occurred), (ii) the damage occurs during the last twelve (12) months of the Initial Term, or at any time during an Extended Term; or (iii) the costs of repair and restoration will exceed fifty percent (50%) of the hard costs to replace the Building in its entirety (any of the foregoing, a "Termination Event"). If Landlord is required to perform

repairs hereunder, then this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Base Rent while such repairs are being made. Such abatement in Base Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Base Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made at a cost less than or equal to Landlord's Insurance coverage, and if the casualty constitutes a Termination Event. If the costs for repairs, in Landlord's reasonable judgment, exceed Landlord's Insurance, Landlord will notify City and shall give the City the option to fund the actual difference between such coverage and repair costs. City shall respond in writing within ten (10) working days of receipt of such notice, to accept or decline such offer. If City declines to accept Landlord's offer, this Lease shall terminate as of the date which is thirty (30) days after such notice is given by City; if within such ten (10) working days following receipt of Landlord's notice City fails to respond to Landlord's notice and agree to fund the aforesaid cost difference, this Lease shall terminate as of the date which is thirty (30) days after such notice is given by Landlord. If Landlord notifies City that the casualty is a Termination Event, then this Lease shall terminate as of the date which is thirty (30) days after notice of such estimate is given by Landlord to City. In case of termination under this Section 12, the Base Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Base Rent up to the date of termination, and, notwithstanding anything to the contrary in the preceding paragraph of this Section 12, Landlord shall have no obligation to restore the Premises or any portion of the Building. Landlord shall refund to City any Base Rent previously paid for any period of time subsequent to such date of termination.

Notwithstanding the foregoing, other than in a Termination Event, if Landlord is obligated to repair the Building or any Building Systems in the event of a casualty as described above, within twenty (20) days after the date of such damage, Landlord may instead identify an alternative premises that could accommodate the City's requirements for the remainder of the Initial Term or Extended Term, as applicable, in which case, the parties will meet and confer in good faith for up to thirty (30) days to negotiate new or replacement agreements that would allow the relocation of City to the alternative premises at Landlord's cost.

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Landlord and City each hereby waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar law, statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. EMINENT DOMAIN

13.1 Definitions

(a) "Taking" means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under law. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

(b) "Date of Taking" means the earlier of (i) the date upon which title to the portion of the Property taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

(c) "Award" means all compensation, sums or anything of value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.

13.2 General

If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Lease, the rights and obligations of the parties hereunder shall be determined pursuant to this Section. City and Landlord intend that the provisions hereof govern fully in the event of a Taking and accordingly, the parties each hereby waive any right to terminate this Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

13.3 Total Taking; Automatic Termination

If there is a total Taking of the Premises, then this Lease shall terminate as of the Date of Taking.

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

(b) In the case of a partial taking of a substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

(c) Either party electing to terminate under the provisions of this Section 13.4 shall do so by giving written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

13.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3, or pursuant to an election under Section 13.4 above, then: (a) City's obligation to pay Base Rent shall continue up until the date of termination and thereafter shall cease, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6 Partial Taking; Continuation of Lease

If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 above, then this Lease shall terminate as to the

portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: (a) Base Rent shall be reduced by an amount that is in the same ratio to the Base Rent as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7 Temporary Taking

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to the Premises for a limited period of time not in excess of sixty (60) consecutive days, this Lease shall remain unaffected thereby, and City shall continue to pay Base Rent and to perform all of the terms, conditions and covenants of this Lease. In the event of such temporary Taking, City shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Base Rent owing by City for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. If City shall so assign this Lease or sublet all or any portion of the Premises, City shall pay to Landlord an amount equal to fifty percent (50%) of the excess, if any, of (x) all consideration received by or on behalf of City arising out of or in connection with such assignment or subletting, including, without limitation, all sublease rental or assignment consideration, over (y) (i) all actual and reasonable out-of-pocket expenses of such transaction (i.e., brokerage commissions, and the cost of work performed by City specifically for such assignee or subtenant), and (ii) in the case of a sublease, the Base Rent payable under this Lease for the subleased premises. All amounts payable under this Section 14 shall be paid to Landlord as and when payable under the assignment or sublease. City shall have the right from time to time, upon notice to but without the consent of Landlord and without being obligated to pay the aforesaid fifty percent (50%) of net profits, to transfer this Lease or use and occupancy of all or any part of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease and such transfer shall not be considered a sublease under this Section 14 or under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

Any of the following shall constitute an event of default by City hereunder:

(a) City's failure to make any timely payment of Base Rent or any other charges or sums payable by City pursuant to this Lease, and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first two (2) monthly payments of Base Rent at the beginning of the Term and for the first monthly payment of Base Rent after the beginning of each new fiscal year for City, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

(b) City's abandons the Premises (within the meaning of California Civil Code Section 1951.3); or

(c) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) and to cure such non-performance within thirty (30) days of the date of receipt of notice thereof from Landlord, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if City commences such cure within such period and diligently prosecutes such cure to completion.

15.2 Landlord's Remedies

Upon the occurrence of any event of default by City that is not cured within the applicable grace period as provided above, Landlord shall have all rights and remedies available pursuant to law or granted hereunder, including the following:

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate City's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that City proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2.

(b) The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as Landlord does not terminate City's right to possession, if City has the right to sublet or assign, subject only to reasonable limitations.

Landlord's rights hereunder, shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30) day period, such thirty (30) day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder, shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

15.4 City's Right of Self-Help

If Landlord fails to timely perform Landlord's obligations under this Lease to pay real estate taxes and/or to maintain insurance and such failure continues for thirty (30) days after notice from City to Landlord specifying such failure, then City shall have the right to give Landlord a second (2nd) notice of such failure which notice shall set forth, in bold-faced all capital letters in typeface of at least 16 points, that if Landlord fails to perform such obligations within fifteen (15) days following its receipt of such second (2nd) notice, City shall have the right to perform such obligations on Landlord's behalf and at Landlord's expense. If Landlord subsequently fails to perform such obligations within fifteen (15) days following its receipt of

such second (2nd) notice, City may, but shall not be obligated to, pay such real estate taxes and/or maintain such insurance, and Landlord shall reimburse Tenant for the actual, reasonable, out-of-pockets costs so incurred by City in performing such obligations.

16. INDEMNITIES

16.1 City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease or any breach of any representations or warranties made by City under this Lease, or (c) any negligent acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

16.2 Landlord's Indemnity

Landlord shall Indemnify City and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its material obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or (b) any negligent acts or omissions of Landlord or its Agents in, on or about the Premises or the Property; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of this Lease.

17. INSURANCE

17.1 City's Self-Insurance

Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any insurance with respect to this Lease. City assumes the risk of damage to any of City's Personal Property, except for damage caused by Landlord or its Agents.

17.2 Landlord's Insurance

At all times during the Term and at Landlord's sole cost, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal

and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance evidencing the insurance required above ("Landlord's Insurance"). Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance. In no event shall Landlord be obligated to insure any of City's Personal Property or any Alterations made by City.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: **(a)** Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and **(b)** Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord hereby waives any right of recovery against City for any loss or damage relating to the Building or the Premises or any operations or contents therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance that Landlord is required to purchase under this Lease or is otherwise actually recovered from insurance held by Landlord or its agents. Landlord agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of **(a)** inspecting the Premises, **(b)** supplying any service to be provided by Landlord hereunder, **(c)** showing the Premises to any prospective purchasers, mortgagees or, during the last twelve (12) months of the Term of this Lease, tenants, **(d)** posting notices of non-responsibility, **(e)** altering, improving or repairing the Premises and any portion of the Building, and **(f)** performing any predevelopment studies or investigations, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that Landlord shall use commercially reasonable efforts not to cause any interference or interruption in its use of the Premises arising therefrom.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, may reasonably request the other party to execute, acknowledge and deliver to such persons or entities designated by such other party a certificate stating: **(a)** the Commencement Date and Expiration Date of this Lease, **(b)** that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), **(c)** that there are no defaults under this Lease (or if so, specifying the same), and **(d)** the date to which Rent has been paid.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within ten (10) working days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

As used in this Lease, the following terms shall have the meanings hereinafter set forth:

(a) "Environmental Laws" shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

(b) "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 25316 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 Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

(c) "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 the Building, or in, on, under or about the Property.

21.2 Landlord's Representations and Covenants

City acknowledges that it has been in possession and occupancy of the Premises and the Building prior to the Commencement Date, that it is fully familiar with the condition of the Premises and the Building, and that it accepts the same, "as is", on the Commencement Date. City acknowledges and agrees that no representation or warranty of any kind or nature is being made by Landlord as to whether or not: (a) the Property is in violation of any Environmental Laws; (b) the Property is now, or has been, used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices, which limited use has been and is in compliance with Environmental Laws; (c) the Property consists of any landfill or contain any underground storage tanks; (d) the Building consists of any asbestos-containing materials or building materials that contain any other Hazardous Material, or the Premises or the common areas of the Building contain any lead-based paints; (e) there has been and is any

Release of any Hazardous Material in the Building or in, on, under or about the Property; or (f) the Property is subject to any claim by any governmental regulatory agency or third party related to the 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 the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. City shall maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the Premises or other portions of the Building for their intended purposes.

21.3 Landlord's Environmental Indemnity

Landlord has no obligation to Indemnify City or its Agents against any and all Claims arising during or after the Term of this Lease in connection with any presence or Release of Hazardous Material, unless Landlord or its Agents cause such Release. However, Landlord shall use commercially reasonable efforts to notify City if Landlord learns of any Release of Hazardous Materials and shall use commercially reasonable efforts to assist City with enforcing any applicable requirements and provisions of the Existing Retail Leases.

21.4 City's Covenants

City shall be solely responsible for compliance of the Building and the Property with Environmental Laws and for any Release that occurs during the Term or that occurred prior to the Commencement Date. Neither City nor its Agents shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or the Property, or transported to or from the Premises or the Property, in violation of any Environmental Laws, provided that City may use such substances in such limited amounts as are customarily used in offices so long as such use is in compliance with all applicable Environmental Laws.

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising prior to, during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall include any Claims resulting from the aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to the Commencement Date.

22. SPECIAL PROVISIONS

22.1 Existing Retail Leases

City represents that all of the leases presently affecting the Building, including any amendments thereto, are listed in Schedule 1 of that certain Purchase and Sale Agreement dated February 21, 2017 (the "Existing Retail Leases"). City acknowledges that its rights under this Lease are subject to the terms and conditions of the Existing Retail Leases.

22.2 Net Lease

It is the intention of Landlord and City that (a) Base Rent be an absolutely net return to Landlord throughout the Term without any abatement, diminution, reduction, or deduction whatsoever, and (b) City shall pay all costs, expenses and charges of every kind relating to the

Premises and the Building that may arise or become due or payable during the Term or attributable to a period falling within the Term consistent with such terms included in Section 4.4(b) of this Lease; provided, however, City shall not be responsible for Landlord Costs or Real Estate Taxes, each of which shall be the sole responsibility of Landlord, as provided in this Lease.

22.3 "As Is" Condition

City acknowledges that it has been in possession and occupancy of the Premises and the Building prior to the Commencement Date, that it is fully familiar with the condition of the Premises and the Building, and that it accepts the same, "as is", on the Commencement Date. City acknowledges and agrees that no representation or warranty of any kind or nature is being made by Landlord as to the Premises or the Building or the condition of all or any portion thereof.

23. GENERAL PROVISIONS

23.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) business days after the date when it is mailed if sent by first-class, certified mail, one (1) business day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2 No Implied Waiver

No failure by either party to insist upon the strict performance of any obligation of the other party under this Lease or to exercise any right, power or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No acceptance of full or partial Rent by Landlord while City is in default hereunder shall constitute a waiver of such default by Landlord. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Landlord or City given in one instance under the terms of this Lease shall not relieve the other party of any obligation to secure the consent to any other or future instance under the terms of the Lease.

