

File No. 160091

Committee Item No. 4

Board Item No. 9

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date March 9, 2016

Board of Supervisors Meeting

Date April 5, 2016

Cmte Board

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OTHER

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Completed by: Victor Young Date March 4, 2016

Completed by: Victor Young Date March 10, 2016

AMENDED IN COMMITTEE

3/9/16

FILE NO. 160091

RESOLUTION NO.

1 [Industrial Lease Agreement - Tanforan Industrial Park, LLC - Bus Operator Training Courses
2 - \$2,480,304 Initial Annual Base Rent]

3 **Resolution authorizing the San Francisco Municipal Transportation Agency (SFMTA) to**
4 **execute an Industrial Lease Agreement with Tanforan Industrial Park, LLC, for**
5 **approximately 7.3 acres of space located at 30 Tanforan Avenue, South San Francisco,**
6 **to be used for SFMTA bus operator training courses for a nine year and five month**
7 **term estimated to be from October 1, 2016, through February 28, 2026, with an initial**
8 **annual base rent of \$2,480,304 and annual 2% rent increases; the lease includes a**
9 **purchase option, right of first refusal, and an extension option.**

10
11 WHEREAS, There has been a 10% growth in Muni service hours and an additional 2%
12 growth projected to meet the City's transit needs; and

13 WHEREAS, It is expected that future transit service needs will need to be increased to
14 support the projected growth in the City; and

15 WHEREAS, The San Francisco Municipal Transportation Agency ("SFMTA") has
16 recently hired new Muni operators to meet this service need which has been a key component
17 of delivering 99% of service and increasing on time performance; and

18 WHEREAS, Each new operator requires at least 44 days of training, which includes on-
19 and off-road experience for skill development and DMV testing; and

20 WHEREAS, Training is not limited exclusively for new hires but is an ongoing
21 requirement to ensure safety; and

22 WHEREAS, A bus operator training course requires approximately 6-8 acres of
23 improved land, and access to such parcels of land to meet such needs are very limited in San
24 Francisco and surrounding communities; and

1 WHEREAS, SFMTA does not have a dedicated training resource within its existing real
2 estate portfolio to adequately accommodate its new hire training classes which has negatively
3 impacted the ability to deliver adequate transit services and will continue to do so until a
4 dedicated resource is available as needed by SFMTA for ongoing and continual operator
5 training; and

6 WHEREAS, SFMTA has sought to conduct behind-the-wheel training through short-
7 term leasing or licensing, but in most cases, the locations sought were either not available at
8 the level of consistency required by the Training Section or the sites were not adequate in
9 size, use or improvement; and

10 WHEREAS, The property at 30 Tanforan Avenue, South San Francisco, San Mateo
11 County Assessor's Parcel Number 014-250-090 was identified and deemed the best solution
12 by MTA Transit and Training units for providing an adequate, consistent and reliable location
13 for bus operator training; and

14 WHEREAS, SFMTA desires to execute a nine year and five month lease ("Lease") with
15 Tanforan Industrial Park, LLC ("Lessor"); and

16 WHEREAS, The lease agreement includes the following key terms and conditions:

17 (a) Term. The Term of the Lease is nine years and five months.

18 (b) Rent. Under the Lease, SFMTA will pay an initial annual base rent of \$2,480,304
19 (\$.65 per square foot), with annual rent increases of two percent.

20 (c) Purchase Option. SFMTA will have the right to exercise a Purchase Option to
21 acquire the property in years seven through nine.

22 (d) Right of First Refusal. SFMTA will have a Right of First Refusal to acquire the
23 property throughout the entire term of the Lease.

24 (e) Option to Extend. SFMTA will have an option, exercisable in SFMTA's sole
25 discretion, to extend the term of the Lease.

1 WHEREAS, On January 19, 2016, the SFMTA Board of Directors approved Resolution
2 No. 16-011 authorizing the Director of Transportation of the SFMTA to execute the Lease and
3 to forward to the Board of Supervisors for final approval; and

4 WHEREAS, A copy of the Lease, including all exhibits, is on file with the Clerk of the
5 Board of Supervisors in File No. 160091, which is hereby declared to be part of this
6 Resolution as if set forth fully herein; and

7 WHEREAS, Due to the character of the Lease, approval by the Board of Supervisors is
8 required under Charter, Section 9.118; now, therefore, be it

9 RESOLVED, That The Board of Supervisors authorizes the Director of Transportation
10 of the SFMTA to enter into any amendments or modifications to the Lease (including, without
11 limitation, the exhibits), that the Director of Transportation determines, in consultation with the
12 City Attorney, are in the best interest of the City, do not materially decrease the benefits of the
13 Lease to the City, do not materially increase the obligations or liabilities of the City, are
14 necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are in
15 compliance with all applicable laws, including City's Charter; and, be it

16 FURTHER RESOLVED, That the Board of Supervisors approves the Lease between
17 the City and County of San Francisco and Tanforan Industrial Park, LLC; and, be it

18 FURTHER RESOLVED, That within 30 days of the document being fully executed by
19 all parties, the final document shall be provided to the Clerk of the Board for inclusion in the
20 official file.

<p>Item 4 File: 16-0091 <i>Continued from February 24, 2016</i></p>	<p>Department: San Francisco Municipal Transportation Agency (SFMTA)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- Resolution authorizing a nine and one-half year lease between the SFMTA and Tanforan Industrial Park, LLC, at 30 Tanforan Avenue in South San Francisco for a bus operator training facility, at an initial annual rent of \$2,480,304 with annual 2% increases, and include an option to extend the lease, purchase option and right of first refusal.

Key Points

- To train SFMTA’s motor coach, bus and trolley operators, SFMTA currently licenses with (a) the Cow Palace to use its large parking lot, (b) the City of Alameda for its former naval airstrip lot and (c) through the City’s Real Estate Department to use the Alemany Farmer’s Market, depending on availability. Currently, the SFMTA pays \$375,000 annually for licenses and related costs to conduct off-street bus operator driving course trainings and skills testing.

Fiscal Impact

- The owner, at an estimated cost of \$12 million, will demolish structures and provide a flat, paved concrete pad, access to standard utilities, associated landscaping and security features.
- The initial annual rent and related costs of \$2,529,910 reflects a 575% increase over SFMTA’s total \$375,000 annual rental training facility and related costs. SFMTA will pay total rent of \$25,429,754 over the initial nine year, five month term. SFMTA projects operating expenses of \$508,590, such that SFMTA will expend \$25,938,344 to rent and operate this new operator training facility over the nine year, five month term.
- SFMTA operating funds would be used to pay for the lease and related operating costs.
- An appraisal on August 28, 2014 found that the value of the land, if vacant and unimproved was \$17,489,340. With the leasehold improvements, the appraised value was \$28,822,432. If SFMTA leases and then exercises its option to purchase at the earliest date, the SFMTA would pay an estimated total minimum lease and purchase price of \$44,468,489.

Policy Consideration

- The SFMTA would spend approximately \$25.4 million in rent over a nine year, five month term. If the City of South San Francisco does not extend the existing Development Agreement with the owner, SFMTA will be in the same situation as it is currently, with even fewer lease or purchase options. If SFMTA exercises its option to purchase this site, SFMTA would expend at least \$44.5 million with no guarantee that the site could be used as a long term bus operator training facility.

Recommendations

- Amend the proposed resolution to nine years, five months, as stated in the lease, not nine years, six months, as stated in the resolution.
- Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract or agreement entered into by a department for a period of ten or more years, or requiring anticipated expenditures by the City of \$10,000,000 or more, is subject to Board of Supervisors approval.

Administrative Code Section 23.27 states that it is City policy that all leases of real property on behalf of the City as tenant be approved by resolution of the Board of Supervisors.

BACKGROUND

Currently, the San Francisco Municipal Transportation Agency (SFMTA) has approximately 2,500 Muni transit operators.¹ To train SFMTA's motor coach, bus and trolley operators, SFMTA currently has short-term licenses with (a) the Cow Palace to use its large parking lot, (b) the City of Alameda for its former naval airstrip lot and (c) through the City's Real Estate Department to use the Alemany Farmer's Market². The dates and schedules for each of these sites vary, depending on availability. Currently, the SFMTA pays \$155,000 annually for these licenses to conduct off-street bus operator driving course trainings and skills testing. In addition, SFMTA estimates incurring approximately \$220,000 in 2015 to transport SFMTA bus vehicles to various training locations provide on-site restrooms and security, pay overtime for instructors to conduct Saturday trainings and additional staff time to secure monthly training facilities, or total training facility related expenses of approximately \$375,000 annually.

Each new SFMTA bus operator requires 44 days of training for skills and Department of Motor Vehicle (DMV) testing, which includes both classroom and on and off-the-road training. Existing SFMTA operators also require ongoing training to ensure continued safe operations of vehicles, including operator refresher training, requalification for operators returning from long term leaves of absences, line trainer training, accident prevention training, refresher training, collision and incident training and maintenance employee commercial driver license training.

Beginning in 2001, SFMTA began searching for an alternative permanent location to provide bus and trolley operator training, evaluating more than 25 potential sites; which would provide 6-8 acres to accommodate four outdoor, off-street training courses, onsite bus staging area for up to 16 buses and space for modular training classrooms.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the SFMTA to execute an Industrial Lease Agreement with Tanforan Industrial Park, LLC for approximately 7.3 acres at 30 Tanforan Avenue in South San

¹ Transit operators include motor coach, bus, trolley and light rail operators, with cross training an on-going endeavor for SFMTA. Training for light rail vehicle operators does not require a significant amount of space and is conducted within existing SFMTA rail yards, using rail simulators as well as light rail vehicles.

² In addition to these sites, in prior years, SFMTA has also used property at the Port of San Francisco, Candlestick, Port of Oakland, San Francisco International Airport, SFMTA facilities and other private properties to conduct bus operator trainings.

Francisco to be used for SFMTA's bus operator training facility for a nine and one-half year term estimated to extend from October 1, 2016 through February 28, 2026, at an initial annual base rent of \$2,480,304 with annual 2% rent increases. The subject Industrial Lease Agreement also includes an extension option, a purchase option and a right of first refusal option.

The 30 Tanforan Avenue property is located in South San Francisco, 10.9 miles from 1 South Van Ness, SFMTA headquarters and 5.6 miles from the San Francisco County line, with the San Bruno BART Station and San Bruno Caltrain Station within walking distance from the property.

On January 19, 2016, the SFMTA Board of Directors approved a resolution authorizing the Director of Transportation of the SFMTA to execute the subject agreement and to forward this resolution to the Board of Supervisors for approval.

Current Site and Development Agreement

Currently the 30 Tanforan Avenue site contains seven vacant single-story metal and concrete buildings totaling 147,258 square feet, which were previously used for various industrial uses, including manufacturing, expediting, storage and offices. Under the proposed agreement, the owner, at his sole expense, will demolish the entire 7.3 acre site and provide a flat, paved structural concrete pad, access to standard utilities, associated landscaping and security features, estimated to cost \$12 million. In order to complete these leasehold improvements, the owner and the City of South San Francisco negotiated a Development Agreement, which allows the SFMTA bus operator training uses on the property through February 28, 2026. If the Development Agreement is extended, SFMTA would have the option to extend the term of the lease on the same terms and conditions, based on the length of the Development Agreement extension. However, the proposed SFMTA bus operator training use is not consistent with the long-term City of South San Francisco's vision to provide offices at this site, which is within walking distance of both the San Bruno BART Station and the San Bruno Caltrain Station.