23.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease

shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco, and City shall use reasonable efforts to inform Landlord whenever applicable law so provides otherwise. Landlord shall be entitled to rely upon any consent or approval of the Director of Property, or his or her designee, unless City notifies Landlord prior to the issuance of such consent or approval that applicable law, including the Charter of the City and County of San Francisco, requires that such consent or approval be issued by another person or entity. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease **(a)** changing the legal description of the Premises, **(b)** increasing the Term, **(c)** increasing the Rent, **(d)** changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and **(e)** any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

23.4 Authority

Landlord represents and warrants to City that the execution and delivery of this Lease by Landlord has been duly authorized and to the best of Landlord's knowledge does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

City represents and warrants to Landlord that the execution and delivery of this Lease by City has been duly authorized and to the best of City's knowledge does not violate any provision of any agreement, law or regulation to which City or the Property is subject.

23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease, including but not limited to the exercise of any option granted to City, shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter.

23.6 Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be

the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7 Successors and Assigns

Subject to the provisions of Section 14 relating to assignment and subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord and City and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease.

23.8 Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information. City represents to Landlord that no commission is due to the broker identified in the Basic Lease Information. In the event that the broker identified in the Basic Lease Information claims a commission, the same shall be the sole responsibility of City, and Landlord shall have no liability therefor and City shall Indemnify Landlord from any and all Claims incurred by Landlord in defending against the same. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9 Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Lease, 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 Lease shall be valid and be enforceable to the full extent permitted by law, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

23.10 Governing Law

This Lease shall be construed and enforced in accordance with the laws of the State of California and the City's Charter.

23.11 Entire Agreement

The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. This Lease may not be amended or modified nor may any terms, covenants or conditions of this Lease be waived except by an agreement in writing, signed by the Party against which enforcement of such amendment, modification or waiver is sought, and provided further, that any such amendments or modifications is subject to approval by the City's Board of Supervisors. The parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever

(including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

23.12 Attorneys' Fees

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

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's prior, written consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease with Base Rent increased by three percent (3%) over the Base Rent in effect from the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's prior, written consent, the rent payable by City during the period of such holding over shall be (i) during the first ten (10) days of such holding-over, the then fair market rental value of the Premises and (ii) from and after the eleventh (11th) day of such holding-over, at one hundred fifty percent (150%) of the then fair market rental value of the Premises, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.14 Cumulative Remedies

All rights and remedies of either party hereto set forth in this Lease shall be cumulative, except as may otherwise be provided herein.

23.15 Time of Essence

Time is of the essence with respect to all provisions of this Lease in which a definite time for performance is specified.

23.16 Survival of Indemnities

Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter.

23.17 Signs

City may erect or post signs on or about the Premises subject to Landlord's prior approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed. City's rights under this Section 23.17 are subject to rights of tenants under the Existing Retail Leases.

23.18 Quiet Enjoyment and Title

Landlord covenants and represents that on the Commencement Date it will have full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Base Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

23.19 Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein, and that if any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such bankruptcy or insolvency case or proceeding, or for any other reason, City shall have the right to (a) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (b) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20 Transfer of Landlord's Interest

Landlord shall have the right to transfer its interest in the Property, the Building or this Lease to any other person or entity. In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor, of any obligations accruing hereunder from and after the date of such transfer and upon delivering to City an express assumption by the transferee of all of Landlord's obligations hereunder.

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 Non-Liability of Landlord's Officers, Employees, Agents, Etc.

Notwithstanding anything to the contrary in this Lease, no officer, director, shareholder, member, manager, partner, principal, employee, agent or contractor of Landlord shall be personally liable to City, its successors and assigns, in the event of any default or breach by Landlord or for any amount which may become due to City, its successors and assigns, or for any obligation of Landlord under this Lease. The liability of Landlord under this Lease shall be limited to Landlord's estate in the Property (including, without limitation, any proceeds thereof).

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this Lease, there shall be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Base Rent and any other payments required under this Lease are not appropriated, then City may terminate this Lease, without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City represents that funds have been appropriated for payments due through June 30, 2016. City shall use its reasonable efforts to give Landlord reasonable advance notice of such termination. If funds are not so appropriated and City fails to timely pay the Base Rent and/or other charges and sums under this Lease, Landlord may (without limitation of any other rights or remedies it may have under this Lease or at law or in equity) terminate this Lease.

23.24 Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of improvements to the Premises, which Landlord provides under this Lease, shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Landlord shall include, in any contract for construction of such other improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of any improvements to the Premises.

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) HRC Form

As a condition to this Lease, Landlord shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the "HRC"). Landlord hereby represents that prior to execution of the Lease: **(a)** Landlord executed and submitted to the HRC Form HRC-12B-101 with supporting documentation, and **(b)** the HRC approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

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

violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

23.26 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

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

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right, subject to the rights of tenants under the Existing Retail Leases, to install and maintain, at its sole cost, Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building (which locations shall be subject to Landlord's approval, not to be unreasonably withheld).

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Except as otherwise provided in Section 10.1 (Premises Condition and City's Compliance with Laws; Indemnity) and 10.2 City's Compliance with Laws; Indemnity), Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

23.29 Counterparts

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

23.30 Effective Date

The date on which this Lease shall become effective (the "Effective Date") is the date upon which this Lease is duly executed by the parties hereto.

23.31 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Landlord or any of its officers or members have 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, disbarment, discipline or prohibition may result in the termination or suspension of this Lease. Landlord acknowledges that this certification is a material term of this Lease.

23.32 Memorandum of Lease

On the Effective Date, Landlord and City shall execute the memorandum of lease in the form attached hereto as Exhibit D (the "Memorandum of Lease"), and Landlord shall cause the Memorandum of Lease to be recorded in the Official Records of the City and County of San Francisco within two (2) business days thereafter. Promptly following the expiration or sooner termination of this Lease, Landlord and City shall execute and deliver a termination of the Memorandum of Lease, in recordable form, to be recorded in the Official Records of the City and County of San Francisco.

23.33 Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

23.34 Conflicts of Interest

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

23.35 Notification of Limitations on Contributions

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Landlord 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. Landlord further acknowledges that

the prohibition on contributions applies to each Landlord; each member of Landlord's board of directors, and Landlord's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Landlord. Additionally, Landlord acknowledges that Landlord must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Landlord further agrees to provide to City the name of each person, entity or committee described above.

23.36 Preservative-Treated Wood Containing Arsenic

As of July 1, 2003, Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Landlord from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

23.37 Cooperative Drafting

This Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Lease reviewed and revised by legal counsel. No party shall be considered the drafter of this Lease, 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 Lease.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE ENACTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[SIGNATURES ON FOLLOWING PAGE]

Landlord and City have executed this Lease as of the date first written above.

LANDLORD:

_____, a _____

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT A

FLOOR PLANS OF PREMISES

CONSISTING OF 7 PAGES OF PLANS



State of California
REAL ESTATE DIVISION
215 VAN Ness Avenue, Suite 400
San Francisco, CA 94102
Phone: (415) 398-1212

30 VAN NESS AVENUE
SAN FRANCISCO, CA

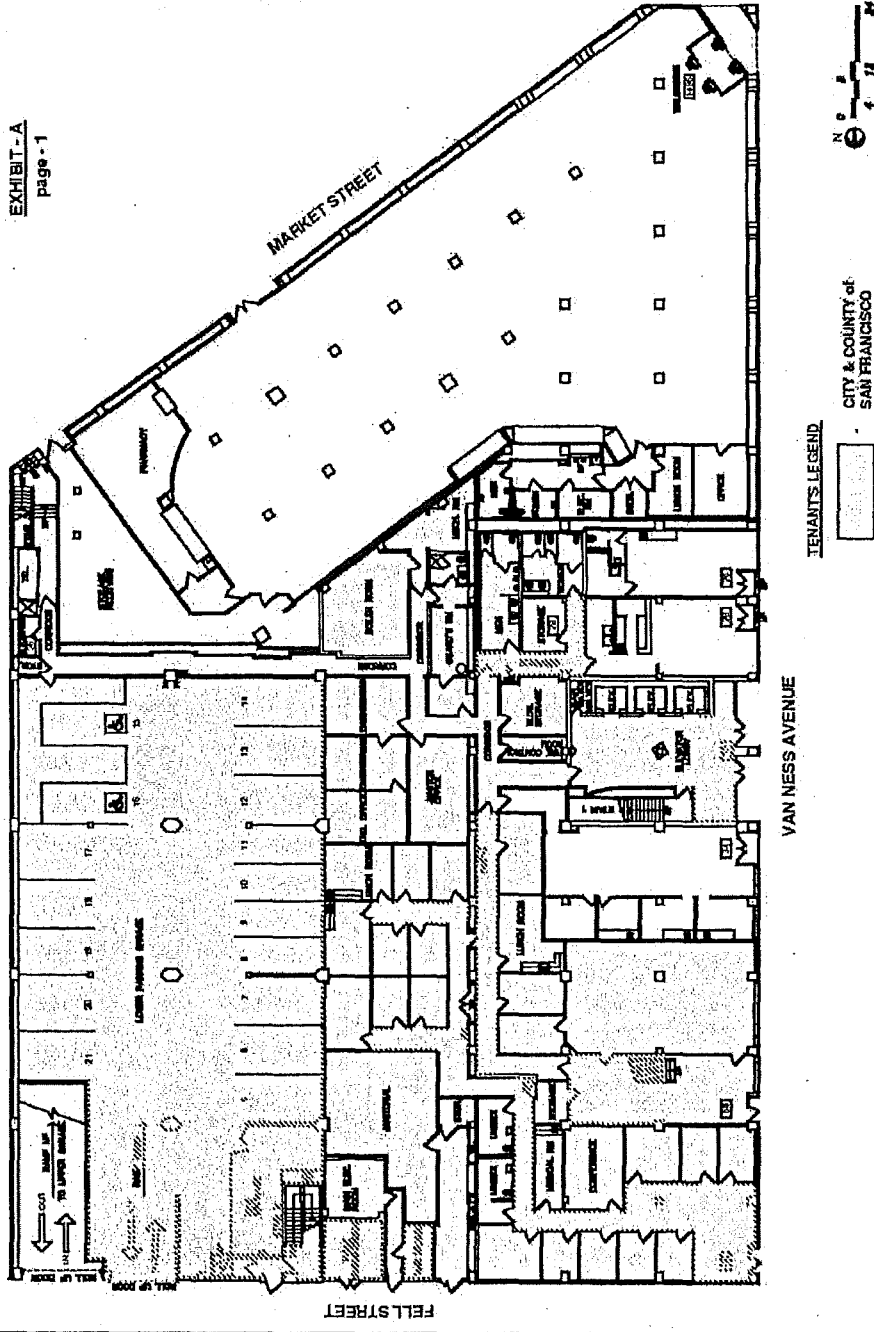
PROJECT:	
DATE:	
SCALE:	



FILE NO.:
MAP NO.:
ASSAY NO.:
ASSAYER:
RECORD NO.:

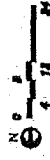
PROJECT NAME: 30
FIRST FLOOR
A-1

EXHIBIT - A
page - 1



TENANTS LEGEND

CITY & COUNTY of
SAN FRANCISCO



FELL STREET

VAN NESS AVENUE

MARKET STREET

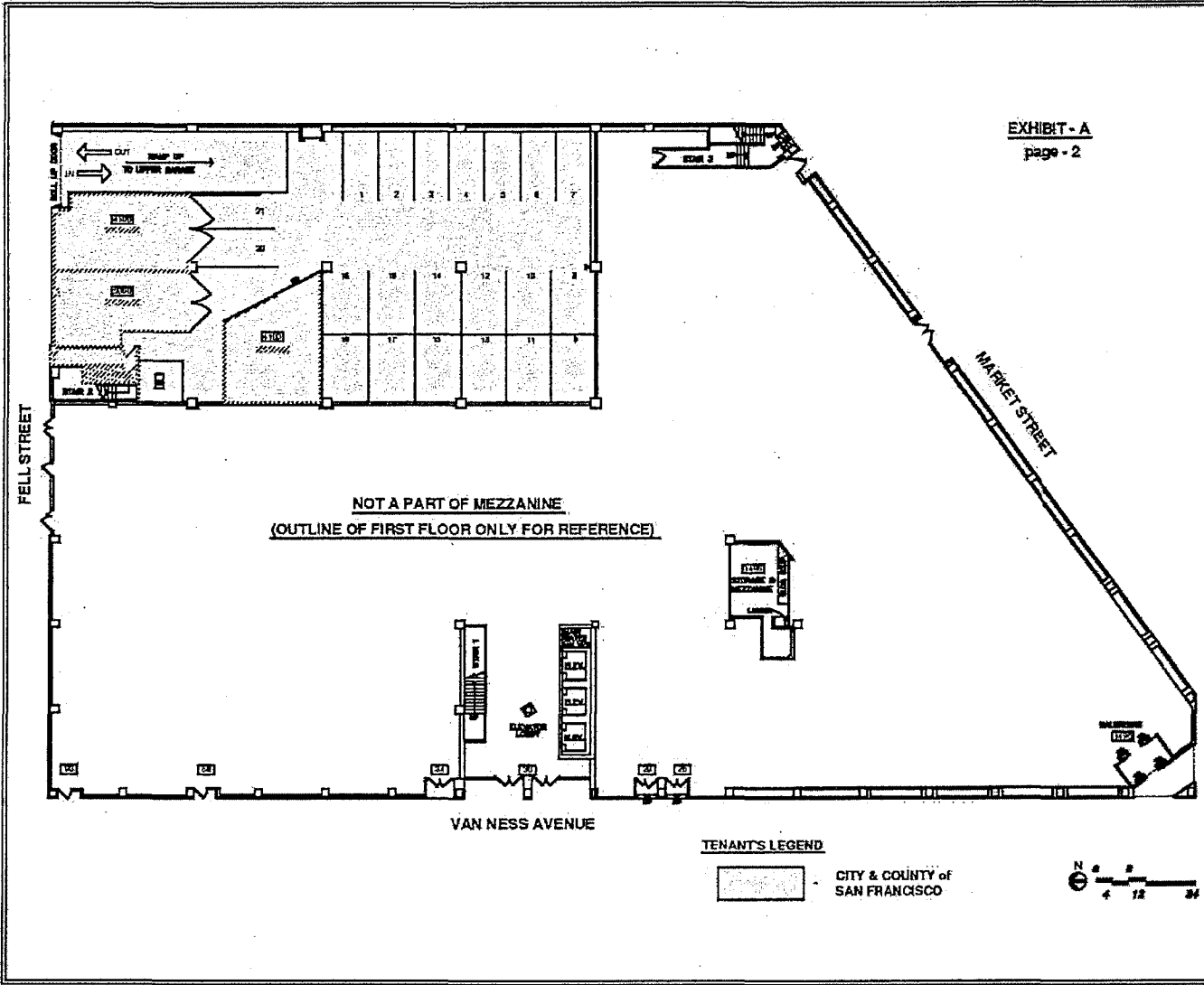



EXHIBIT - A
page - 2

NOT A PART OF MEZZANINE
(OUTLINE OF FIRST FLOOR ONLY FOR REFERENCE)

TENANT'S LEGEND
 CITY & COUNTY of SAN FRANCISCO



CITY AND COUNTY OF SAN FRANCISCO
 REAL ESTATE DIVISION
 30 VAN NESS AVENUE, SUITE 400
 SAN FRANCISCO, CA 94102
 PHONE: 415 554 9000
 FAX: 415 554 9070
 Email: RealEstate@SFOED.org

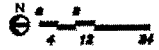
30 VAN NESS AVENUE
 SAN FRANCISCO, CA

NO.	DATE	DESCRIPTION



DATE: _____
 DATE REVISION: _____
 SCALE: 1/8" = 1'-0"
 DRAWN BY: JAZZMAN
 CHECKED BY: L. HARRIS/CLL

PROJECT NUMBER: 895
 MEZZANINE FLOOR
 SHEET: A-M
 NEXT: _____





City and County of San Francisco
REAL ESTATE DIVISION
 33 MARKET STREET, SUITE 400
 SAN FRANCISCO, CA 94102
 Phone: (415) 376-3300
 Fax: (415) 376-3301

30 VAN NESS AVENUE
 SAN FRANCISCO, CA

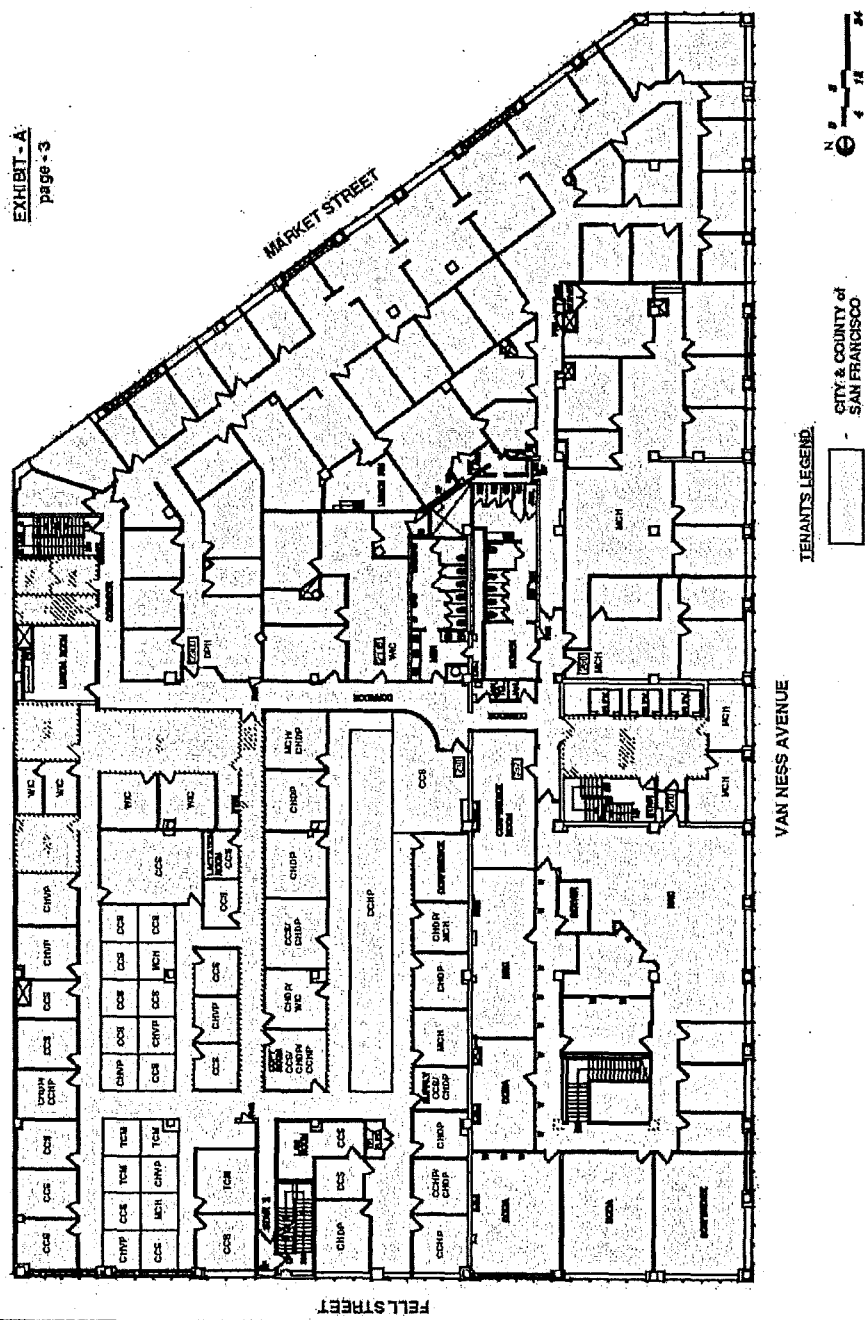
DATE	BY	REVISION



DATE: 05/11/00
 BY: MCDONALD
 SCALE: 1/4" = 1'-0"
 DRAWN BY: J. J. JAMES
 CHECKED BY: J. JAMES

ASSEMBLED BY: [Blank]
 SECOND FLOOR
 SHEET: A-2
 CASE: [Blank]

EXHIBIT - A
 page - 3



TENANT'S LEGEND
 CITY & COUNTY of
 SAN FRANCISCO

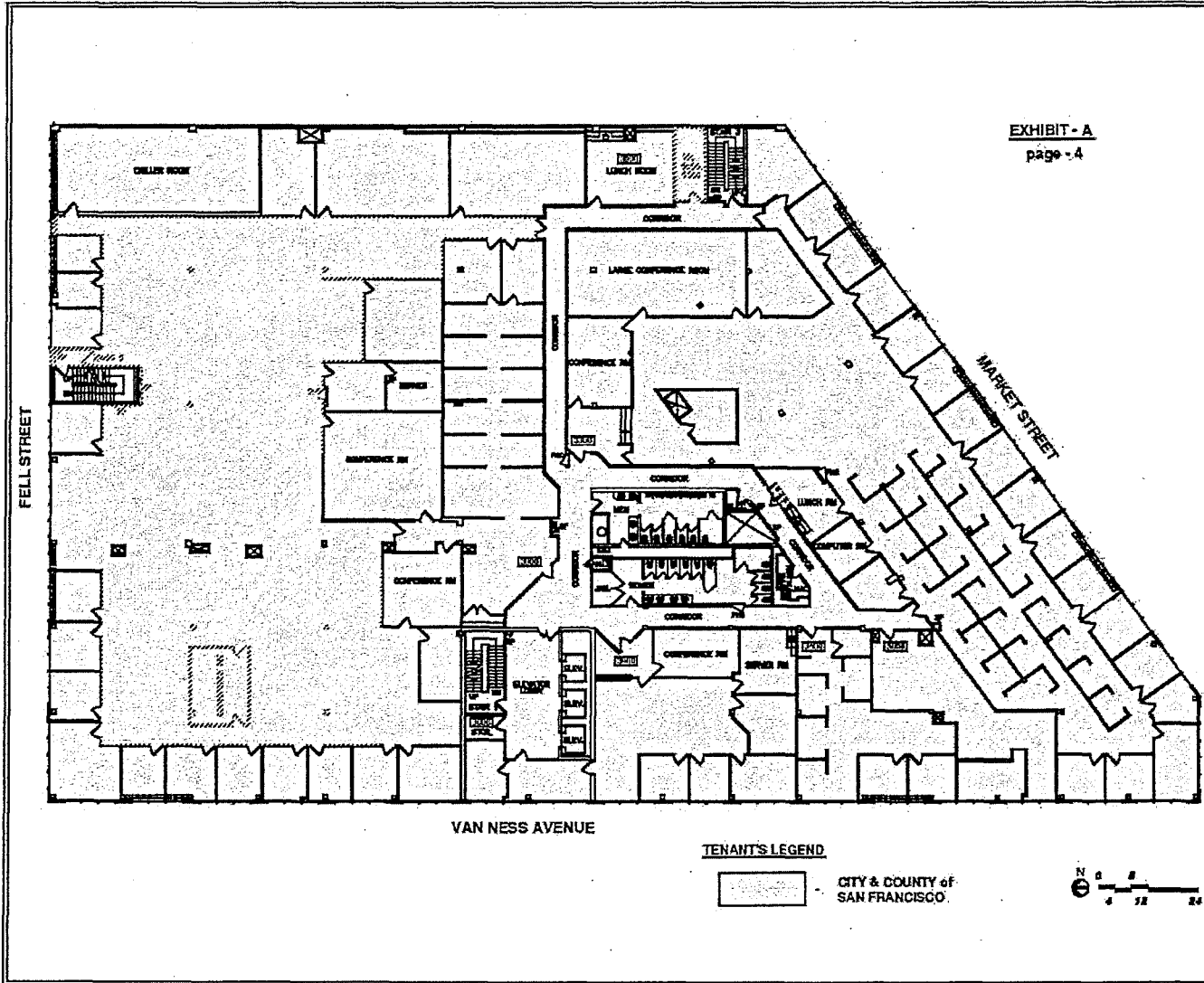


EXHIBIT - A
page - 4



30 VAN NESS AVENUE
SAN FRANCISCO, CA

SEARCH NO.	DATE	DESCRIPTION



PLUMB: _____
 DATE: _____
 SCALE: _____
 DRAWN BY: _____
 CHECKED BY: _____

PROJECT NUMBER: 0011
 THIRD FLOOR
 TITLE:
 A-3
 SHEET:
REVISIONS



3100 BELL STREET, SUITE 400
SAN FRANCISCO, CALIFORNIA 94115
TELEPHONE: 415-774-4000
FAX: 415-774-3700
WWW.SANFRANCISCOCA.GOV/REALTY