Major Lease Provisions

Table 1 below summarizes the major provisions of the proposed agreement.

Table 1: Summary of Proposed Lease Provisions

Premises	317,988 square feet or approximately 7.3 acres at 30 Tanforan Avenue, South San Francisco
Lessor/Owner	Tanforan Industrial Park, LLC
Purpose	SFMTA bus operator training courses, storage of buses and equipment and all other lawful related uses
Term	Nine years, five months from approximately October 1, 2016 through February 28, 2026
Options to Extend	Depends on whether the Development Agreement between the owner and the City of South San Francisco is extended, at sole discretion of SFMTA
Base Rent	Initially \$206,692 per month (\$0.65 per square foot), or \$2,480,304 annually
Rent Adjustment	Two percent per year
Leasehold Improvements	Owner to demolish structures, provide paved concrete pad, utilities, landscaping and security, estimated to cost \$12,000,000 at owner's expense
Utilities, Janitorial and Security	Lessor to provide utility connections. SFMTA responsible for cost of all utilities and services.
Purchase Option	SFMTA's right to purchase in years seven through nine based on appraisals
Right of First Refusal	SFMTA's right of first refusal to purchase property throughout term of lease

As noted above, the proposed lease is for a term of nine years and five months, however, the subject resolution states the term is nine years and six months. Therefore, the proposed resolution should be amended to make the term consistent with the subject lease.

Right to Purchase Property

The SFMTA also negotiated (a) a right of first refusal to purchase the property throughout the term of the lease and (b) the right to purchase the subject property in years seven through nine, or in 2023 through 2025, based on a joint appraisal or separate appraisals by the landlord and SFMTA. These appraisals will determine the fair market value based on the highest and best use for the property. If the fair market values of the appraisals differ by more than 10%, a third appraiser could be brought in to conduct a hearing to determine the fair market value, which would be the purchase price. Actual purchase of this site would be subject to Board of Supervisors approval.

Related Agreements

The proposed lease agreement includes Subordination, No disturbance and Attornment Agreement, between SFMTA, the owner and a potential lender, in which SFMTA agrees to allow its interest in the property to be subordinate to a future lender. This would provide the landlord the flexibility to seek financing secured by the property after the lease is executed. In addition, in the event of foreclosure on the property, this Agreement gives the SFMTA the right to continue to occupy the leased premises, obligating the SFMTA to recognize the new owner of the property as landlord, under the same terms and conditions as the proposed lease.

FISCAL IMPACTProjected Lease and Operating Costs

Based on the initial annual rent of \$2,480,304 per year plus two percent annual increases, the proposed nine year and five month lease would cost the SFMTA an estimated total of \$25,429,754 for rent, as shown in Table 2 below.

Table 2: Projected Lease Rental and Operating Expenditures

Year	Rent	Operating & Maintenance	Total Annual Costs
1	\$2,480,304	\$49,606	\$2,529,910
2	2,529,910	50,598	2,580,508
3	2,580,508	51,610	2,632,118
4	2,632,118	52,643	2,684,761
5	2,684,761	53,695	2,738,456
6	2,738,456	55,000	2,793,456
7	2,793,456	55,634	2,849,090
8	2,849,090	56,981	2,906,071
9	2,906,071	58,121	2,964,192
5 months	1,235,080	24,702	1,259,782
Total	\$25,429,754	\$508,590	\$25,938,344

The SFMTA will provide two trailers to serve as a break room, restrooms and modular classroom, at an estimated rental cost to the SFMTA of \$1,500 per month or \$18,000 annually to accommodate up to 55 drivers and support staff for training purposes. In addition to the \$25,429,754 cost to rent the property, the SFMTA anticipates operating and maintenance costs of \$508,590 over the nine year and five month lease, which includes the cost to rent the trailers, utility, janitorial and related costs, or approximately two percent of the base rent annually. As shown in Table 2 above, over the nine year, five month lease term, the SFMTA will expend an estimated \$25,938,344 to rent and operate and maintain this new bus operator training facility.

As noted above, SFMTA currently spends approximately \$375,000 annually for short term licenses and related expenses for off-street bus operator training facilities. As shown in Table 2 above, during the first year of the proposed lease, the SFMTA will pay \$2,529,910 in rent and operating costs, which is 575% more than the SFMTA currently spends for bus operator training facilities and related costs.

SFMTA operating funds would be used to pay for the lease and related operating and maintenance costs in the SFMTA's FY 2015-16 budget and in subsequent fiscal years, subject to Board of Supervisors appropriation approval.

Appraised Value of Property

An appraisal of 30 Tanforan Avenue in South San Francisco, conducted by David Tattersall, MAI, retained by SFMTA on August 28, 2014 found that the value of the land, if vacant and

unimproved was \$17,489,340, or \$55.00 per square foot. With the leasehold improvements to be completed by the owner, the estimated overall appraised value of the land and improvements was \$28,822,432. As shown in Table 2 above, if the SFMTA rents the property for the proposed nine year, five month lease, the SFMTA would pay the owner total rent costs of \$25,429,754 over that term, which is only \$3,392,678 less than the appraised value including the improvements. However, SFMTA advises that the owner is not willing to currently sell the property.

If the SFMTA exercises the option to purchase at the earliest date, or after year six (allowable from year seven through nine), the SFMTA would potentially pay an estimated total rent of \$15,646,057 through year 6 to lease and then an additional estimated price of \$28,822,432 to purchase based on the current appraisal, or a total of \$44,468,489. However, the purchase price is likely to be significantly higher than \$28,822,432, as it would be based on an appraisal of the highest and best use for the property and would be completed approximately six years from now.

POLICY CONSIDERATION

Follow Up SFMTA Response

The proposed resolution was continued at the February 24, 2016 Budget and Finance Committee meeting, pending SFMTA providing responses to questions posed by the Committee. On March 1, 2016, SFMTA responded that in addition to the \$155,000 annual license fees that SFMTA currently pays to conduct off-street bus operator training, the SFMTA incurs an additional approximately \$220,000 annually, or total training costs of approximately \$375,000 annually. These other SFMTA annual costs were required in 2015 to transport SFMTA bus vehicles to various training locations, provide on-site restrooms and security, pay overtime for instructors to conduct Saturday trainings and additional staff time to secure monthly training facilities. During the first year of the proposed new lease SFMTA would pay \$2,529,910 for rent and related operating expenses, which is \$2,154,910 or 575% more than the \$375,000 total incurred by SFMTA in 2015 for training facilities and related expenses.

SFMTA provides regular ongoing training for all Muni operators and has or plans to provide a total of 55 new operator training classes in 2011-2016, as shown in Table 3 below.

Table 3: SFMTA New Operator Training Classes

Calendar Year	Number of Classes
2011	10
2012	6
2013	7
2014	10
2015	13
2016 (planned)	9
Total	55

Based on the 13 new operator training classes provided in 2015, which is slightly more than one per month, the total \$2,529,910 rental and related costs in the first year results in average costs of approximately \$195,000 per class.

SFMTA advises that one new operator training class was canceled in the Fall of 2015 and that all of the remaining 13 classes in 2015 had to be rescheduled or adjusted to fit the training facilities that were available. When operator training classes must be pushed to Saturdays, the SFMTA estimates that this costs SFMTA approximately \$26,000 in overtime for operator trainees and trainers. SFMTA reports that this occurred three times in 2015 and is anticipated to occur at least once in 2016.

SFMTA also reports that two classes in 2014 were smaller than needed because of the training facility's constraints. In addition, SFMTA advises that training classes in 2013 and 2012 were insufficient to keep up with operator attrition, due to training resource constraints, resulting in operator shortages across Muni. SFMTA did not provide specific costs that were incurred due to lack of existing training facilities. SFMTA's memo notes that SFMTA training staff shortages, not lack of facilities, resulted in additional operator overtime costs of \$920,000 in 2015, \$6.9 million in 2014 and \$4.5 million in both 2013 and 2012.

However, SFMTA notes that if SFMTA were to miss just one training class with 30 bus operators, and based on the existing attrition rate of approximately 15 operators per month, SFMTA would have to either miss scheduled Muni service or increase operator overtime. According to SFMTA, if one training class of 30 bus operators cannot be rescheduled, SFMTA estimates it would result in more than \$400,000 of monthly overtime or approximately \$5,000,000 of additional annual overtime costs to SFMTA.

SFMTA is also concerned that a number of the training facilities that SFMTA has used in the past, such as Pier 96, Candlestick Park and the naval base in Alameda, will no longer be available in the future due to redevelopment.

Policy Decision Rationale

Mr. Jason Gallegos, Real Estate Development Manager at SFMTA advises that based on SFMTA's exhaustive search for properties in San Francisco and the northern Peninsula, the 30 Tanforan Avenue site in South San Francisco is the only industrially-zoned site that is available and large enough to accommodate a SFMTA bus and trolley operator training facility. Mr. Gallegos further advises that if the subject Tanforan property is not leased, SFMTA would have to continue to provide operator training at various sites on a sporadic basis when useable land is available as is the current practice. And as noted above, if SFMTA misses one training class of 30 new bus operators, which cannot be rescheduled, SFMTA could incur additional overtime costs of over \$400,000 monthly.

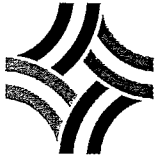
However, if the Board of Supervisors approves the proposed lease, the SFMTA will spend \$2,529,910 for rent and related operating expenses in the first year of the new lease, which is 575% more than the \$375,000 total incurred by SFMTA in 2015 for training facilities and related expenses. Overall, SFMTA will expend approximately \$25.4 million in rent over a nine year, five month term, from SFMTA operating funds. At the end of that period, if the City of South San Francisco does not extend the existing Development Agreement with the owner of the

property, to allow a bus operator training facility on this site, the SFMTA will find itself in the same situation as it is currently, with the likelihood that there would be even fewer lease or purchase options at that time. Similarly, if the SFMTA exercises its option to purchase this site from years seven through nine, the SFMTA would expend a minimum of \$44.5 million, including the rental cost and cost to purchase the property, with no guarantee that the site could be used as a long term bus operator training facility because the City of South San Francisco may require a different use for the property.

Therefore, approval of the proposed lease continues to be a policy decision for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution to nine years, five months, as stated in the lease, instead of nine years, six months as stated in the resolution.
2. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*

Cheryl Brinkman, *Vice-Chairman*

Gwyneth Borden, *Director*

Edward D. Reiskin, *Director of Transportation*

Malcolm Heinicke, *Director*

Joél Ramos, *Director*

Cristina Rubke, *Director*

REC'D
11:57 a.m.
2-1-16
[Signature]

January 27, 2016

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: Lease for 30 Tanforan Avenue, South San Francisco

Dear Ms. Calvillo:

Attached are an original and two copies of a proposed resolution authorizing a Lease with a Purchase Option, Extension Option, and a Right of First Refusal, with Tanforan Industrial Park, LLC, as landlord, and the City and County of San Francisco, by and through the San Francisco Municipal Transportation Agency (SFMTA) as tenant, for certain premises at 30 Tanforan Avenue in South San Francisco, in order to provide for the SFMTA Bus Operator training courses and other transit-related uses. We respectfully request that this item be scheduled for the February 24, 2016 committee hearing or at the latest March 2, 2016.

The following is a list of additional accompanying documents:

- Briefing letter
- Lease for certain premises at 30 Tanforan Avenue, South San Francisco
- SFEC Forms for BOS and Mayor
- MTAB Resolution

SFMTA's Local Government Affairs Liaison, Janet Martinsen, is available at janet.martinsen@sfmta.com or (415) 701-4693 to answer any questions you may have about the submission.

Sincerely,

Edward D. Reiskin
Director of Transportation



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*

Cheryl Brinkman, *Vice-Chairman*

Gwyneth Borden, *Director*

Edward D. Reiskin, *Director of Transportation*

Malcolm Heinicke, *Director*

Joél Ramos, *Director*

Cristina Rubke, *Director*

January 27, 2015

**The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102**

Subject: Request for Authority to enter into a Lease Agreement with Tanforan Industrial Park, LLC, for SFMTA Bus Operator Training Courses and other transit-related uses at 30 Tanforan Avenue, South San Francisco.

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) request that the San Francisco Board of Supervisors authorize the SFMTA to execute a nine-and-one-half-year Industrial Lease with a Purchase Option, Extension Option and a Right of First Refusal (Lease) with Tanforan Industrial Park, LLC, a California limited liability company (Owner) for 30 Tanforan Avenue, South San Francisco, at an initial annual base rent of \$2,480,304, with annual increases of two percent, together with all leasehold improvements for the provision of SFMTA Bus Operator training courses and other transit-related uses.

Background

The SFMTA is experiencing significant demands on its transportation system as the need to provide safe, reliable and efficient transit service continues to expand in concurrence with a growing population and economic base. Currently, there are approximately 2,500 Muni operators and 1,400 of those operators are in service in any given day. To fill vacancies due to retirements and attrition and to meet the increasing demands, the SFMTA has hired 585 Muni Operators in the past 14 months, and those new hires require 44 days of training for skill development and DMV testing. This training involves classroom training as well as behind-the-wheel Operator course training, the latter of which involves both on- and off-street experience. In addition, training is not limited to new hires, as it is a continuous process for all SFMTA personnel who operate revenue vehicles, including: Operator refresher training; requalification training for Operators resulting from long term leaves of absence; line trainer training; collision prevention training, and finally, maintenance employee Commercial Driver's License training. The Lease is to support the motor coach and trolley bus training programs; training on and for light rail vehicles is on different equipment in rail locations.

With all the training needs, a dedicated facility is needed year round. For years, the Training section has conducted its behind-the-wheel training on either licensed, rented, and in some cases, free land, typically marginally improved but large enough to accommodate a training class of approximately 40 trainees. Behind-the-wheel training requires six to eight acres of improved land, in order for trainees and trainers to safely navigate the training courses with up to 16 buses at a time. Land at

the Port of San Francisco, Port of Oakland, City of Alameda, Candlestick, the Cow Palace, and Islais Creek has been used intermittently because of availability and adequacy. However, most of these properties are minimally improved, are not available for the SFMTA to lease long term, and/or are being redeveloped. The SFMTA identified, evaluated and discussed more than 25 potential sites over the last five years, but with the exception of 30 Tanforan, the locations reviewed were either not consistently available, were too small, or became development sites.

When 30 Tanforan Ave. became available, the SFMTA began discussions regarding a lease with an option to purchase the property in order to improve the SFMTA's Muni Bus Operators training program. The Owner, Tanforan Industrial Park, LLC, will demolish the entire site of 30 Tanforan, South San Francisco, San Mateo County Assessor's Parcel Number 014-250-090 (Property) and improve the site to accommodate the requisite motor and trolley coach training courses, consisting of an approximate 7.3 acres of a flat, paved structural concrete pad, access to standard utilities to support two trailers that will serve as a break room, restroom facility and modular classroom, associated landscaping and security features.

The subject Property is 10.9 miles from 1 South Van Ness Avenue (SFMTA Headquarters), and 5.6 miles from the San Francisco County line. The 7.3 acres are zoned Business Professional (i.e., office and industrial use), with an 85 foot height limit. The San Bruno BART Station, Caltrain and Tanforan Shopping Center are within walking distance from the Property. The expansion potential, however, will only be revisited and assessed when financially feasible, and if warranted. The enclosure provides an overview of the Property site area and training course design (Leasehold Improvements).

The Landlord, in cooperation with the SFMTA, will manage the full entitlement approval process, including design review, planning and building permitting with the City of South San Francisco, and any other applicable regulatory bodies or approval authorities including, but not limited to, San Mateo County.

The cost of the improvements to the Property is estimated at \$12 million for both soft and hard costs, including demolition, remediation and various related charges. It should be noted that the fair market value of the property in its highest and best use would likely command greater values in the current real estate market than what was concluded in the Property appraisal as discussed in the following section, if the land was developed to such use and if there was a willing, ready and able tenant or purchaser available for such a transaction. Since the appraisal date, the value of the property may have increased, as land values are not decreasing at this time in the greater San Francisco Bay Area marketplace.

The Lease enables the SFMTA to have access year round to a training resource that can accommodate four outdoor, off-street Operator training courses, each 140 feet by 400 feet, including the on-site parking of training buses and the installation of the aforementioned trailers. The SFMTA will be able to train up to 40 new Operators per class at any given time throughout the year, and will be able to supply the necessary number of Operators to meet current and future transit demands that are anticipated to impact the SFMTA's service delivery system over the next 20 years. The Training

Division of the SFMTA is very pleased with the Property and looks forward to many years of valuable training as a result of this reliable resource.

Industrial Lease Terms

The monthly base rent starts at \$206,692 (\$0.65 per square foot, s.f.), or \$2,480,304 for the first year, with annual increases of two percent over the nine-and-one-half-year term of the lease. The term of the lease is predicated on a Development Agreement between the Owner and the City of South San Francisco. That Development Agreement allows the SFMTA training use until March 1, 2026. As a gross industrial lease, the SFMTA does not pay property taxes or insurance (Operating Expenses) and is only responsible for costs associated with utilities, maintenance, janitorial and security. The SFMTA anticipates additional costs typically related to the operations and maintenance of the Property, conservatively estimated to range between one percent to three percent of the annual base year rent of \$2,480,304 or \$24,803 to \$74,409, respectively. Such aforementioned charges, if applied and spread over the term of the Lease as estimated, in aggregate, would bring the effective rate of the Lease to between \$0.66 and \$0.67 per s.f. per month.

As part of the due diligence process, the SFMTA conducted an appraisal of the Property, which concluded on August 28, 2014 that the value of the land, as if vacant and unimproved, was \$17,489,340 or \$55.00 per s.f. The price per square foot of the special purpose site improvements (demolition, remediation and construction of the Leasehold Improvements) was valued at \$35.64 per s.f.. When this amount is combined and spread over the entire 317,988 s.f. area (7.3 acres), the estimated overall value of the training resource improvements and land equates to \$28,822,432. The Lease and corresponding leasehold improvements represent an annual gross return to the landlord of approximately 8.6 percent of and on capital for the proposed training resource. This return is consistent with various government land leases, including the Port of San Francisco, which consistently uses an eight percent rate of return on Seawall lots, and Caltrans who traditionally use between nine percent and ten percent, depending on the interest rate environment. Thus the subject Lease is in line with the appraised market and rental value (Value in Use) of the Property as adjusted (without an office building), thereby representing a fair and equitable transaction for both parties to the Lease. The SFMTA will have a right to exercise a Purchase Option to acquire the Property beginning in year seven and continuing through year nine of the Lease, at fair market value, and in its highest and best use. If not exercised, SFMTA will maintain a Right of First Refusal to acquire the Property throughout the entire term of the Lease.

Option to Extend Term of Lease

As mentioned above, the Property Owner entered into a development agreement with the City of South San Francisco, related to the development and use of the Property. Pursuant to the Development Agreement, SFMTA's right to use the Property as permitted under the Lease expires on March 1, 2026. In the event the term of the Development Agreement is extended, SFMTA will have the option, exercisable in its sole discretion, to extend the term of the Lease, on the same terms and conditions, for a period of time commensurate with the extension of the Development Agreement. If the term of the Lease is extended, the Base Rent payable to Owner will be consistent with the rent schedule set forth in the Lease Exhibit G.

Public Outreach

The City of South San Francisco City Council determined that the Project is categorically exempt from CEQA, unanimously approved the design, Use Permit, and approved the Owner's Development Agreement, at a publicly noticed City Council meeting and Public Hearing on September 23, 2015. The City of South San Francisco posted the Public Notices for the aforementioned in the area newspaper, on the City's Web page, at City Hall, and at both City libraries. In addition, all property owners and tenants within 300 feet of the Property were mailed notification of the Public Hearing. The Permitted Use, Design Review, CEQA determination and Development Agreement were not contested during the approval process by any member of the general public, during both the City Planning Commission and City Council public hearings. The City of South San Francisco and City Council did not require additional outreach beyond that which was conducted interdepartmentally, amongst the council members and to the surrounding industrial property owners, tenants, and residents. Prior to the SFMTA Board meeting on January 19, 2016, beginning in December 2015, SFMTA conducted its own outreach to the community pursuant to the Agency's public outreach guidelines and noticed nearby residents and business of the proposed future use and opportunity to provide comments and get more information at the SFMTA Board of Directors meeting. The Lease was not contested by any member of the public at the January 19, 2016 SFMTA Board meeting. Nearby residents and business were also provided notice of impending Board of Supervisors meetings as well. The City's Department of Real Estate is aware of this proposed lease acquisition and has been supportive.

Alternatives Considered

As previously discussed, SFMTA real estate evaluated over 25 sites and all were deemed infeasible for a variety of reasons. Consequently, the search continued until the subject Property was discovered. Property assessments and valuations were conducted and organizational concurrence ensued and concluded that the subject Property met all of SFMTA's Bus Operator training needs. The improved site will provide a permanent training resource for the SFMTA and as such adds to the successful attainment of SFMTA Strategic Goals. Any alternative to this training resource is not in the SFMTA's best interest considering the limited supply of industrial real estate within the San Francisco and North Peninsula areas that meet the training needs of the SFMTA and correspondingly would dissuade the successful attainment of strategic goals, organizational development efforts and therefore potentially impact the service delivery system.

The only other alternative considered, however, would be to continue to provide training on a sporadic basis when useable land to adequately meet the SFMTA's comprehensive training needs is available as is the case currently. This would continue to mean short-term leases and or licenses, and although the cost is less, the benefits realized because of lower costs do not in any reasonable way justify not having a dedicated resource designed to provide training adequately and on a timely and consistent basis. Short term, intermittent solutions do not assure Goal attainment (creating a safer transportation experience for everyone) and is not a recommended alternative for the long term.

Funding Impact

The annual cost of short term leases and licenses for off-street training related activity, when and if land is available, is currently \$155,000. The base rent of the subject Lease starts at \$206,692 (\$0.65 per s.f.), or \$2,480,304 annually, with annual increases of two percent over the nine and one-half years term of the lease with the option to extend pending an extension of the Development Agreement. This represents an approximate fifteen hundred percent increase (1500%) of the current real estate cost for training.

The increased Lease cost, however, significantly outweighs the short-term cost associated with sporadic leasing of land (if available), because the intrinsic value derived from having a dedicated new training resource is incomparable to the existing way of conducting training related business. Operating funds will be used for the Lease payments and those funds will need to be identified in the SFMTA's 2015-16 year budget and going forward. Rent commences on delivery and acceptance of the improved Property by the SFMTA.