30 VAN NESS AVENUE
SAN FRANCISCO, CA

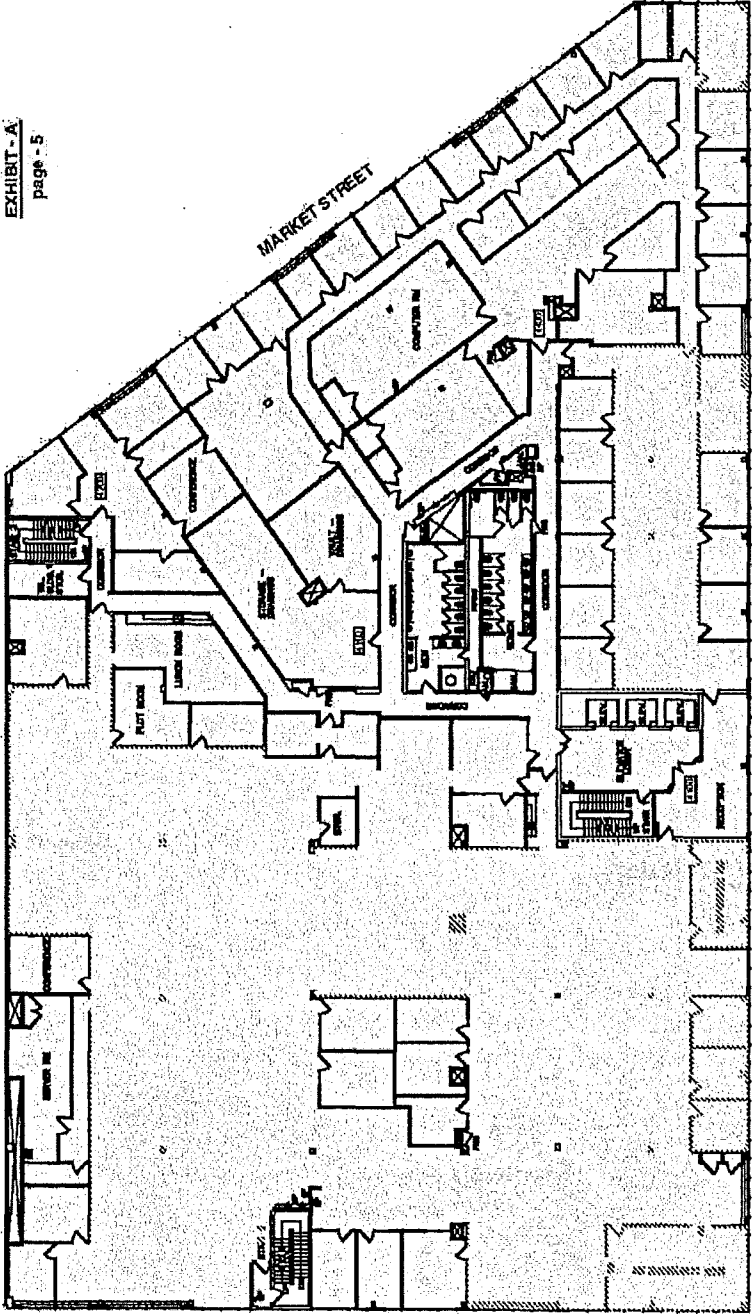
DATE	DESCRIPTION



DRAWN BY: []
DATE: []
SCALE: []
CHECKED BY: []
APPROVED BY: []

FOURTH FLOOR
A-4

EXHIBIT - A
page - 5



CITY & COUNTY of
SAN FRANCISCO



TENANT'S LEGEND

Van Ness Avenue
Market Street
Fell Street



City and County of San Francisco
REAL ESTATE DIVISION
100 MARKET STREET, SUITE 300
SAN FRANCISCO, CA 94102
Phone: (415) 376-2000
Fax: (415) 376-2001
www.sf.gov

30 VAN NESS AVENUE
SAN FRANCISCO, CA

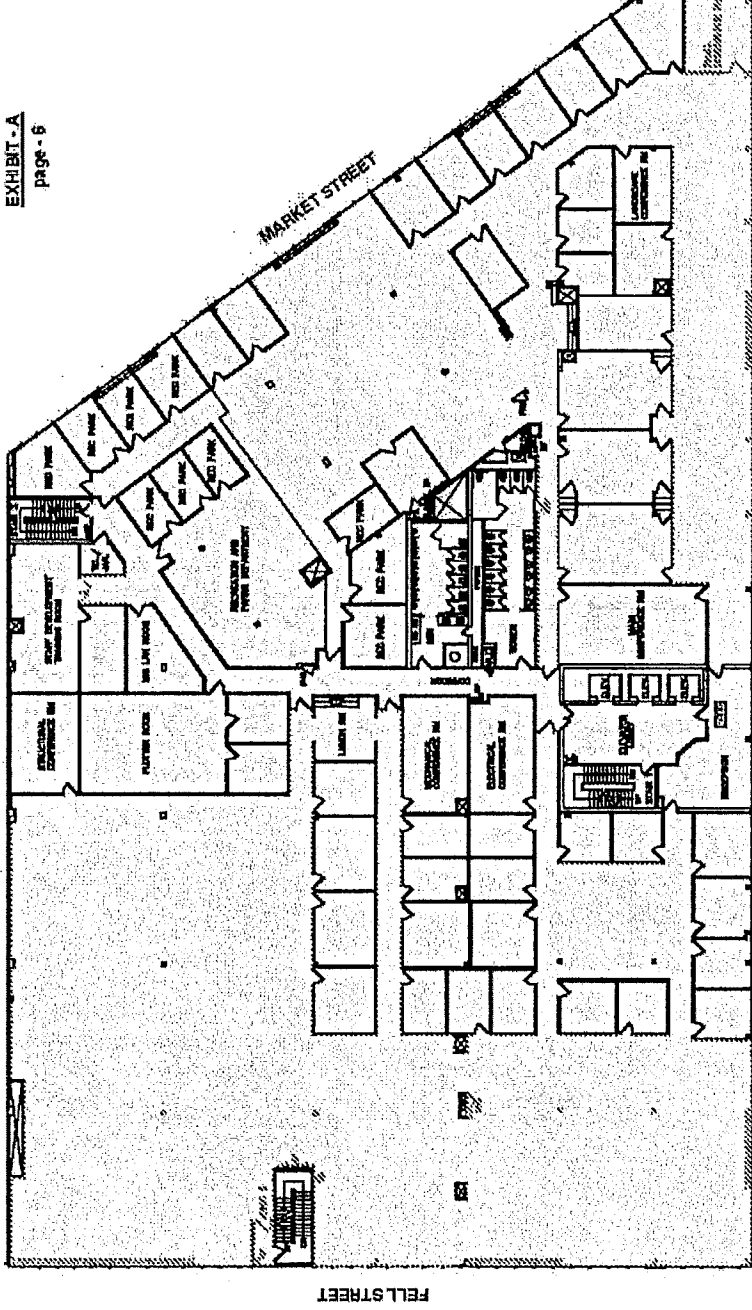
DATE	BY	REVISION



SCALE: _____
DATE: _____
BY: _____
CHECKED: _____
APPROVED: _____
REVISION: _____
DRAWN BY: _____

PROJECT NUMBER: 175
FIFTH FLOOR
A-5

EXHIBIT - A
PAGE - 6



TENANT'S LEGEND:
CITY & COUNTY of
SAN FRANCISCO

VAN NESS AVENUE

FELL STREET



City and County of San Francisco
REAL ESTATE DIVISION
2010 CALIFORNIA, 2010
10001 MARKET STREET, 4TH FLOOR
SAN FRANCISCO, CA 94102

30 VAN NESS AVENUE
SAN FRANCISCO, CA

DATE	REVISION

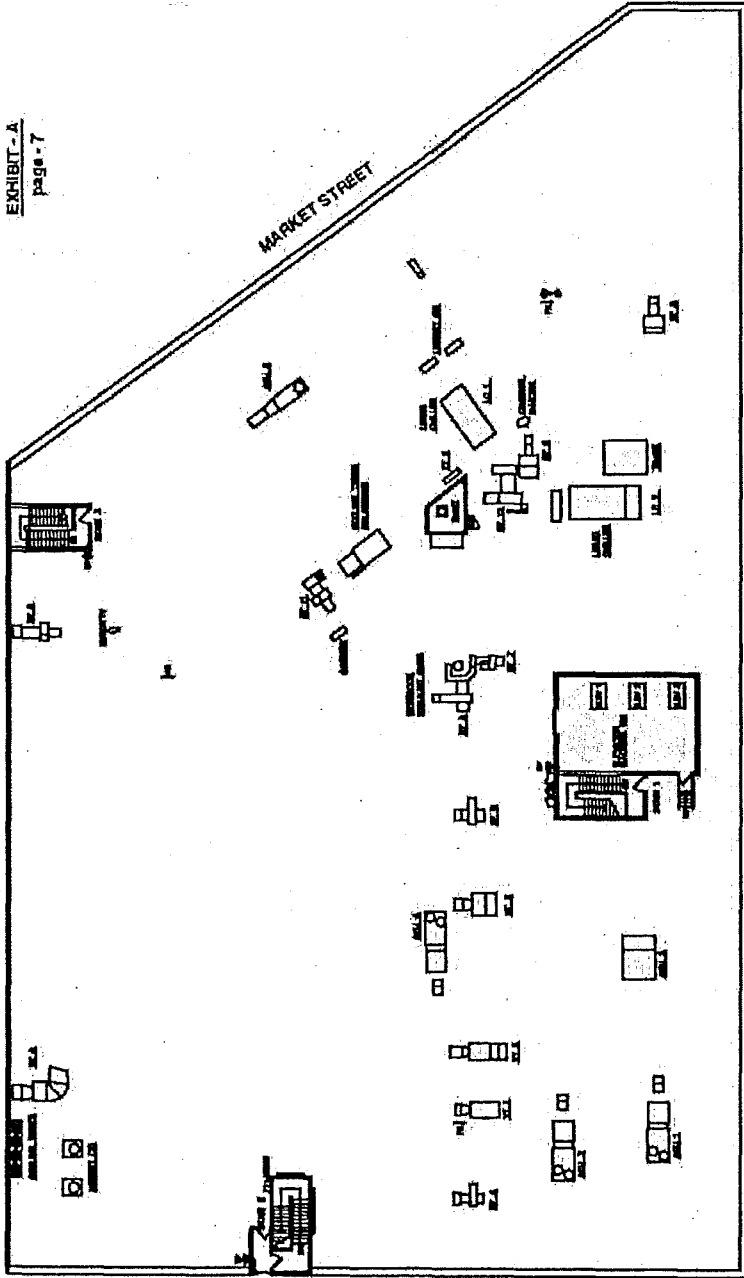


U.S. ARCHITECT
SAN FRANCISCO
SAN FRANCISCO
ARCHITECTS
ARCHITECTS

DATE 10/14/04
PROJECT NO. 04-000000
ROOF PLAN
A-R



EXHIBIT - A
page - 7

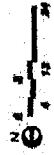


TENANTS LEGEND



CITY & COUNTY OF
SAN FRANCISCO

VAN NESS AVENUE



FELL STREET

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

Mr. John Updike
Director of Property
Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102

RE: Acknowledgement of Commencement Date, Lease Between _____ (Landlord),
and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 30
Van Ness located at 30 Van Ness Avenue, San Francisco, CA 94102.

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as
defined in Section 3.2 of the Lease) is _____, 20__.