Environmental Review

The proposed Lease is subject to CEQA and the South San Francisco City Council is the responsible agency in taking the first approval action by approving the Project's Conditional Use Permit, Development Agreement, and Design Review application as required in the Lease.

On September 23, 2015, the City of South San Francisco determined that the SFMTA Operator Training use and associated Leasehold improvements is categorically exempt from environmental review under CEQA Guidelines Section 15303 New Construction or Conversion of Small Structures and approved the conditional use permit and a Development Agreement between the Owner and the City of South San Francisco.

SFMTA's execution of the Lease consists of a subsequent discretionary approval of said Project, and thus South San Francisco's Project approval on September 23, 2015 is the Approval Action as defined by S.F. Administrative Code Chapter 31. A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors.

SFMTA Board Action

On January 19, 2016, the SFMTA Board of Directors adopted Resolution 16-011 which authorized the Director of Transportation to execute a nine-and-one-half-year term Industrial Lease with a Purchase Option, a Right of First Refusal, and an Extension Option with Tanforan Industrial Park, LLC, a California limited liability company, for 30 Tanforan Avenue, South San Francisco, comprised of 317,988 square feet (7.3 acres), at an initial annual base rent of \$2,480,304, with annual increases of two percent, together with all Leasehold Improvements for the provision of SFMTA bus operator training courses upon approval by the San Francisco Board of Supervisors and Mayor.

Recommendation

The SFMTA requests that the San Francisco Board of Supervisors authorize the SFMTA to execute a nine-and-one-half-year Industrial Lease with a Purchase Option, Extension Option and a Right of First Refusal (Lease) with Tanforan Industrial Park, LLC, a California limited liability company (Owner) for 30 Tanforan Avenue, South San Francisco, at an initial annual base rent of \$2,480,304, with annual increases of two percent, together with all leasehold improvements for the provision of SFMTA Bus Operator training courses and other transit-related uses.

Thank you for your time and consideration of this proposed Lease agreement. Should you have any questions or require more information, please do not hesitate to contact me at any time.

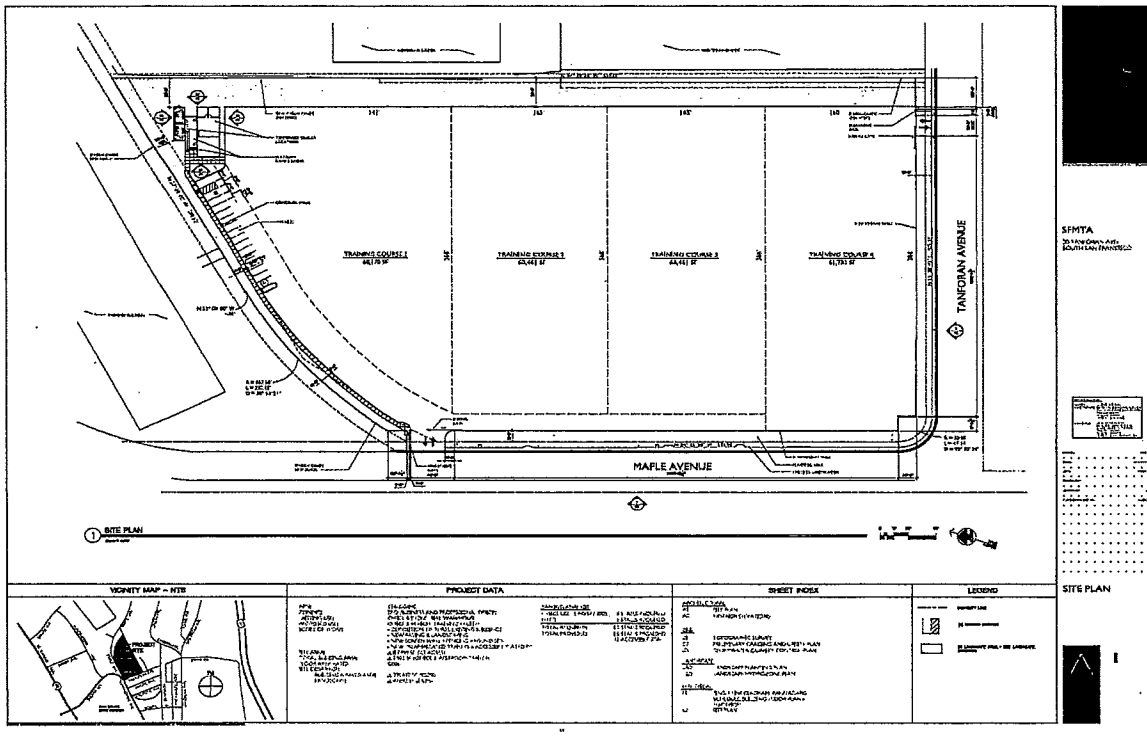
Sincerely,



Edward D. Reiskin
Director of Transportation

Enclosure: 30 Tanforan Site and Training Course Diagram

30 Tanforan Site and Training Course Diagram



INDUSTRIAL LEASE

between

TANFORAN INDUSTRIAL PARK, LLC,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
30 Tanforan Avenue
South San Francisco, California

November 2, 2015

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LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of November, 2015, is by and between TANFORAN INDUSTRIAL PARK, LLC, a California limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant"), acting by and through its Municipal Transportation Agency ("SFMTA").

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:	November 2, 2015
Landlord:	Tanforan Industrial Park, LLC
Tenant:	City and County of San Francisco
Premises (<u>Section 2.1</u>):	The entire property commonly known as 30 Tanforan Avenue, South San Francisco, comprised of 317,988 square feet, together with all Leasehold Improvements (as defined in <u>Section 6.1</u>)
Term (<u>Section 3</u>):	9 year 5 month term Commencement Date: As determined pursuant to <u>Section 3.1</u> . Estimated commencement date: October 1, 2016
Option to Extend (<u>Section X</u>)	
Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$2,480,304.00 Monthly payments: \$206,692.00 (\$.65 per sq. ft.)
Adjustment Dates (<u>Section 4.2</u>):	Each anniversary of the Commencement Date
Use (<u>Section 5.1</u>):	Bus operator training courses, the storage of buses and equipment, and all other lawful uses reasonably related thereto.
Leasehold Improvements (<u>Section 6</u>)	Landlord to construct the Leasehold

and Work Letter): Improvements at its sole cost.

Utilities (Section 9.1): Landlord to provide all utility connections to the Premises at its sole cost. City to pay for all utilities, including but not limited to the electricity, gas, refuse collection and water, provided to the Premises during the Term.

Services (Section 9.2): City to provide any janitorial service it wishes to have at the Premises at its sole cost.

Notice Address of Landlord (Section 23.1): Tanforan Industrial Park, LLC
160 So. Linden Ave., Suite 100
South San Francisco, CA 94080 Attn:
Attn: Joseph P. Cassidy

Fax No.: (650) 876-9404

Key Contact for Landlord: Joseph Cassidy

Landlord Contact Telephone No.: (650) 737- 8700

Notice Address for Tenant (Section 23.1): SFMTA
1 South Van Ness Avenue, 8th Floor
San Francisco, California 94103
Attn: Real Estate Section, Senior Manager
Fax No.: (415) 701-4743

and to: Office of the City Attorney
1390 Market Street, Suite 700
San Francisco, CA 94102
Attn: Transportation Team
Fax No.: (415) 554-

Key Contact for Tenant: Kerstin Magary
Senior Manager, SFMTA Real Estate
1 South Van Ness Avenue, 8th Floor
San Francisco, California 94103

Tenant Contact Telephone No.: (415) 701-4323

Alternate Contact for Tenant: William Zhao
SFMTA Real Estate
1 South Van Ness Avenue, 8th Floor
San Francisco, California 94103

Alternate Contact Telephone No.: (415) 701-4514

Brokers (Section 23.8): Landlord:

Tenant: None

City Purchase Option (Section 22.1): City shall have the option to purchase the Premises on the terms and conditions set forth in

Section 22.1.

Right of First Refusal (Section 22.2):

City shall have a right of first refusal to purchase the Premises during the Term on the terms and conditions set forth in Section 22.2.

2. PREMISES

2.1. Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises identified in the Basic Lease (the "Premises"). The Premises contain the Leasehold Improvements (as defined in Section 6.1), the real property, and all other improvements on or appurtenances thereto.

2.2. 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. Construction of the improvements detailed in Exhibit C not having occurred as of the date of execution of this Lease, City is hereby advised that the Premises have not been inspected by a CASp. Landlord will have the Premises inspected by a CASp upon completion of the Leasehold Improvements and the results thereof will be promptly provided to City.

2.3. Environmental Remediation Investigation

The level of fuel hydrocarbons and metals in the soil and water at the Premises exceeds established environmental screening levels (the "Excess Level Condition"), as further set forth in a Work Plan Letter between Landlord (through its consultant, ICES) and the San Mateo County Environmental Health Department ("SMCEHD"), transmitted December 11, 2014 (the "2014 Action Agreement"). The Excess Level Condition is being further investigated by regulatory agencies and, as a result, the Premises may be subject to environmental remediation requirements imposed by the SMCEHD, the Regional Water Quality Control Board ("RWQCB"), or the State of California Department of Toxic Substances Control ("DTSC"). Such requirements may include use restrictions that will encumber the Premises and prohibit residential uses on the ground floor of any building at the Premises after the Effective Date. Landlord shall promptly provide copies of any additional testing results with respect to the Premises that Landlord obtains during the period between the Effective Date and the Commencement Date ("Subsequent Test Results") and any draft remediation plan for the Excess Level Condition submitted by Landlord to SMCEHD, RWQCB, and DTSC, or received by Landlord from such agencies, promptly to City for review. In negotiating any remediation plan for the Excess Level Condition, Landlord shall use reasonable efforts to limit the proposed remediation actions to those that will not materially interfere with the construction of the Leasehold Improvements in compliance with the requirements of this Lease and the Work Letter attached hereto as Exhibit C or, on or after the Commencement Date, with the Permitted Uses.

Landlord shall deliver to City a copy of any final remediation plan for the Excess Level Condition that is approved by the Landlord and the lead regulatory agency for such matter (the "Final Remediation Plan") within five (5) business days of Landlord's receipt of the Final Remediation Plan. If City reasonably determines the Final Remediation Plan would materially interfere with the construction of the Leasehold Improvements in compliance with the requirements of this Lease and the Work Letter or, on or after the Commencement Date, with the Permitted Uses, City shall have the right to terminate this Lease by delivering written notice of such termination within thirty (30) days of receiving the Final Remediation Plan from Landlord. If City does not exercise such termination right, Landlord shall use reasonable efforts to

minimize any interference with the Permitted Uses during the Term that may result due to Landlord's performance of its obligations under the Final Remediation Plan.

2.4. Delivery

Subject to the provisions of Section 3 below, Landlord shall deliver the Premises to City vacant and broom clean, free of any tenancies, free of any personal property in good working condition, on the Commencement Date. Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of City's business, and City waives any implied warranty that the Premises are suitable for City's intended purposes.

3. TERM

3.1. Term of Lease

The Premises are leased for a term (the "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 each of the following shall have occurred: (i) Landlord shall have delivered the Premises to City with the Leasehold Improvements (as defined below) having been substantially completed by Landlord and accepted by City pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements) and the Work Letter, (ii) Landlord shall have complied with its obligations under Section 11(a), (iii) City shall have approved the Final Remediation Plan, and (iv) City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Term shall end on February 28, 2026, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, including, but not limited to, City's termination of this Lease pursuant to Section 2.3 or Section 3.3.

3.2. Commencement Date; Expiration Date; Early Termination

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 A 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

Landlord shall use its best efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by SFMTA's Director of Transportation pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements) and the Work Letter on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. 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. If Landlord is unable to deliver possession of the Premises to City as required hereunder by October 1, 2016, then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

3.4. Option to Extend Term of Lease

Landlord entered into a development agreement with the City of South San Francisco, dated *November 28*, 2015, related to the development and use of the Premises (the "Development Agreement"). Pursuant to the Development Agreement, City's right to use the Premises as permitted under this Lease expires on March 1, 2026. In the event the term of the Development Agreement is extended, City shall have the option, exercisable in its sole discretion, to extend the term of this Lease, on the same terms and conditions, for a period of time commensurate with the extension of the Development Agreement. If the term of this Lease is extended pursuant to this Section 3.4, the Base Rent payable to Landlord shall be consistent with the rent schedule set forth in Exhibit G.

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. 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. Adjustments in Base Rent

On each anniversary of the Commencement Date (each, an "Adjustment Date"), the Base Rent payable under Section 4.1 shall be adjusted to one hundred two percent (102%) of the Base Rent for the month immediately preceding such Adjustment Date.

4.3. Industrial Gross Lease; Additional Charges

This Lease is a so-called "industrial gross lease" under which City will be responsible for services and utilities to the Premises. City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"). All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

5. USE

5.1. Permitted Use

City may use the Premises for uses 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. Interference with Access

Landlord shall provide to City access to the Premises 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 any of the Premises; provided, however, that Landlord may, after consultation with the SFMTA's Director of Transportation, interrupt City's access to the Premises in the event of an immediate threat of the Premises being rendered unsafe for human occupancy or operations. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises being rendered unsafe for human occupancy or operations due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for two (2) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1. Landlord's Obligation to Construct Improvements

Landlord shall construct the Premises, perform the work and make the installations at the Premises described in, and pursuant to, the Work Letter attached hereto as Exhibit C (the "Work Letter"). All work and installations performed pursuant to the Work Letter are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

Notwithstanding anything to the contrary contained in this Lease, approval by San Mateo County and South San Francisco municipal authorities having jurisdiction over the Leasehold Improvement Work and the Leasehold Improvements (including but not limited to the process of design review, issuance of conditional use permit, Planning Department or equivalent approval) shall be a condition precedent to the obligations of Landlord contained in this Lease. Landlord shall diligently seek necessary review and approval of SFMTA's use, and the Leasehold Improvement Work and the Leasehold Improvements (including schematic and Final Plans, Finish Standards and any changes made to the same by Landlord and City or SFMTA), and shall keep SFMTA and City apprised of such governmental review and approvals or disapprovals. In the event of disapproval of any material use or characteristic of the Leasehold Improvements by a governmental agency with jurisdiction over such use and development, Landlord and City shall promptly meet and confer to reasonably attempt resolution of such item or items of disapproval. In the event that Landlord and City shall not be able to agree upon changes or revisions to the use or Leasehold Improvements necessary to resolve such governmental disapprovals, either party may terminate this Lease by notice given to the other.

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, City's installation of portable trailers on 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. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall have the right, at its sole election, to leave any City Cabling it installs at the Premises on the expiration or sooner termination of this Lease. City shall not be required to remove any other 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.

7.2. Title to Improvements

Except for City's Personal Property (as defined in the next Section) and the Leasehold Improvements, 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

Any equipment, trade fixtures and articles of movable personal property installed in the Premises 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 reasonably 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 applicable items of City's Personal Property from the Premises within thirty (30) 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 (ii) will repair any damage caused by the removal of City's Personal Property. 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 or within thirty (30) days after the Expiration Date.

7.4. Alteration by Landlord

Landlord shall use its best 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 Premises by Landlord pursuant to this Lease. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1. Landlord's Repairs

Landlord shall repair and maintain, at its cost and in first-class condition, all improvements located at the Premises which were provided or constructed by Landlord, including, but not limited to, gates, fences, walls, landscaping, water control, storage, and irrigation equipment and improvements, exterior lighting, and parking areas, but shall not include improvements, fixtures or systems constructed by or at the direction of Tenant, including security systems, mobile equipment or trailers or other systems installed by City or at City's

direction. Without limiting the foregoing, Landlord shall maintain the Premises in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency.

8.2. City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, City shall keep the Premises in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that City is required to make under this Section (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, and (iv) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code.

8.3. 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 or the Premises, 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. Utilities

Landlord shall furnish the Premises with utility connections and facilities sufficient to allow for the provision of the following utilities to the Premises: (a) electric current in amounts required for normal lighting, 600-volt overhead wires for electric trolley bus training on an outdoor course at the Premises, and the portable trailers to be installed on the Premises by City all on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); and (b) water and sewer for portable trailers and drinking purposes on a Daily Basis. City shall pay for all utilities delivered to the Premises during the Term, including but not limited to water, gas, electricity, communications and telephone, refuse and sanitation. Aside from furnishing the Premises with utilities connections and facilities as detailed above, Landlord shall have no obligation to provide actual utilities to the Premises or to City.

9.2. Janitorial and Security Services

City shall provide at its cost any janitorial and/or security services it desires at the Premises.

9.3. Disruption in Essential Utilities or Services

In the event that the activities of Landlord, or its failure to perform its obligations pursuant to this Lease with respect to the utility connections and facilities at the Premises, shall cause a failure, stoppage or interruption of any utilities or services to be furnished to the Premises (either, a "Landlord Disruption Event"), Landlord shall immediately notify City of such matter and shall diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to correct any Landlord Disruption Event and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if the Landlord Disruption Event is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if the Landlord Disruption Event is not within the reasonable control of Landlord, then the Rent shall be abated

based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises. Such abatement shall continue until the Landlord Disruption Event has been remediated so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to remediate a Landlord Disruption Event as soon as possible. However, if such Landlord Disruption Event continues for any reason for thirty (30) days and materially interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Landlord Disruption Event will be remedied within sixty (60) days of the date City's use was interrupted, and the Landlord Disruption Event is actually remedied and services restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate unless a Landlord Disruption Event is due solely to the acts, omissions or negligence of Landlord or its Agents (as defined in Section 23.5).

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1. Premises Condition and Landlord's Compliance with Laws; Indemnity

Except as stated otherwise herein, Landlord represents and warrants to City, and covenants with City, as follows: (a) the permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Premises and parking areas 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 Leasehold Improvements, as of the Commencement Date, will be in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including those relating to seismic safety (collectively, "Seismic Safety Laws"); (c) as of the Commencement Date, the Leasehold Improvements and any other improvements on the Premises will be in full compliance with all applicable Laws relating to fire and life safety (collectively, "Life Safety Laws"); and (d) as of the Commencement Date there will not be in the Premises, Leasehold Improvements or any other improvements on the Premises, any material physical or mechanical defects. Landlord shall at all times during the Term maintain, at its cost, the Premises and the Leasehold Improvements in compliance with present or future Laws to the extent the same are or become applicable, including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Premises, the Leasehold Improvements any other improvements made by Landlord at the Premises, or any portion thereof, to the extent such Claims arise from a Landlord failure to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section. The provisions of this paragraph 10.1, however, do not apply and do not impose a duty on Landlord as to improvements, alterations, fixtures (including trailers and mobile equipment) or personal property constructed or provided by Tenant or at Tenant's direction.

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 any Alterations to the Premises made by City pursuant to Section 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's Personal Property and the operation of any programs in the Premises, other than any requirement

relating to the permanent improvements of the Premises or portions of the Premises which are Landlord's obligation as provided in Section 10.1 above. Without limiting Section 16.1 (City's Indemnity), 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 Premises or any property located therein, to the extent such policies are carried by Landlord pursuant to its obligations under this Lease or under any loan secured by a deed of trust encumbering all or any portion of the Premises (the "Required Policies"), (b) result in a refusal by fire insurance companies of good standing to insure the Premises in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering all or any portion of the Premises, (c) cause an increase in the premium of the Required Policies 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) Prior to the Commencement Date, Landlord shall deliver an original nondisturbance agreement in the form attached to this Lease as Exhibit D (the "Nondisturbance Agreement"), duly executed and acknowledged by Landlord and the holder of any mortgage or deed of trust encumbering all or any portion of the Premises as of the Commencement Date. City shall have the right to record the executed Nondisturbance Agreement in the Official Records of San Mateo County.

(b) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (ii) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (i) any restriction that encumbers the Premises and is recorded pursuant to the Final Remediation Plan, and (ii) 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 for which any part of the Premises or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the mortgagee, trustee, or holder of any such mortgage or deed of trust recorded prior to the execution of this Lease 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 City's request, Landlord shall make best efforts to cause the holder of the Encumbrance to enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City and the holder of the Encumbrance evidencing such subordination or superiority of this Lease.

(c) 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. City's covenant under subsection (b) 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 (c). 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 any portion of the Premises is damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within a repair period (the "Repair Period") that terminates on the earlier of (i) one hundred eighty (180) days after Landlord obtains all necessary permits for such repairs, and (ii) two hundred forty (240) days after the date of such damage. In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in 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 Rent shall not be abated nor may this Lease be terminated 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 forty-five (45) 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 within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the 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 Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

Notwithstanding the foregoing, in the event the Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder or pursuant to any deed of trust encumbering the Premises (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. Such notice from Landlord shall include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

If at any time during the last six (6) months of the Term of this Lease there is substantial damage that materially impedes or interrupts the use of the Premises conducted by City prior to such damage and which Landlord would be required to repair hereunder, Landlord or City may, at the respective option of each, terminate this Lease as of the date such damage occurred by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage; provided, however, Landlord may terminate this Lease only if it would take more than thirty (30) days to repair such damage.

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 Premises 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 Premises, 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 Premises taken shall, in City's reasonable judgment, render the remainder of 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 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) Rent shall be reduced by an amount that is in the same ratio to the 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 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 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. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

If City requests Landlord's consent to a proposed assignment or sublease of this Lease to another party, City shall provide to Landlord all information concerning the assignee or sublessee as Landlord may reasonably request. If Landlord initially consents to a proposed assignee or sublessee, Landlord shall have the right to revoke its consent by delivering written notice of such revocation to City prior to the effective date of such assignment or sublease if, as of such effective date, there has occurred and is continuing any Event of Default under this Lease. If the proposed assignment or sublease is a non-governmental entity that would use the Premises for non-transportation purposes, City shall reimburse Landlord for all of Landlord's reasonable expenses actually incurred in connection with any proposed assignment or sublease requested by City not to exceed \$3,000.00; provided, however, that this Lease shall be binding upon City and its successors and permitted assigns hereto.

If there is any assignment or subletting of this Lease by City to another party, City and its assignee or subtenant shall at all times remain fully responsible and liable for the payment of the Rent and for compliance with all of City's other obligations under this Lease (regardless of

whether Landlord's approval has been obtained for any such assignments or sublettings). In the event that the rent due and payable by a sublessee or assignee to City for any period of such subletting or assignment (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto) exceeds the Rent payable for such period under this Lease, then after recovering its commercially reasonable costs to enter into such sublease or assignment (including commercially reasonable brokers fees and the fee paid to obtain Landlord's consent thereto) and to make any Landlord-approved tenant improvements required to be made by City at the Premises under such sublease or assignment, City shall be bound and obligated to pay Landlord as additional rent hereunder fifty percent (50%) of such excess rental and other excess consideration within thirty (30) days following receipt thereof by City; provided in the event of a sublease which is less than 100% of the Premises such excess rental and other consideration shall be prorated on a square foot basis.