Please acknowledge your acceptance of this letter by signing and returning a copy of this
letter.

Very truly yours,

By: _____
Name: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

BUILDING RULES AND REGULATIONS

BUILDING RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following rules and regulations (the "Rules and Regulations"). Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Building. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. In the event Tenant alters any lock or installs any new or additional locks or bolts on any doors or windows of the Building, Tenant shall immediately notify Landlord and furnish to Landlord at least one copy of any new keys not accessible under the Building's master key system. Tenant shall bear the cost of any lock changes or repairs required by Tenant. At any time during the term of the Lease, Tenant shall immediately furnish to Landlord any keys required for Landlord's access to the Demised Premises. Upon the termination of this Lease, Tenant shall turnover to Landlord all keys of stores, offices, and toilet rooms. In the event of the loss of keys, Tenant shall pay to Landlord the cost of replacing same or of changing the lock or locks opened by such lost key(s) if Landlord shall deem it necessary to make such changes.

2. All doors opening to public corridors shall be kept closed at all times, except for normal ingress and egress or routine loading and unloading to the Building.

3. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for comparable buildings in the area. Landlord recognizes that City may operate on a minimal staffing basis during Saturday and Sunday, but such hours will be of typical hours of operation on such days for comparable buildings in the area. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Building if it is after the normal hours of business for the Building. Any tenant, its employees, agents or any other persons entering or leaving the Building at any time when it is so locked, or any time when it is considered to be after normal business hours for the Building, may be required to sign the Building register. Access to the Building may be refused unless the person seeking access has proper identification or has a previously arranged pass for access to the Building. Upon Landlord's request, City shall promptly furnish the names of any passes furnished to persons by Tenant. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. The Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access, or cause Tenant to prevent access, to the Building during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. No furniture, freight or equipment that is not of a routine nature shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord reasonably designates. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Landlord shall have the right to review plans and locations for all safes and other heavy objects to direct measures to allow safes and other heavy objects if considered necessary by Landlord, such as placing them on supports of such thickness as is necessary to properly distribute the weight, or to prohibit them altogether if Landlord reasonably determines that it would compromise the Building structure. Landlord will not be responsible for loss of or damage to any such safe or property in any case. Any damage to any part of the Building, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility and expense of Tenant.

5. Landlord reserves the right at any time during the Lease to require that no furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be designated by Landlord.

6. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

7. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Building without the prior written consent of the Landlord. Signage within the City's Premises in the interior of the Building shall not require Landlord's consent, however, Landlord shall have the right to require Tenant to promptly remove any such additional signage at any time upon Landlord's request. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Building and shall cooperate with Landlord and its agents of Landlord to prevent same.

8. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose servants, employees, agents, visitors or Tenants shall have caused same.

9. Tenant shall not overload the floor of the Demised Premises, nor mark, drive nails or screws, or drill into the partitions, woodwork or drywall or in any way deface the Demised Premises or any part thereof without Landlord's prior written consent. Tenant shall not purchase spring water, ice, towel, linen, maintenance or other like services from any person or persons not approved by Landlord so long as such services are not already contractually engaged (as of the date of this Lease) and so long as any contractual services are not binding upon Landlord.

10. Except for vending machines intended for the sole use of any existing (as of the date of this Lease) Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated upon the Demised Premises without the written consent of Landlord.

11. Tenant shall not use or keep in or on the Building any kerosene, gasoline or other inflammable or combustible fluid, chemical, substance or material.

12. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than the Building's existing HVAC system that will be operated and maintained by the City under the terms of this Lease.

13. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Building, or permit or allow the Building to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors, or vibrations, or interfere with other tenants or those having business therein, whether by the use of any musical instrument, radio, phonograph, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

14. Tenant shall not bring into or keep within the Building any animals, birds, aquariums, or, except in areas designated by Landlord, bicycles or other vehicles.

15. No cooking shall be done or permitted within the Building, nor shall the Building be used for the storage or merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Building for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

16. The Demised Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Demised Premises provided for in the Lease. Except as may otherwise be permitted under this Lease or the Existing Retail Leases, Tenant shall not occupy or permit any portion of the Building to be occupied as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees in the Building except those actually working for such tenant in the Building or those contracted by Tenant to fulfill Tenant's Building management, repair and maintenance obligations under this Lease. Outside of the City's customary contracting process, in no event shall Tenant advertise for laborers giving an address at the Building.

17. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

18. Tenant, its employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any areas in or around the Building for the purpose of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Building.

19. Tenant shall not waste electricity, water or air conditioning and agrees to cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall refrain from unnecessarily adjusting any controls.

20. Tenant shall store all its trash and garbage within the interior of the Demised Premises or areas of the Building within which Tenant has access or a requirement to maintain under the Lease. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in Los Angeles, California without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate

21. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

22. Other than those companies already contracted by Tenant to perform janitorial work in the Building as of the Commencement Date of this Lease, any persons employed by Tenant to do janitorial work shall be subject to the prior written approval of Landlord, and while in the Building and outside of the Building, shall be subject to and under the control and direction of the Building manager (but not as an agent or servant of such manager or of Landlord), and Tenant shall be responsible for all act of such persons.

23. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens other than those already installed (as of the Commencement Date of this Lease) shall be attached to or hung in, or used in connection with, any window or door of the Demised Premises without Landlord's written consent. Any additional electrical ceiling fixtures hung (in addition to those installed as of the date of this Lease) in the Building or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance in writing by Landlord. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without the prior written consent of Landlord, unless such coating exists as of the date of this Lease. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings which are attached to the windows in the Building, if any, which have a view of any interior portion of the Building or Building Common areas.

24. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills.

25. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord, so long as such requests do not conflict with code or law.

26. Tenant must comply with the State of California "No Smoking" law set forth in California Labor Code Section 6404.5, and any local "No Smoking" ordinance which may be in effect from time to time and which is not superseded by such State law.

27. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Demised Premises. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Demised Premises closed, whether

or not Landlord, at its option, elects to provide security protection for the Demised Premises or any portion thereof. Tenant further assumes the risk that any safety and security devices, services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

28. Any additional office equipment of any electrical or mechanical nature (not already within the Premises as of the time of this Lease) shall be placed by Tenant in the Building in settings approved by Landlord, to absorb or prevent any vibration, noise and annoyance.

29. Tenant shall make reasonable efforts to use in any space or in the public halls of the Building, any hand trucks except those equipped with rubber tires and rubber side guards. Any damage caused by Tenant's use of hand trucks shall be the sole responsibility of the Tenant to repair at Tenant's sole cost.

30. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Building without the prior written consent of Landlord.

31. Tenant shall not use or permit the use of any portion of the Building for living quarters, sleeping apartments or lodging rooms.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Building and the Demised Premises, and for the preservation of good order therein, as well as the convenience of other occupants and tenants therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all tenants of the Building. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Building.

EXHIBIT D

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

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

Exempt from recording fees pursuant to Government
Code Section 27383.

Documentary Transfer Tax: NONE – Exempt pursuant
to San Francisco Business and Tax Regulations Code
Section 1105

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

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum"), dated for reference purposes as of March 30, 2017, is by and between _____, a _____ ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

Recitals

A. Concurrently herewith, Landlord and City have entered into that certain Lease, dated _____, 2017 (the "Lease"), pursuant to which Landlord leased to City and City leased from Landlord the real property more particularly described in the attached Exhibit E (the "Property"), which is incorporated by this reference.

B. Landlord and City desire to execute this Memorandum to provide constructive notice of the Lease to all third parties, and all of the terms and conditions of the Lease are incorporated herein by reference as if they were fully set forth herein and reference is made to the Lease itself for a complete and definitive statement of the rights and obligations of Landlord and City thereunder.

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Term. Pursuant to the terms of the Lease, Landlord leased the Property to City for a term commencing on the date Landlord delivers possession of the Property to City as set forth in the Lease. The Term of the Lease shall expire on March 31, 2020, subject to two (2) options to extend (subject to the terms and conditions of the Lease) for a period of one (1) year each, unless earlier terminated in accordance with the terms of the Lease.

2. Lease Terms. The lease of the Property to City is made pursuant to the Lease, which is incorporated in this Memorandum by reference. This Memorandum shall not be deemed to modify, alter or amend in any way the provisions of the Lease. In the event any

conflict exists between the terms of the Lease and this Memorandum, the terms of the Lease shall govern. Except as otherwise defined in this Memorandum, capitalized terms shall have the meanings given them in the Lease.

3. Successors and Assigns. This Memorandum and the Lease shall bind and inure to the benefit of the parties and their respective heirs, successors, and assigns, subject, however, to the provisions of the Lease.

IN WITNESS WHEREOF, Landlord and City have executed this Memorandum of Lease as of the day and year first above written.

LANDLORD:

_____, a _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a
municipal corporation,

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT E

Legal Description of Property

BEGINNING AT A POINT FORMED BY THE INTERSECTION OF THE
EASTERLY LINE OF VAN NESS AVENUE WITH THE SOUTHERLY LINE OF
FELL STREET; RUNNING THENCE SOUTHERLY ALONG THE EASTERLY LINE
OF VAN NESS AVENUE 275 FEET TO THE NORTHERLY LINE OF OAK STREET;
THENCE EASTERLY ALONG THE NORTHERLY LINE OF OAK STREET 24 FEET
10-1/4 INCHES TO ITS INTERSECTION WITH THE NORTHWESTERLY LINE OF
MARKET STREET; THENCE NORTHEASTERLY ALONG THE
NORTHWESTERLY LINE OF MARKET STREET 171 FEET 5-3/4 INCHES;
THENCE NORTHERLY, PARALLEL WITH THE EASTERLY LINE OF VAN NESS
AVENUE 174 FEET 9-3/4 INCHES TO THE SOUTHERLY LINE OF FELL STREET;
THENCE WESTERLY ALONG THE SOUTHERLY LINE OF FELL STREET 164
FEET TO THE POINT OF BEGINNING.

BEING A PORTION OF WESTERN ADDITION BLOCK NO. 70.

APN: Lot 004; Block 0835

EXHIBIT F
TENANT ESTOPPEL

[_____] , 2017

[_____]
[_____]
[_____]

Attention: [_____]

Re: [Lease], dated [_____] , by and between the City and County of San Francisco, or its predecessor in interest, as landlord ("**Landlord**"), and [_____] , a [_____] , as tenant, or its predecessor in interest, [as amended by the agreements described on **Exhibit A** hereto] (collectively, the "**Lease**"), at Unit/Suite No. [_____] , 30 Van Ness Street, San Francisco, California (the "**Property**")

Ladies and Gentlemen:

The following statements are made with the knowledge that Landlord and its successors and assigns, present and future owners of direct or indirect interests in the Property and present and future mortgage lenders to the Property owner or present or future mezzanine lenders to the direct or indirect owners of the Property owner (collectively, the "**Benefited Parties**") may rely on them.

The undersigned ("**Tenant**"), as tenant under the Lease, hereby certifies to Landlord, as well as to each of the Benefited Parties, as follows with respect to the premises demised under the Lease (the "**Premises**"):

1. The Lease constitutes the entire agreement between Landlord and Tenant with respect to the Premises. The Lease has not been amended, modified or supplemented [(except as set forth on **Exhibit A**)] and is in full force and effect and enforceable against Tenant in accordance with its terms. [If applicable: The guaranty, dated [_____] , that [_____] executed and delivered in connection with the Lease has not been amended or modified and remains in full force and effect.]

2. The amount of the security deposit delivered under the Lease is \$[_____] and said security deposit is in the form of [cash/letter of credit]. No portion of the security deposit has been applied by Landlord and not replenished by Tenant.

3. No notice has been given by Tenant alleging that Landlord is in default under the Lease, and to Tenant's knowledge, Landlord is not in default or breach in the performance of any covenant, agreement or condition contained in the Lease and no event has occurred which, with the passage of time, the giving of notice or both would constitute a default or breach by Landlord under the Lease.