If City assigns this Lease, subleases the Premises (whether in whole or in part), mortgages, pledges, or hypothecates City's leasehold interest, grants any concession or license within the Premises to another party or permits another party to occupy the Premises in whole or in part in exchange for rental payments to City (each, a "Transfer"), then upon an Event of Default, Landlord may collect rent to be paid to City from the transferees under such Transfers and, except to the extent set forth in the preceding paragraph, apply the amount collected from such transferees to the next installment of Rent payable hereunder. Any rentals collected by City from such transferees with respect to the Premises during an Event of Default shall be held in trust for Landlord and promptly be forwarded to Landlord, and Landlord shall apply such forwarded amounts to the next installment of Rent payable hereunder. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of City from the further performance by City of its covenants, duties, or obligations hereunder.

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 Rent 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 Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, 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.

(c) In addition to the foregoing and in the event a default arises from nonpayment of Rent that is not cured within the applicable grace period as provided, above, City shall pay a late charge in the amount of 5% of the amount in arrears. The parties agree that a late charge of 5% is a reasonable estimate of the loss and inconvenience caused such delay in payment to the Landlord.

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 ten (10) 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 ten (10)-day period, such ten (10)-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. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. 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 and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

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 (c) any negligent or grossly negligent acts, omissions, or willful misconduct of City or its Agents in, on or about the Premises; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence, gross 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 and cost (including the payment of all its costs of defense, attorneys fees and experts fees), 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 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; 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. City's self-insurance does not relieve City of its obligations under this Lease, including those duties pertaining to indemnification.

17.2. Landlord's Insurance

At all times during the Term, Landlord shall keep the Leasehold Improvements insured against damage and destruction by fire, vandalism, malicious mischief, earthquake 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 issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to, reduction of coverage or otherwise subject to modification except after thirty (30) days prior written notice to City. Landlord hereby waives any rights against City for loss or damage to the Premises to the extent covered by Landlord's property insurance.

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 Two Million Dollars (\$2,000,000) 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. All insurance policies required to be maintained by Landlord hereunder shall be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord.

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 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 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 six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises to comply with Landlord's obligations under this Lease, 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 City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) business 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) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property (except for any of City's telecommunications, data and computer facilities that City elects to leave at the Premises pursuant to Section 7.1) 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 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 naturally occurring substances on or about the Premises; 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 in, on, under or about the Premises.

21.2. Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date: (a) except as may be the subject of any ongoing remediation application or plan at the Premises, if any, the Premises is not in violation of any Environmental Laws; (b) the Premises is not now used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for use of such substances in such limited quantities as are customarily used in offices or for such manufacturing, which limited use has been and is in compliance with Environmental Laws; (c) the Premises does not consist of any landfill and as of the Commencement Date shall not contain any underground storage tanks; (d) the Leasehold Improvements will not consist of any asbestos-containing materials or building materials that contain any other Hazardous Material, nor will they contain any lead-based paints; (e) intentionally left blank; (f) except as being treated or remediated by any remediation plan applicable to the Premises, the Premises is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no known inquiry by any governmental agency (including, without limitation, the DTSC or the RWQCB) with respect to the presence of Hazardous Material at, in, on, under or about the Premises, or the migration of Hazardous Material from or to other real property; and (g) Owner shall be solely responsible, and shall promptly, perform all required remediation work required with respect to the Excess Level Condition and any violation of Environmental Laws disclosed in any Subsequent Test Results. Subject to City's obligations under this Section below and except for any improvements, fixtures, personal property or alterations constructed or placed at the Premises by City or at City's direction, Landlord 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 pursuant to the terms of this Lease for office, industrial, or commercial purposes.

21.3. Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material at, on, under or about the Premises, including any related to the Excess Level Condition or disclosed in any Subsequent Test Results, unless City or its Agents caused such Release.

21.4. City's Covenants

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 transported to or from the Premises, in violation of any Environmental Laws, provided that City shall have the right to store

fuel in, make deliveries of fuel to, and pump fuel from, the fuel storage tank installed at the Premises as part of the Leasehold Improvements.

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, then City shall Indemnify Landlord against any and all Claims arising 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 not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises existing prior to City's occupancy.

22. SPECIAL PROVISIONS

22.1. Purchase Option; Exercise of Purchase Option; Approval of Transaction

(a) Purchase Option; Exercise of Purchase Option. City shall have the right to purchase the Premises (the "Purchase Option") for a purchase price equal to the fair market value as set forth in Section 22.1(b) below, pursuant to the terms and conditions set forth in this Section 22.1. City shall exercise the purchase right, if at all, by delivering to Landlord written notice of City's exercise of such right (the "Exercise Notice") during a period which shall commence on or after the sixth (6th) anniversary of the Commencement Date and terminate on the eighth (8th) anniversary of the Commencement Date (the "Exercise Deadline").

(b) Determination of Fair Market Value. If the City exercises the Purchase Option, the purchase price for the Premises will be the Fair Market Purchase Price. Promptly following the City's exercise of the Purchase Option the parties shall determine the Fair Market Purchase Price for the Premises in accordance with Exhibit B.

(c) Approval of Transaction or Revocation of Option to Exercise; Execution of Purchase Agreement. Promptly following City's exercise of the Purchase Option and determination of the Fair Market Purchase Price, SFMTA shall promptly (i) seek approval of the purchase transaction from the SFMTA's Board of Directors and, to the extent required, the City's Board of Supervisors, or (ii) provide Landlord with written notice that SFMTA is withdrawing the Exercise Notice, if the SFMTA Senior Manager of Real Estate does not believe the SFMTA's Board of Directors will approve of the Fair Market Purchase Price or the City's Director of Property does not believe the Board of Supervisors or the Mayor will approve of the Fair Market Purchase Price. Promptly following the exercise of the Purchase Option, determination of the Purchase Price, and receipt of approval from the SFMTA Board of Directors and, to the extent required, the City's Board of Supervisors, City shall execute and deliver to Landlord a purchase and sale agreement for the Premises in the form attached to this Lease as Exhibit E (the "Agreement"). Landlord shall deliver a countersigned copy of the Agreement to City within five (5) days of Landlord's receipt of the Agreement signed by City. If the SFMTA's Board of Directors or, to the extent required, the City's Board of Supervisors, fails to approve the purchase transaction by the Approval Deadline (as defined below), SFMTA may withdraw the Exercise Notice by written notice to Landlord. As used herein, the "Approval Deadline" shall be the date which is six (6) months after the later of the City's delivery of the Exercise Notice to Landlord or the determination of the Purchase Price. The Approval Deadline may be extended only by written agreement of Landlord.

(d) Expiration of Option Exercise; Expiration of Purchase Option. City's Purchase Option under this Section 22.1 shall be void and of no further force and effect if (i) City withdraws the Exercise Notice as provided in Section 22.1(c) above. Further, except as otherwise agreed by Landlord, City's Purchase Option under this Section 22.1 shall be void and of no further force and effect if (i) the SFMTA's Board of Directors or, to the extent required, the City's Board of Supervisors or Mayor, fails to approve the purchase transaction by the Approval Deadline, or (ii) City fails to complete the transaction as provided in the Agreement prior to the

Purchase Deadline for any reason other than a delay by Landlord hereunder or a default by the seller thereunder. As used herein, the "Purchase Deadline" shall be the date which is three (3) months after the Approval Deadline. The Purchase Deadline may be extended only by written agreement of Landlord.

22.2. Right of First Refusal to Purchase

(a) Offer and Conditional Acceptance

(i) **Notices.** If during the Term, Landlord decides to sell or transfer the Premises or receives an offer for the purchase of the Premises that Landlord wishes to pursue, Landlord shall first offer the Premises to the City at the purchase price at which Landlord will offer the Premises to another party. Such proposed purchase price shall be set forth in a written notice ("Sale Notice") from Landlord to City and shall be subject to adjustment as provided below. City shall have thirty (30) days from the date of receiving the Sale Notice to submit to Landlord in writing (i) an offer to purchase the Premises at the price specified in the Sale Notice and otherwise on the other business terms contained in this Section (the "Offer"), or (ii) a counter offer to purchase the Premises at a lesser price and otherwise on the other business terms contained in this Section (the "Counter Offer").

(ii) If City does not timely deliver an Offer, then Landlord shall have the right to sell the Premises to any person, and on any terms, without any obligation to City. If City timely delivers a Counter Offer and such Counter Offer is not accepted by Landlord, then Landlord may sell the Premises to a buyer who agrees to pay a gross purchase price (i.e. an amount determined without regard to any brokerage commission liability, but reduced by any Landlord credits or give backs to the potential buyer for such items as existing building conditions or improvements) that exceeds the purchase price proposed in City's Counter Offer. Good faith negotiations with such a buyer may result in credits or reductions due to discoveries the buyer makes about the Premises during the due diligence period, but such credits or reductions must be made reasonably and in good faith during the due diligence period and not in an effort to circumvent City's rights hereunder. If the foregoing conditions are met, such credits or reductions shall not trigger a further right of first refusal under this Section for City, even if the final gross sales price is at or below the City's Counter Offer, so long as that buyer proceeds to consummate that purchase at that final gross sales price.

If City timely delivers a Counter Offer and such Counter Offer is not accepted by Landlord, but Landlord is unable to sell the Premises for more than the proposed purchase price specified in City's Counter Offer and continues to desire to sell the Premises, Landlord shall thereafter give City another Sale Notice at or before the time Landlord intends to enter into an agreement to sell or transfer the Premises to any other party for a purchase price equal to or less than the purchase price specified in City's Counter Offer, at which time the above procedure for City's first right of refusal shall be repeated. This first right of refusal provided by this Section 22.2 shall terminate and be of no further force or effect if Landlord sells the Premises to a third party at a purchase price that complies with the foregoing provisions.

(iii) If Landlord elects to accept City's Counter Offer, Landlord shall provide City with written notice of such election within fifteen (15) days of receiving City's Counter Offer.

If City timely delivers the Offer to Landlord, or if Landlord accepts City's Counter Offer, City shall deliver the Agreement (which shall reflect the agreed price), and Landlord shall promptly execute the Agreement and deliver it to City. The Offer or Counter Offer shall be subject to timely approval of the SFMTA's Board of Directors and City's Board of Supervisors and the Mayor, each acting in their respective sole discretion, of the Agreement and the transaction specified therein, within the periods specified for such approval in the following subsection.

(iv) **Approval of Transaction or Revocation of Offer or Counter Offer; Execution of Purchase Agreement.** Promptly following City's receipt of the Agreement, signed by Landlord, pursuant to the foregoing subsection, City shall promptly seek approval to have City enter into the Agreement from the SFMTA Board of Directors and, to the extent required, the City's Board of Supervisors and Mayor. Promptly following receipt of approval from the SFMTA Board of Directors and, to the extent required, the City's Board of Supervisors and Mayor, to City's execution of the Agreement, City shall execute and deliver the Agreement to Landlord. If the SFMTA Board of Directors or, to the extent required, the City's Board of Supervisors and Mayor, fails to approve the Agreement by the Approval Deadline (defined as follows), the Offer or Counter Offer, as applicable, shall automatically be voided as of the date that the termination of the Approval Deadline. As used herein, the "Approval Deadline" shall be the date which is six (6) months after the later of Landlord's delivery of the Agreement, signed by Landlord, to City. The Approval Deadline may be extended only by written agreement of Landlord.

(v) **Expiration of Offer or Counter Offer.** The Offer or Counter Offer shall be void and of no further force and effect if the SFMTA Board of Directors and, to the extent required, the City's Board of Supervisors and Mayor, fail to approve the Agreement by the Approval Deadline. If the Offer or Counter Offer is voided as provided above, City shall have no further right to purchase the Premises under this Section 22.2.

22.3. Due Diligence Deliveries

As used herein, the "Documents" shall mean the following documents, all to the extent such documents exist and are in the possession or control of any of Landlord, any member of Landlord, Landlord's property manager or its asset manager: (i) structural calculations for the any of the Leasehold Improvements; (ii) site plans, digital copies of the as-built plans and specifications for the Leasehold Improvements; (iii) existing service contracts, utility contracts, maintenance contract, employment contracts, management contracts, brokerage and leasing commission agreements with respect to the Premises to the extent such contracts or agreements would remain in effect on or after the closing contemplated by the Purchase Agreement (hereafter, the "Closing"); (iv) warranties or guaranties received by Landlord from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Leasehold Improvements and in effect as of the Commencement Date; (v) current certificates of insurance for carriers insuring the Premises, as well as any information or reports relative to the claims history of the Premises; (vi) any environmental reports, studies, surveys, tests and assessments; (vii) any soils and geotechnical reports, including without limitation, any reports relating to the presence of asbestos or asbestos containing materials located at the Premises; and (viii) any other contracts or documents necessary for the operation of the Premises or which will be binding on the Premises on or after the Closing.

Within thirty (30) days after signing the Agreement, Landlord shall deliver to City copies of all of the Documents pertaining to the condition and operation of the Premises and the Leasehold Improvements, to the extent such documents exist and are in the possession or control of Landlord, its property manager or its asset manager and have not been previously delivered to City during the course of negotiation of this Lease. Landlord further agrees to promptly deliver to City any Documents thereafter discovered, created or received by Landlord, its property manager or its asset manager (each, a "Newly Discovered Document") between the initial delivery date specified in this paragraph and the Exercise Date.

22.4. Inspections and Inquiries

From and after the Commencement Date, City shall be permitted to make such examinations, tests, analyses, investigations, surveys, inquiries and other inspections in

connection with City's examination of the Premises as City deems necessary or desirable. Notwithstanding the forgoing, City shall not perform any borings, samplings, soils tests, groundwater tests or other intrusive physical environmental audit procedures on the Premises without first providing Landlord a detailed work plan describing with specificity the nature, scope, location and purpose of all of such activities to be performed on the Premises and thereafter obtaining Landlord's prior written consent to such activities, which Landlord shall not unreasonably withhold, condition or delay. City, at its sole expense, shall repair any and all damage resulting from any of the tests, studies, inspections and investigations performed by or on behalf of City that are permitted under this Section. Landlord hereby irrevocably authorizes City and its agents to make all inquiries with and applications to any regulatory authority with jurisdiction over the Premises as City may reasonably require to complete its due diligence investigations on the Premises; provided, however, that no such inquiry or application shall be made prior to the Commencement Date and no such application shall impact Landlord's ownership of or title to the Premises in the event the Closing fails to occur.

22.5. Representations and Warranties

Except as may be disclosed by Landlord prior to the Commencement Date or by the Documents, Landlord represents and warrants as follows: (i) With the exception of that certain quiet title action "Tanforan Industrial Park, LLC vs South San Francisco Land and Improvement Company, et al", filed in San Mateo Superior Court Action No. CIV 529173, Landlord has not received any written notice of pending or threatened litigation that would have a material and adverse affect on the use, operation or value of the Premises or the ability of Landlord, as seller, to perform its obligations under the Purchase Agreement, (ii) Landlord has not granted any option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Premises which right or option is either superior to the rights granted to City in this Lease or would be in effect or enforceable following the transfer of the Premises to City at Closing, (iii) except for the 2014 Action Agreement, Landlord has not received any written notice from any governmental authority having jurisdiction that the Premises are in violation of any applicable law, ordinance or regulation, including, without limitation, any Environmental Laws, which remains uncured and which could reasonably have a material adverse effect on the operation of the Premises following the Closing; (iv) during the ownership of the Premises by Landlord, the Premises has not been used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material; (v) during the ownership of the Premises by Landlord there has been no Release of any Hazardous Material in, on, or under the Premises; and (vi) the reports, studies, assessments, investigations and other materials to be made available to City for its review pursuant to Section 22.4 constitute all written materials in the possession, custody or control of Landlord or its property manager relating to the presence of Hazardous Materials at, on or under the Premises, and the compliance of the Premises with Environmental Laws; provided that, without limiting any other provision hereof, Landlord makes no representation or warranty as to whether City is entitled to rely on any such reports, studies, assessments, investigations or other materials, and if City desires to rely on the same, City shall be responsible for obtaining, at its sole cost and expense, written permission from the preparer of any such item.

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 overnight 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) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail or overnight courier, 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 SFMTA Director of Transportation, 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. 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 SFMTA Director of Transportation, 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 SFMTA's Board of Directors and 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 does not violate any provision of any agreement, law or regulation to which Landlord or the Premises 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 SFMTA Director of Transportation 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

City has not 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, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability therefor. 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. 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 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 and at 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 consent, the rent payable by City during the period of such holding over shall be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, 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.

23.18. Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the 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 or on account of any action, inaction or agreement of Landlord or its Agents. 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, provided, however, that such quiet enjoyment shall be interpreted in light of the type and location of the Premises and City's intended use.

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 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 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 Premises or this Lease to any other financially responsible 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. MacBride Principles - Northern Ireland

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

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 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 shall use its reasonable efforts to give Landlord reasonable advance notice of such termination.

During the Term, SFMTA staff will ensure the Lease payments are included in the operating budgets submitted for approval to the SFMTA Board of Directors, City's Mayor, and City's Board of Supervisors. As of the Commencement Date, Section 8A.106 of the City's Charter (i) requires SFMTA to submit a two-year budget to the City's Board of Supervisors and Mayor by May 1st of even numbered years, (ii) only permits the City's Board of Supervisors to reject the full submitted budget by 7/11ths vote no later than August 1st of such even numbered year, (iii) prohibits the City's Board of Supervisors from modifying the submitted SFMTA budget, including any line item changes, and (iv) if City's Board of Supervisors rejects a budget submitted by SFMTA, requires the City's Board of Supervisors to make additional interim appropriations to SFMTA until a budget is adopted. SFMTA shall be required to make adequate provision in such budget for the lease payments specified in this Lease. Landlord acknowledges and agrees that the City's Charter may be amended and Sections of the City Charter changed by a majority of the voters at any time.

23.24. Prevailing Wages

Landlord agrees that any person performing labor in the design, pre-construction or construction of the Leasehold Improvements or any "public work" as defined under California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, demolition, installation, and repair work and the laying of carpet), which Landlord provides under this Lease and are paid for in whole or part out of public funds, 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. The terms "construction" and "public work", and the phrase "paid for in whole or part out of public funds" as used in this Section shall have the meanings given to them in California Labor Code Section 1720 *et seq.*, as amended. Landlord shall include in any contract for such labor 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 such labor at 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 employee of, 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. Resource-Efficient City Buildings

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-leased buildings. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

23.28. 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.

23.29. Effective Date

The date on which this Lease shall become effective (the "Effective Date") is the date upon which (a) SFMTA's Board of Directors, City's Mayor, and City's Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto.

23.30. 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.

23.31. Memorandum of Lease

On the Effective Date, Landlord and City shall execute the memorandum of lease in the form attached hereto as Exhibit F (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 Mateo within two (2) business days thereafter. Upon termination of City's right of first refusal pursuant to Section 22, City shall execute in recordable form such documents as reasonably requested by Landlord to establish that the Premises is no longer subject to such right of first refusal.

23.32. 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.

23.33. 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.

23.34. 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.

23.35. Preservative-Treated Wood Containing Arsenic

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.

23.36. 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.

23.37 Consideration in Hiring and Employment Decisions

Landlord agrees to comply fully with and be bound by all of the provisions of Chapter 12T of the San Francisco Administrative Code (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions) ("Chapter 12T"), including the remedies and implementing regulations of Chapter 12T, as may be amended from time to time, in the hiring or employment any person with respect to the Landlord Work and the performance of Landlord's obligations under this Lease. The provisions of Chapter 12T are incorporated by reference and made a part of this Lease as though fully set forth herein. Such provisions include, but are not limited to, the requirements for solicitations or advertisements for employees made by Landlord if such employees would perform any of such activities and the prohibition of certain inquiries when initially interviewing job candidates for such employment positions. The text of the Chapter 12T is available on the web at <http://sfgov.org>.

Landlord shall incorporate by reference in all subcontracts the provisions of Chapter 12T, and shall require all its contractors to comply with such provisions. Landlord's failure to comply with the obligations in this Section shall constitute a material breach of this Lease. Landlord understands and agrees that if it fails to comply with the requirements of Chapter 12T, City shall have the right to pursue any rights or remedies available under Chapter 12T, including but not limited to, a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part 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 DULY ADOPTED 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.

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

LANDLORD:

TANFORAN INDUSTRIAL PARK, LLC,
a California limited liability company


By: Joseph P. Cassidy
Its: Manager

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, acting by and through its
Municipal Transportation Agency

By: _____
Edward D. Reiskin
Director of Transportation

San Francisco Municipal Transportation
Agency Board of Directors

Resolution No: _____
Adopted: _____
Attest: _____
Secretary, SFMTA Board of Directors

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Stephanie Stuart
Deputy City Attorney

LEASE EXHIBIT A
NOTICE OF COMMENCEMENT DATE

EXHIBIT A

NOTICE OF COMMENCEMENT DATE

[Date]

Mr. Edward D. Reiskin
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

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

RE: Acknowledgement of Commencement Date, Lease Between Tanforan Industrial Park, LLC (Landlord), and the City and County of San Francisco (Tenant), acting by and through its Municipal Transportation Agency, for premises known as 30 Tanforan Avenue, South San Francisco, California

Dear Mr. Reiskin and 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,

Accepted and Agreed:

Edward D. Reiskin
Director of Transportation
San Francisco Municipal Transportation Agency