4. Tenant has not assigned, transferred, pledged or otherwise encumbered its interest under the Lease, or subleased or licensed any portion of the Premises, except as follows:

5. There exists no defenses or offsets to the enforcement of the Lease by Landlord. Tenant is not entitled to any abatements, offsets, credits or deductions of the fixed rent[, **percentage rent**] or additional rent due under the Lease. Tenant has no present right to cancel or terminate the Lease under the terms thereof or otherwise.

6. Tenant has accepted possession and is in occupancy of the Premises [, **except as described in Section 4 hereof.**] All construction obligations, including tenant improvement work, required to be performed by Landlord within the Premises to make the same ready for Tenant's occupancy or otherwise has been completed, and all work allowances required to be paid by Landlord to Tenant have been paid in full in accordance with the terms of the Lease, except as follows:

7. The term of the Lease commenced on [_____] and expires on [_____] [, **subject to Tenant's remaining unexercised option[s] to the extend the term of the Lease for [an/____()] additional period[s] of _____ years [each]].**

8. Under the Lease, Tenant is obligated to pay current base rent at the rate of \$[_____] per month. [**Tenant is obligated to pay percentage rent equal to [__%] of [gross/net] sales in excess of [\$_____].**] All base rent [**and percentage rent**] payable under the Lease and all additional rent billed under the Lease have been paid through the date of this estoppel[, **except for unpaid charges of [\$_____]**]. No base rent, [**percentage rent,**] additional rent or other charges due under the Lease have been paid for more than one (1) month in advance of the date any such charge is due under the Lease.

9. Tenant's proportionate share of operating expenses and taxes is equal to _____ percent (____%) of the increases in operating expenses and taxes over a _____ Base Year. All additional rent (consisting of \$_____ per month for estimated increases in operating expenses and taxes) due under the Lease have been paid through the date of this estoppel.

10. No notice has been received by Tenant alleging that Tenant is in default under the Lease and, to Tenant's knowledge, Tenant is not in default or breach in respect of Tenant's obligations under the Lease and no event has occurred which, with the passage of time, the giving of notice or both would constitute a default or breach by Tenant under the Lease.

11. There are no actions, whether voluntary or otherwise, pending against Tenant [**or Guarantor**] under the bankruptcy laws of the United States or any state thereof. To the best of Tenant's knowledge, there are no claims or actions pending or threatened against Tenant [**and/or Guarantor**] which if decided against Tenant [**and/or Guarantor**] would materially and adversely affect Tenant's [**and/or Guarantor's**] ability to perform Tenant's [**and/or Guarantor's**] obligations under the Lease [**and Guaranty, as applicable**].

12. Tenant has no options to purchase, rights of first offer or rights of first refusal with respect to the Property or any part thereof or any interest therein. Tenant has no right to lease additional space in the Property except as set forth in the Lease.

13. This certificate has been duly authorized, executed and delivered by the Tenant and, as such, is binding on Tenant.

Tenant acknowledges that Landlord and each of the Benefited Parties shall have the right to rely hereon and the certifications made herein shall inure to the benefit of each such party, their affiliates and their respective successors and assigns.

[Signature page follows]

Dated: _____, 2017

[TENANT NAME],
a **[ENTITY NAME]**

By: _____
Name:
Title

EXHIBIT G

ASSIGNMENT OF INTANGIBLES

THIS ASSIGNMENT AND ASSUMPTION OF LICENSES, PERMITS AND INTANGIBLES AGREEMENT (this "Assignment") is made and entered into as of this ___ day of _____, 2017, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Assignor") and _____, a _____ ("Assignee").

WITNESSETH

WHEREAS, Assignor, as seller, and Assignee, as buyer, have entered into that certain Agreement for Sale of Real Estate, dated as of _____, 2017 (as the same may be amended, modified and/or supplemented from time to time, the "Agreement"); and

WHEREAS, under the Agreement, Assignor has agreed to assign to Assignee, and Assignee has agreed to accept and assume, any and all of Assignor's right, title and interest in and to any and all (i) existing warranties and guaranties issued to Seller in connection with the Real Property (as defined in the Agreement) or Personal Property (as defined in the Agreement), and (ii) all permits, licenses, approvals and authorizations related to the Real Property or Personal Property (collectively, the "Assigned Property"), in each case, to the extent such Assigned Property is assignable.

NOW, THEREFORE, effective as of the date written above, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

Assignor hereby assigns, sells, transfers, sets over and delivers unto Assignee as of the date written above, all of its rights, title and interest in and to the Assigned Property.

Assignee hereby assumes from and after the date written above the performance of all of the terms, covenants and conditions of the Assigned Property on Assignor's part to be performed thereunder.

This Assignment shall be binding upon, and inure to the benefit of, Assignor and Assignee and their respective successors and assigns.

If either party hereto fails to perform any of its respective obligations under this Assignment or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Assignment, 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 Assignment, 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 and 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.

This Assignment shall be governed by and construed in accordance with the laws of the State of California and City's Charter.

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

This Assignment may be executed in any number of counterparts, each of which shall be deemed an original, and all of which, together, shall constitute one and the same instrument.

Assignor and Assignee have executed this Assignment as of the day and year first written above.

ASSIGNEE:

a _____

By: _____
[NAME]

Its: _____

ASSIGNOR:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT H

LOCAL HIRE AND PREVAILING WAGE REQUIREMENTS

(a) Any undefined, initially-capitalized term used in this Exhibit H shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. If Buyer uses the Property for the construction, rehabilitation or expansion of three (3) or more residential units (a "Housing Project"), the requirements of San Francisco Administrative Code Section 23.62 (the "Local Hiring Requirements") will apply to the Housing Project. Buyer shall contact City's Office of Economic Workforce and Development ("OEWD") before starting any work on a Housing Project to confirm the specific requirements and otherwise coordinate on the successful completion of the Local Hiring Requirements.

For a Housing Project, Buyer shall include, and shall require its Contractors and Subcontractors to include, a requirement to comply with the Local Hiring Requirements in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.62. Each such Construction Contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Buyer shall cooperate, and require its Contractors and Subcontractors to cooperate, with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Local Hiring Requirements when required. Buyer's failure to comply with its obligations under this Section shall constitute a material breach of this Agreement. In addition, City shall have the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party (i.e., Buyer, a Contractor, or a Subcontractor, as applicable).

(b) Any undefined, initially-capitalized term used in this Exhibit H shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. If Buyer uses the Property for the construction of a Housing Project that will exceed the Threshold Amount, Buyer shall, and shall require its Contractors and Subcontractors to, comply with the applicable requirements in San Francisco Administrative Code Section 23.61, including, but not limited to, (1) paying workers performing such work not less than the Prevailing Rate of Wages, (2) providing the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, (3) complying with certain record keeping, posting, and audit requirements, such as maintaining weekly certified payroll records and submitting them to the City's Office of Labor Standard Enforcement ("OLSE") on request, and (4) employing Apprentices (collectively, "Prevailing Wage Requirements"). Buyer agrees to cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Buyer shall contact, and shall require its Contractors and Subcontractors to contact, OLSE before starting any work on a Housing Project to confirm the specific requirements and otherwise coordinate on the successful completion of the Prevailing Wage Requirements, including the electronic submission of certified payroll records if mutually acceptable to OLSE and the applicable party (i.e., Buyer, Contractor, or Subcontractor, as applicable).

Buyer shall include, and shall require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally

representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Buyer's failure to comply with its obligations under this Section shall constitute a material breach of this Agreement. A Contractor's or Subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party. For the current Rate of Prevailing Wages, see www.sfgov.org/olse/prevailingwages or call OLSE at 415-554-6235.

(c) At Closing, Buyer and City shall record against the Property in the Official Records of San Francisco a declaration in the form attached as Attachment 1 (the "**Project Declaration**"). On Buyer's receipt of a final certificate of occupancy for a Housing Project (a "**Completion Certificate**"), Buyer shall deliver a copy of the Completion Certificate to OEWD and OLSE, together with any documents or material not previously delivered to confirm Buyer's satisfaction of the Local Hiring Requirements and the Prevailing Wage Requirements. The Project Declaration shall automatically terminate on the fourth (4th) anniversary of the date of the Completion Certificate. If Buyer decides to build something other than a Housing Project on the Property, receives a final certificate of occupancy for such alternative project, and delivers a copy of such certificate to City's Director of Property, City's Director of Property shall execute and deliver to Buyer a release of the Project Declaration in the form attached as Exhibit B to the Project Declaration (the "**Release of Declaration**"). The Project Declaration shall continue and remain in full force and effect at all times with respect to the Former Street Property until the earlier to occur of the fourth (4th) anniversary of the date of the Completion Certificate and the date that OEWD delivers the Release of Declaration to Declarant.

ATTACHMENT 1

PROJECT DECLARATION

WHEN RECORDED MAIL TO:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

The undersigned hereby declares this instrument to be exempt from Recording Fees (Govt. Code § 27383) and from Documentary Transfer Tax (CA Rev. & Tax. Code § 11922 and SF Bus. and Tax Reg. Code § 1105)

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

APN: Lot 004 Block 0835

DECLARATION OF PROJECT WORK COVENANTS

(_____)

This Declaration of Project Work Covenants ("**Declaration**") is made as of _____, 2017, by _____, a _____ ("**Declarant**"), in favor of the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**").

RECITALS

A. Declarant owns certain real property in the City and County of San Francisco described and depicted in the attached Exhibit A (the "**Former City Property**"), which was owned by City immediately prior to the recordation of this Declaration in the Official Records of San Francisco.

B. Declarant may develop a mixed-use project on the Former City Property (the "**Declarant Project**"), which may include residential use. Under San Francisco Administrative Code Section 23.62, if the Former City Property is sold for the construction, rehabilitation or expansion of three (3) or more residential units (a "**Housing Project**"), the Local Hiring Requirements (as defined in Section 1 below) will apply to the construction of the Housing Project, and if the estimated project cost of the Housing Project will exceed the Threshold Amount (as defined in San Francisco Administrative Code Section 23.61), the Prevailing Wage Requirements (as defined in Section 2 below) will apply to the construction of the Housing Project.

D. As a condition of selling the Former City Property to Declarant, Declarant agreed to enter into this Declaration in its capacity as owner of the Former City Property to provide the terms and conditions for such requirements.

AGREEMENT

Now, therefore, in consideration of the City's conveyance of the Former City Property, Declarant agrees as follows:

1. Local Hiring Requirements. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. If Declarant uses the Former City Property for the construction, rehabilitation or expansion of a Housing Project, Declarant acknowledges the requirements of San Francisco Administrative Code Section 23.62 (the "**Local Hiring Requirements**") will apply to the Housing Project. Declarant shall contact City's Office of Economic Workforce and Development ("**OEWD**") before starting any work on a Housing Project to confirm the specific requirements and otherwise coordinate on the successful completion of the Local Hiring Requirements.

For a Housing Project, Declarant shall include, and shall require its Contractors and Subcontractors to include, a requirement to comply with the Local Hiring Requirements in any construction contract with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Declarant shall cooperate, and require its Contractors and Subcontractors to cooperate, with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Local Hiring Requirements when required. Declarant's failure to comply with its obligations under this Section shall constitute a material breach of this Declaration. In addition, City shall have the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party (i.e., Declarant, a Contractor, or a Subcontractor, as applicable).

2. Prevailing Wages and Working Conditions. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. If Declarant uses the Former City Property for the construction of a Housing Project and the estimated project cost of the Housing Project exceeds the Threshold Amount, Declarant shall, and shall require its Contractors and Subcontractors to, comply with the applicable requirements in San Francisco Administrative Code Section 23.61, including, but not limited to, (1) paying workers performing such work not less than the Prevailing Rate of Wages, (2) providing the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, (3) complying with certain record keeping, posting, and audit requirements, such as maintaining weekly certified payroll records and submitting them to the City's Office of Labor Standard Enforcement ("**OLSE**") on request, and (4) employing Apprentices (collectively, "**Prevailing Wage Requirements**"). Declarant

agrees to cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Declarant shall contact, and shall require its Contractors and Subcontractors to contact, OLSE before starting any work on a Housing Project to confirm the specific requirements and otherwise coordinate on the successful completion of the Prevailing Wage Requirements, including the electronic submission of certified payroll records if mutually acceptable to OLSE and the applicable party (i.e., Declarant, Contractor, or Subcontractor, as applicable). Declarant shall include, and shall require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Declarant's failure to comply with its obligations under this Section shall constitute a material breach of this Declaration. A Contractor's or Subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party. For the current Rate of Prevailing Wages, see www.sfgov.org/olse/prevailingwages or call OLSE at 415-554-6235.

3. Enforcement. City, but not the general public, may, in its sole discretion, rely on this Declaration to enforce any of the covenants hereunder in addition to any other rights and remedies available to City at law or in equity, including, but not limited to, City's rights under the San Francisco Administrative Code. City shall have the right, but not the obligation, to enforce the Local Hiring Requirements and the Prevailing Wage Requirements and to assess penalties for noncompliance in the amounts specified in San Francisco Administrative Code Sections 23.61 and 23.62. Accordingly, City may sue for and obtain an injunction for specific performance to prevent the breach of or to enforce the observance of the Local Hiring Requirements and the Prevailing Wage Requirements, as well as to pursue any additional rights or remedies available at law or in equity. All rights and remedies available to City under this Declaration or at law or in equity shall be cumulative and not alternative, and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other available right or remedy. If there is any breach of the covenants hereunder, City shall be entitled to recover all attorneys' fees and costs in connection with City's enforcement activities and actions.

Nothing contained herein shall be deemed to be a gift or dedication to the general public or for any public purposes whatsoever, nor shall it give rights to any party other than the City. Without limiting the foregoing, nothing herein creates a private right of action by any person or entity other than the City. City's failure to enforce any of the restrictions set forth in this Declaration at the time of its violation shall in no event be deemed a waiver of a right to do so subsequently.

4. Binding on Successors; No Merger. This Declaration and the covenants and restrictions set forth herein constitute restrictions and covenants running with the land and shall bind and burden Declarant, in its capacity as owner of the Former City Property, and any successor owner or occupier of the Former City Property (each, a "**Successor Owner**").
5. Priority of Lien. No violation or breach of any provision of this Declaration shall impair, defeat or invalidate the lien of any senior encumbrance, but all provisions hereof shall thereafter be binding upon and effective against any Successor Owner whose title is derived through foreclosure of any encumbrance or acceptance of any deed in lieu of foreclosure.
6. No Waiver. No waiver by City of any violation under this Declaration shall be effective or binding unless and to the extent expressly made in writing by City, and no such waiver may be implied from any failure by City to take action with respect to such violation. No express written waiver of any violation shall constitute a waiver of any subsequent violation in the performance of the same or any other provision of this Declaration.
7. Severability. Should any provision or portion hereof be declared invalid or in conflict with any law, the validity of all remaining provisions shall remain unaffected and in full force and effect.
8. Nature and Purpose of Covenants; Run with the Land. The Local Hiring Requirements and the Prevailing Wage Requirements are for the burden of the Property, Declarant, and each Successor Owner and for the benefit of City. All of such covenants and restrictions are intended to be and are hereby declared to be covenants running with the land pursuant to California Civil Code Section 1460 *et seq.* Declarant and each Successor Owner (excluding any governmental agency), by accepting fee title to some or all of the Former City Property, agrees to be bound by and subject to all of the restrictions, covenants, and limitations set forth in this Declaration.
9. Duration; Release of Declaration. On Declarant's receipt of a final certificate of occupancy for a Housing Project (a "**Completion Certificate**"), Declarant shall deliver a copy of the Completion Certificate to OEWD and OLSE, together with any documents or material not previously delivered to confirm Declarant's satisfaction of the Local Hiring Requirements and the Prevailing Wage Requirements. This Declaration shall automatically terminate on the fourth (4th) anniversary of the date of the Completion Certificate. If Declarant decides to build something other than a Housing Project on the Former City Property, receives a final certificate of occupancy for such alternative project, and delivers a copy of such certificate to City's Director of Property, City's Director of Property shall execute and deliver to Declarant a release of the Project Declaration in the form attached as Exhibit B (the "**Release of Declaration**"). This Declaration shall continue and remain in full force and effect at all times with respect to the Former City Property until the earlier date (the "**Termination Date**") to occur of (a) the fourth (4th) anniversary of the date of the Completion Certificate and (b) the date that OEWD delivers the Release of Declaration to Declarant. At Declarant's request, City shall execute any reasonable documentation required to remove the lien of this Declaration from the Former City Property after the Termination Date.

10. Release, Waiver and Indemnification. Neither the City nor any of its commissions, departments, boards, officers, agents or employees (collectively, the "**City Parties**") shall be liable for any breach of any of the Local Hiring Requirements or the Prevailing Wage Requirements, for the failure to monitor or enforce any of the Local Hiring Requirements or the Prevailing Wage Requirements, or for any matter relating to this Declaration or the construction or development of any project at the Former City Property (collectively, the "**Released Matters**"). Declarant, on its own behalf and on behalf of its successors in interest to the Former City Property, fully RELEASES, WAIVES AND DISCHARGES forever any and all claims against, and covenants not to sue, the City Parties for anything arising from or relating to the Released Matters. Declarant acknowledges that the releases contained herein includes all known and unknown, direct and indirect, disclosed and undisclosed, and anticipated and unanticipated claims. The foregoing waiver, release and indemnification shall survive any expiration or termination of this Declaration.

11. Severability. Should the application of any provision of this Declaration to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Declaration shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of the Declarant and shall be reformed to the extent necessary to make such provision valid and enforceable.

12. No Joint Venturers or Partnership; No Authorization. This Declaration does not create a partnership or joint venture between City, Declarant or any Successor Owner as to any activity conducted by Declarant or any Successor Owner in connection with a Housing Project or otherwise at the Former City Property. Neither Declarant nor any Successor Owner shall be deemed a state actor with respect to any activity conducted by such party on, in, around or under the Former City Property.

13. General Provisions. (a) This Declaration may be amended or modified only by a writing signed by the City and Declarant or any Successor Owner. (b) No waiver by City of any of the provisions of this Declaration shall be effective unless in writing and signed by City, and only to the extent expressly provided in such written waiver. No waiver shall be deemed a subsequent or continuing waiver of the same, or any other, provision of this Declaration. (c) All approvals and determinations of City requested, required or permitted hereunder may be made in the sole and absolute discretion of the City's Labor Standards Enforcement Officer or his or her designee with respect to the Prevailing Wage Requirements, and the Director of OEWD or his or her designee with respect to the Local Hire Requirements. (d) This Declaration contains the entire agreement between the parties and all prior written or oral negotiations, discussions, understandings and agreements are merged herein. (e) The section and other headings of this Declaration are for convenience of reference only and shall be disregarded in the interpretation of this Declaration. (f) Time is of the essence in each and every provision hereof. (g) This Declaration shall be governed by and construed in accordance with California law. (h) If Declarant, any Successor Owner, or City commences an action or a dispute arises under this Declaration, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and costs. For purposes hereof, reasonable attorneys' fees of the City shall be based on the fees regularly charged by private attorneys in San Francisco with comparable

experience notwithstanding the City's use of its own attorneys. (i) If any Successor Owner consists of more than one person or entity, then the obligations of each such person or entity shall be joint and several.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first written above.

DECLARANT:

a _____

By: _____

Name: _____

Title: _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

[Name]
Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

[Name]
Deputy City Attorney

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

Legal Description and Depiction of Former City Property

EXHIBIT B

Form of Release of Declaration

WHEN RECORDED MAIL TO:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

The undersigned hereby declares this instrument to be exempt from Recording Fees (Govt. Code § 27383) and from Documentary Transfer Tax (CA Rev. & Tax. Code § 11922 and SF Bus. and Tax Reg. Code § 1105)

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

APN: _____

TERMINATION OF PROJECT WORK COVENANTS

(_____)

This Termination of Project Work Covenants ("**Termination**") is made as of _____, 20____, by the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**").

A. Pursuant to a Quitclaim Deed recorded in the Official Records of San Francisco County on _____ as Document No. _____, City sold certain real property in the City and County of San Francisco described in the attached Exhibit A (the "**Former City Property**") to _____, a _____ ("**Buyer**").

B. At the time Buyer acquired the Former City Property from City, Buyer intended to use the Former City Property to _____.

C. As further described in that certain Declaration of Project Work Covenants recorded in the Official Records of San Francisco County on _____ as Document No. _____ (the "**Declaration**"), if the Former City Property was sold for the construction, rehabilitation or expansion of three (3) or more residential units (a "**Housing Project**"), the requirements of San Francisco Administrative Code Section 23.62 would apply to the Housing Project, and if the estimated project cost of the Housing Project exceeded the Threshold Amount (as defined in San Francisco Administrative Code Section 23.61), the

requirements of San Francisco Administrative Code Section 23.61 would apply to the Housing Project.

D. As a condition of selling the Former City Property to Buyer, Buyer agreed to enter into the Declaration.

E. Buyer or its successor in interest to the Former City Property used the Former City Property for the construction of a non- Housing Project development, and City agrees the Declaration is terminated in its entirety.

F. This Termination shall bind and inure to the benefit of the parties and their respective heirs, successors, and permitted assigns.

IN WITNESS WHEREOF, City has executed this Termination of Project Work Covenants as of the day and year first above written.

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

By: _____
[Name]
Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

Legal Description of Former City Property

EXHIBIT I

NOTICE OF SPECIAL RESTRICTION

FREE RECORDING PURSUANT TO
GOVERNMENT CODE SECTION 27383
REQUESTED BY AND WHEN RECORDED RETURN TO:

Mayor's Office of Housing and
Community Development
City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94102
Attention: Director

Property Address: 30 Van Ness Avenue,
San Francisco, CA 94102

APN 0835/004

(Space Above This Line for Recorder's Use)

NOTICE OF SPECIAL RESTRICTIONS UNDER PLANNING CODE

The undersigned, _____, ("Owner") the owner of that certain real property situated in the City and County of San Francisco, State of California ("City") more particularly described as follows: (see 'Exhibit A' for full legal description of the property)

**BEING ASSESSOR'S BLOCK 0835 / LOT 004
AND 30 VAN NESS AVENUE**

hereby give notice that there are special restrictions on the use of said property under Part II, Chapter II of the San Francisco Municipal Code (Planning Code).

Said Restrictions consist of conditions included in the "Agreement for Sale of Real Estate" (the "Agreement") authorized by the Board of Supervisors of the City and County of San Francisco on _____, 2017, as set forth in Resolution No. ____•17 approving a purchase and sale agreement dated February 21, 2017 between the City and Owner for the City's sale of 30 Van Ness Avenue in San Francisco (the "Property"). Owner may elect to redevelop the Property as residential housing (a "Residential Project").

The restrictions and conditions of which notice is hereby given are:

1. Compliance with Section 415 and these Restrictions. Owner, on behalf of itself and its successors and assigns, its and their tenants and licensees, and all persons claiming by and through them (the "Owner Parties"), agrees and covenants with the City, its successors and assigns, and for the benefit of the City, that if the Property is redeveloped as a Residential Project, Owner will comply with Section 415 of the Planning Code through the provision of on-site units or off-site units (as those terms are defined by Section 401 of City's Planning Code) in accordance with this Notice of Special Restrictions.
2. Residential Project with Less than Twenty-Five Units. If the Property is redeveloped as a Residential Project with ten or more residential units but less than twenty-five residential units, the requirements of the Planning Code, including but not limited to Section 415 et seq. will apply.
3. Residential Project with Twenty-Five or More Units.

If the Property is redeveloped as a Residential Project with twenty-five or more residential units, the requirements of the Planning Code, including but not limited to Section 415 et seq. will apply, except that the Residential Project shall be required to meet or exceed either: (i) the "Minimum Affordable Onsite Units" (as defined in Section 4(a) below); (ii) the "Minimum Affordable Offsite Units" (as defined in Section 4(b) below); or (iii) a combination of both (collectively, referred to as "BMR Units"). For the avoidance of doubt, the satisfaction of the requirements of this Notice of Special Restrictions may be through rental units, for-sale units or any combination thereof as Owner Parties may elect in their sole discretion. Owner's compliance with these Restrictions shall satisfy in full the affordable housing requirements under Section 415 of the City's Planning Code (as modified by Charter Section 16.110(g)) to the extent applicable to the Property and shall not be in addition to those requirements.

4. Definitions.

(i) "Lower Income" households shall be defined as households whose total household income does not exceed 55% of Area Median Income ("AMI") for purposes of renting an affordable unit, or 80% of AMI for purposes of purchasing an affordable unit as AMI is determined under the income table produced by the Mayor's Office of Housing annually called "Maximum Income by Household Size derived from the Unadjusted Area Median Income for HUD Metro Fair Market Rent Area that contains San Francisco"; except that in the event of a conflict between the AMI levels provided herein and the AMI levels applicable to the Residential Project under applicable project approvals, the project approvals will prevail.

(ii) "Minimum Affordable Onsite Units" shall mean the provision of inclusionary on-site units (as defined by Section 401 of City's Planning Code) pursuant to Section 415 of the City's Planning Code as administered by City's Mayor's Office of Housing and Community Development in an amount not less than 25% of all residential units constructed on the Property, with 15% of the residential units affordable to "Lower Income" or very low-income households and 10% of the residential units affordable to "Middle Income" households

(as those terms are defined in Section 4(c) and 4(d) below), and subject to all otherwise applicable requirements of Section 415.6.

(iii) “Minimum Affordable Offsite Units” shall mean the provision of inclusionary off-site units (as defined by Section 401 of the City’s Planning Code) as administered by City’s Mayor’s Office of Housing and Community Development, for not less than 33% of all residential units constructed on the Property, with 20% of the units affordable to Lower Income and very low-income households and 13% of the units affordable to Middle Income households and subject to all otherwise applicable requirements of Section 415.7;

(iv) “Middle Income” households shall mean households whose total household income does not exceed 100% of AMI for purposes of renting an affordable unit, or 120% of AMI for purposes of purchasing an affordable unit as AMI is determined under the income table produced by the Mayor’s Office of Housing annually called “Maximum Income by Household Size derived from the Unadjusted Area Median Income for HUD Metro Fair Market Rent Area that contains San Francisco”, except that in the event of a conflict between the AMI levels provided herein and the AMI levels applicable to the Residential Project under applicable project approvals, the project approvals will prevail.

5. Duration. The BMR Units shall remain affordable for the period of time that the Property is used for a Residential Project, consistent with the terms of the Agreement and as otherwise specified in the Agreement.

6. Other Conditions. The Residential Project is subject to the requirements of the City and County of San Francisco Inclusionary Affordable Housing Program Monitoring and Procedures Manual (“Procedures Manual”). The Procedures Manual, as amended from time to time, is incorporated herein by reference, as published and adopted by the Planning Commission. Terms used in this Notice of Special Restrictions and not otherwise defined shall have the meanings set forth in the Procedures Manual. A copy of the Procedures Manual can be obtained at the Mayor’s Office of Housing and Community Development (“MOHCD”) at 1 South Van Ness Avenue or on the Planning Department or MOHCD’s websites, including on the internet at:

<http://sf-planning.org/sites/default/files/FileCenter/Documents/9152-Inclusionary%20Procedures%20Manual%20051013.pdf>

As provided in the Inclusionary Affordable Housing Program, the applicable Procedures Manual is the manual in effect at the time the subject units are made available for rental or sale.

For Information about compliance, contact the Mayor’s Office of Housing and Community Development at 415- 701-5500, www.sf-mob.org.

a. If individual apartment units are offered for sale, the required number of affordable unit(s) shall be sold to first time home buyer households, as defined in the Procedures Manual, that are Lower Income or Middle Income households (as defined in Section 4 above). The initial sales price of such units shall be calculated according to the Procedures Manual. Limitations on (i) reselling;

- (ii) renting; (iii) recouping capital improvements; (iv) refinancing; and (v) procedures for inheritance apply and are set forth in the Procedures Manual.
- b. The Project Sponsor is responsible for following the marketing, reporting, and monitoring requirements and procedures as set forth in the Procedures Manual. MOHCD shall be responsible for overseeing and monitoring the marketing of affordable units. The Project Sponsor must contact MOHCD at least six months prior to the beginning of for sale marketing for any unit in the building.
 - c. If parking spaces are constructed as part of the Residential Project, they shall be made available to initial buyers or renters of affordable units in the manner and to the extent required under the Procedures Manual, except that in the event of a conflict between the parking requirements under the Procedures Manual and the applicable project approvals, the project approvals will prevail.
 - d. The Owner's failure to comply with the requirements of this Notice of Special Restrictions shall constitute cause for the City to record a lien against the Property and to pursue any and all available remedies at law.

The use of said property contrary to these special restrictions shall constitute a violation of the Planning Code, and no release, modification or elimination of these restrictions shall be valid unless notice thereof is recorded in the Land Records by the Zoning Administrator of the City and County of San Francisco; except that in the event that the zoning standards above are modified so as to be less restrictive and the uses therein restricted are thereby permitted and in conformity with the provisions of the Planning Code, this document would no longer be in effect and would be null and void.

(Signature page and notary acknowledgments follow)

a _____

By: _____

Its: _____

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

State of California)
 ss.
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

SCHEDULE A

LEGAL DESCRIPTION

The land referred to herein is situated in the City and County of San Francisco, State of California, described as follows:

BEGINNING AT A POINT FORMED BY THE INTERSECTION OF THE EASTERLY LINE OF VAN NESS AVENUE WITH THE SOUTHERLY LINE OF FELL STREET; RUNNING THENCE SOUTHERLY ALONG THE EASTERLY LINE OF VAN NESS AVENUE 275 FEET TO THE NORTHERLY LINE OF OAK STREET; THENCE EASTERLY ALONG THE NORTHERLY LINE OF OAK STREET 24 FEET 10-1/4 INCHES TO ITS INTERSECTION WITH THE NORTHWESTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG THE NORTHWESTERLY LINE OF MARKET STREET 171 FEET 5-3/4 INCHES; THENCE NORTHERLY, PARALLEL WITH THE EASTERLY LINE OF VAN NESS AVENUE 174 FEET 9-3/4 INCHES TO THE SOUTHERLY LINE OF FELL STREET; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF FELL STREET 164 FEET TO THE POINT OF BEGINNING.

BEING A PORTION OF WESTERN ADDITION BLOCK NO. 70.

APN: Lot 004; Block 0835



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: July 9, 2015
Case No. 2015-008571GPR
30 Van Ness Avenue – Sale of City-owned four story office building over ground floor retail/commercial.

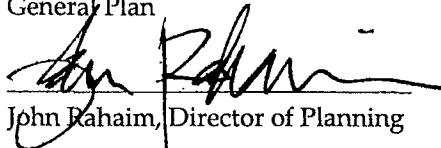
Block/Lot No: 0835/004

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: Nicholas Perry – (415) 575-9066
nicholas.perry@sfgov.org

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

Recommended By: 
John Rahaim, Director of Planning

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROJECT DESCRIPTION

On July 8, 2015, 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 property at 30 Van Ness Avenue. The property is currently a four story office building occupied by a variety of City offices with retail/commercial on the ground floor. The existing uses would be retained until City lease-back of the building terminates, no later than 12/31/2018. The future use is not known at this time, but any proposal must comply with the policies and guidelines set forth in the San Francisco General Plan.

ENVIRONMENTAL REVIEW

Categorically Exempt under CEQA Guidelines Section 15312, or Class 12: Surplus Government Property Sales.

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*.

Market and Octavia 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.

POLICY 1.1.5

Reinforce the importance of Market Street as the city's cultural and ceremonial spine.

The proposed sale of 30 Van Ness Avenue could allow for redevelopment of the site with a project in keeping with the Market and Octavia Plan's policies, which seek to concentrate high-density and active uses at the Market and Van Ness intersection.

OBJECTIVE 1.2

ENCOURAGE URBAN FORM THAT REINFORCES THE PLAN AREA'S UNIQUE PLACE IN THE CITY'S LARGER URBAN FORM AND STRENGTHENS ITS PHYSICAL FABRIC AND CHARACTER.

POLICY 1.2.2

Maximize housing opportunities and encourage high-quality commercial spaces on the ground floor.

POLICY 1.2.5

Mark the intersection of Van Ness Avenue and Market Street as a visual landmark.

The proposed sale of 30 Van Ness Avenue could allow for redevelopment of the site with a project that potentially maximizes housing opportunities, includes high-quality ground floor commercial space, and helps to mark the Market Street and Van Ness Avenue intersection as a visual landmark.

OBJECTIVE 2.4

PROVIDE INCREASED HOUSING OPPORTUNITIES AFFORDABLE TO HOUSEHOLDS AT VARYING INCOME LEVELS.

The proposed sale of 30 Van Ness Avenue could allow for redevelopment of the site with a project which helps the city provide additional affordable housing, either on-site or via in-lieu fees.

HOUSING ELEMENT

OBJECTIVE 1

IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.

Policy 1.10

Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.

OBJECTIVE 13

PRIORITIZE SUSTAINABLE DEVELOPMENT IN PLANNING FOR AND CONSTRUCTING NEW HOUSING

Policy 13.1 Support "smart" regional growth that locates new housing close to jobs and transit.

The proposed sale of 30 Van Ness Avenue could allow for the redevelopment of the site with a new housing project which supports the City's goals of providing new housing in transit-rich areas.

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. Ground floor retail uses would be included in any reuse/redevelopment of the site.
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 and any potential redevelopment of the site would be in conformance with the policies of the General Plan.

3. That the City's supply of affordable housing be preserved and enhanced.
The proposed property sale will not directly 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. Commercial office uses are limited by the San Francisco Planning Code's Van Ness & Market Downtown Residential Special Use District.
6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.
Pending lease-back termination, the proposed property sale will result in relocation of City operations currently located at the site to a more resilient asset in the greater Civic Center area, facilitating better public sector responsiveness in the event of an emergency.
7. That landmarks and historic buildings be preserved.
The proposed property sale will not affect 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
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cc: John Updike, Real Estate Division

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OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
EDWIN M. LEE
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 FEB 28 PM 4:24

TO: Angela Calvillo, Clerk of the Board of Supervisors ^{BY} *OK*
FROM: *for* Mayor Edwin M. Lee *[Signature]*
RE: Sale of City Property to Lendlease Development, Inc. – 30 Van Ness
Avenue - \$70,000,000
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 Lendlease Development, Inc. for the sale of City-owned property located at 30 Van Ness Avenue for \$70,000,000, 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; and urging the Mayor's Office of Housing and Community Development and the Planning Department to explore certain development strategies relating to affordable housing at the site in connection with any future development.

Please note that this legislation is co-sponsored by Supervisor Kim.

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

170214

**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 *(Please print clearly.)*

Name of contractor: Lendlease Development, Inc.
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>
<p>1. <i>Board of Directors:</i></p> <ul style="list-style-type: none"> a. David A. Crawford b. Stephen B. McCann c. Colin B. Carter d. Phil Coffey e. Phillip M. Colebatch f. David Craig g. Steve B. Dobbs h. Jane S. Hemstritch i. David J. Ryan j. Michael J. Ullmer k. Nicola M. Wakefield Evans <p>2.</p> <ul style="list-style-type: none"> - Group Chief Executive Officer and Managing Director – Steve B. McCann - Group Chief Financial Officer – Tarun Gupta - Chief Executive Officer International Operations & Europe – Dan Labbad <p>3. None</p> <p>4. None</p> <p>5. No political committees sponsored or controlled.</p>

Contractor address: Lendlease Development, Inc. 71 Stevenson Street, Suite 800; San Francisco, CA 94105
--

Date that contract was approved:	Amount of contract: \$74,500,000.00
----------------------------------	--

Describe the nature of the contract that was approved: Purchase and Sale Agreement for sale of City-owned property at 30 Van Ness Avenue for \$70 Million; Leaseback to City at base rent of \$4,500,000 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

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Clerk of the Board, Angela Calvillo	Contact telephone number: 415-554-5184
Address: City Hall, Room 244, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

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