Date: _____

John Updike
Director of Property

Date: _____

LEASE EXHIBIT B
APPRAISAL PROCEDURE

EXHIBIT B

APPRAISAL PROCEDURE

1. **Joint Appraisal.** Upon SFMTA's exercise of the Purchase Option, SFMTA shall select an appraiser (the "Proposed Appraiser") meeting the qualifications set forth in Section 5 below. SFMTA shall send Landlord written notice (the "Proposed Appraiser Notice") of SFMTA's selection of the Proposed Appraiser, together with proposed joint appraisal instructions for the Proposed Appraiser and a copy of the Proposed Appraiser's resume. If Landlord agrees to the Proposed Appraiser and the parties agree to the joint appraisal instructions for the Proposed Appraiser within 15 days following Landlord's receipt of the Proposed Appraiser Notice, the appraisal prepared by the Proposed Appraiser pursuant to such joint appraisal instructions shall be referred to as the "Joint Appraisal," and the current fair market value determination in the Joint Appraisal shall be the "Fair Market Purchase Price".
2. **Separate Appraisals.** If Landlord does not agree to the Proposed Appraiser or the parties do not timely agree on the joint appraisal instructions for the Proposed Appraiser within 15 days following Landlord's receipt of the Proposed Appraiser Notice, Landlord shall have the right to select an alternate appraiser ("Landlord's Appraiser") meeting the qualifications set forth in Section 5 below. Landlord shall provide SFMTA with written notice of Landlord's selection of Landlord's Appraiser ("Landlord's Appraiser Selection Notice"), together with a copy of Landlord's Appraiser's resume, within 15 days of the expiration of the 15 day period specified above. If Landlord does not provide Landlord's Appraiser Selection Notice within such 15 day period, the Proposed Appraiser shall be the sole appraiser and shall prepare an appraisal of the fair market value of the Premises, which shall be the Fair Market Purchase Price. If Landlord timely delivers the Landlord's Appraiser's Selection Notice, the Proposed Appraiser and Landlord's Appraiser shall each make an independent determination of fair market value of the Premises. The appraisers may share and have access to objective information in preparing their appraisals, but will independently determine the appropriate assumptions to make based on the provisions of Section 22 of the Lease, this Section and each appraiser's own assessment of the market. Neither of the appraisers shall have access to the appraisal of the other (except for the sharing of objecting information contained in such appraisals) until both of the appraisals are submitted in accordance with the provisions of this Section. Neither party shall communicate with the appraiser appointed by the other party regarding the instructions contained in this Section before the appraisers complete their appraisals. If either appraiser has questions regarding the instructions in this Section or the interpretation of this Lease, such appraiser shall use his or her own professional judgment and shall make clear all assumptions upon which his or her professional conclusions are based, including any supplemental instructions or interpretive guidance received from the party appointing such appraiser. There shall not be any arbitration or adjudication of the instructions to the appraisers contained in this Section. Each appraiser shall complete, sign and submit its written appraisal setting forth the fair market value to the Parties within 30 days after the appointment of the last of such appraisers. If the higher appraised fair market value is not more than one hundred ten percent (110%) of the lower appraised fair market value, then the Fair Market Purchase Price shall be an average of such two (2) appraised values.
3. **Third Appraiser.** If the fair market value specified in the two appraisals differ by more than ten percent (10%) of the higher of the two, then the first two (2) appraisers shall attempt to appoint a disinterested and independent third appraiser meeting the qualifications stated in Section 5 below within 10 days after the first two (2) appraisals have been submitted to the parties. Such appraiser shall consider the appraisals submitted to the parties as well as any other relevant written evidence which the parties may choose to submit. If a party chooses to submit any such evidence, it shall deliver a complete and accurate copy thereof to the other party at the same time it submits the same to the appraiser. Neither party shall conduct ex parte communications with the appraiser regarding the subject matter of the appraisal. If the first two (2) appraisers are unable to agree on the third appraiser, either appraiser, by giving ten (10) days' notice to the other appraiser, may file a petition with the American Arbitration Association solely

for the purpose of selecting a third appraiser who meets the qualifications set forth in this Section. If an appraiser suggests the name of a third appraiser to the arbitration service, the appraiser shall also submit a declaration by the proposed third appraiser disclosing any work performed by such third appraiser for either party, any entity related to either party, or their attorneys, principals, or officers, and any relationship between the third appraiser and either party that could reasonably be construed as a conflict of interest. Either of the Parties may challenge the selection of the third appraiser, whether by agreement of the first two appraisers or by the selection of the American Arbitration Association, by reason of fraud, corruption or undue influence, or a conflict of interest by reason of work the third appraiser has performed for, or a business relationship between the third appraiser and either party, any entity related to either party, or their respective attorneys, principals, or officers, and any relationship between the third appraiser and either party that could reasonably be construed as a conflict of interest. Each party shall bear one-half (1/2) of the cost of any fee charged by the American Arbitration Association for appointing the third appraiser.

Within thirty (30) days after his or her appointment, the third appraiser shall conduct a hearing at which City and Landlord may each make supplemental oral and/or written presentations, with an opportunity for testimony by the first two (2) appraisers and questioning by the Parties and the third appraiser. Within ten (10) days following the hearing, the third appraiser shall select the appraised fair market value determined by one or the other of the first two (2) appraisers that is the closer, in the opinion of the third appraiser, to the actual fair market value. The determination of the third appraiser shall be limited solely to the issue of deciding which of the appraisals of the two (2) appraisers is closest to the actual fair market value. The third appraiser shall have not right to propose middle ground or to modify either of the two (2) appraisals, or any provision of the Lease or the Purchase Agreement. The fair market value so determined shall be the "Fair Market Purchase Price."

4. Fees and Expenses. SFMTA shall bear the fees, costs and expenses of the Proposed Appraiser and of any experts and consultants used by such Proposed Appraiser and Landlord shall bear the fees, costs and expenses of Landlord's Appraiser and of any experts and consultants used by such Landlord's Appraiser. Landlord shall pay the cost of the third appraiser, if any, and City shall reimburse Landlord for one half (1/2) the actual and reasonable cost of such third appraiser.

5. Qualifications. All appraisers specified above shall be competent, licensed, qualified by training and experience in the City of South San Francisco, and shall be a member in good standing of the Appraisal Institute (MAI), or, if the Appraisal Institute no longer exists, shall hold the senior professional designation awarded by the most prominent organization of appraisal professionals then awarding professional designations. Without limiting the foregoing, each appraiser shall have extensive experience valuing commercial real estate development sites in the City of South San Francisco.

6. Definition of Fair Market Value. Each of the appraisers selected or appointed pursuant to the provisions of this Appraisal Procedure, and the "Third Appraiser," if any, appointed pursuant to the provisions of paragraph 3 of this Appraisal Procedure, shall perform their appraisals in accord with the provisions of this paragraph 6, notwithstanding contrary instructions received from Landlord or SFMTA. For the purposes of a determination of "fair market value", the appraisers shall consider fair market value of the property to be the greater of (a) the property's value with this Lease in effect, or (b) the property's value without this Lease. The appraisers shall formulate "fair market value" by including consideration of the highest and best use of the Property.

LEASE EXHIBIT C
WORK LETTER

EXHIBIT C

WORK LETTER

(30 Tanforan Avenue, South San Francisco, CA)

This Work Letter, dated as of November 2, 2015, is part of the Lease dated as of November 2, 2015 (the "**Lease**"), executed concurrently herewith, by and between Tanforan Industrial Park, LLC, a California limited liability company ("**Landlord**"), and the City and County of San Francisco, a municipal corporation ("**City**"), acting by and through its Municipal Transportation Agency ("**SFMTA**") for SFMTA's lease of the property commonly known as 30 Tanforan Avenue, South San Francisco, California, and further described in the Lease ("**Premises**"). All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease.

1. Leasehold Improvements. Landlord agrees, at its sole cost and expense, to furnish or perform those items of construction and those improvements and construction described and shown on the schematic plans ("**Schematic Plans**") attached hereto as Schedule 1 (the "**Leasehold Improvements**"). The Leasehold Improvements shall be consistent with the finish standards attached hereto as Schedule 2 which shall be updated and finalized by Landlord no later than May 30, 2015 (the "**Finish Standards**"). The planning and construction documents related to the Leasehold Improvements shall be performed in compliance with final plans, specifications, construction drawings, and Finish Standards (the "**Final Plans**"), and a construction schedule ("**Schedule**"), all of which must be approved in advance by the SFMTA, prior to review and approval by any regulatory agency. The Final Plans shall be prepared by Landlord's licensed architect (the "**Architect**") or Landlord's licensed engineer (the "**Engineer**"), as required by applicable codes and standards, each of whom shall be reasonably approved by the SFMTA, and show, without limitation, the following:

SITE INFORMATION

- i. Complete site plan, showing all site improvements, parking, circulation, landscape areas, outdoor lighting fixtures, fences, walls, fire hydrants, and equipment screening;
- ii. Grading, drainage, and stormwater control details, showing all landscape areas, topography, pad elevations for all paving areas, and paving materials for all circulation areas;
- iii. Paving cross sections for all structural concrete areas;
- iv. Utility information, including location of gas, water, sewer, electrical, and phone lines.

The Leasehold Improvements shall meet SFMTA's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code.

2. Approval of Final Plans.

(a) Proposed Final Plans. SFMTA shall respond promptly to any inquiries by Landlord during the development of the Final Plans and, to the extent requested by Landlord, shall cooperate with Landlord, Architect, and Engineer in developing the Final Plans. When Landlord requests SFMTA to specify details or layouts, SFMTA shall promptly specify same within six (6) business days thereafter so as not to delay completion of the Final Plans or Substantial Completion (as defined in Section 6 below) of the Leasehold Improvements. Based on the approved Schematic Design Documents and any further adjustments approved by SFMTA, within 60 days following the Effective Date, Landlord shall submit the proposed Final Plans to SFMTA for its approval, and SFMTA shall advise Landlord within six (6) business days thereafter of its approval or disapproval of such proposed Final Plans. SFMTA's right to

disapprove the proposed Final Plans shall be limited to material inconsistencies with the Schematic Drawings, the Finish Standards, this Work Letter, any change orders approved by SFMTA and Landlord, and noncompliance with or violation of applicable Laws (including any noncompliance as determined by City's Mayor's Office on Disability). If SFMTA does not disapprove of the proposed Final Plans or any element or aspect thereof within the six (6) business day period set forth above, then such Final Plans or the portions not objected to by SFMTA shall be deemed approved. Promptly upon SFMTA giving notice of disapproval of any items materially inconsistent with the Schematic Drawings, the Finish Standards, this Work Letter or applicable Laws, the parties shall convene to agree upon revisions to obtain consistency. In the event of an inability to agree, the details of the Schematic Drawings, the Finish Standards and this Work Letter shall control.

(b) Change Orders. If SFMTA reasonably wishes to have any changes made to the Final Plans after they are approved by SFMTA pursuant to Section 2(a) above, SFMTA shall notify Landlord of such proposed change in writing and Landlord shall determine whether such change can be made in a reasonable and feasible manner. Any and all costs of reviewing any requested changes, and any and all costs of making any changes to the Leasehold Improvements requested by the SFMTA and which the Landlord may agree to, shall be at the SFMTA's sole cost and expense, and shall be paid to Landlord in a timely basis, after the change order is approved by the SFMTA Director of Transportation and, if required, the SFMTA Board.

If Landlord reasonably wishes to modify the Final Plans after they are approved by SFMTA pursuant to Section 2(a) above, Landlord shall provide SFMTA with proposed plans and specifications with respect to such change, together with notice of any delay in the anticipated date of Substantial Completion that would result from such change. Any such change order shall be subject to SFMTA's prior written approval, in accordance with Section 2(a) above. No approval by SFMTA of any such change shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the Schedule, nor shall any such approval limit any of SFMTA's rights or remedies under this Work Letter or the Lease. Landlord shall be solely responsible for the cost and expense of any change it requests to the Final Plans.

(c) Payment for Plans. The costs of preparing the Final Plans approved by SFMTA and Landlord shall be paid by Landlord. The cost of any change order(s) approved by SFMTA and Landlord shall be paid by the party desiring such change order.

(d) No City Liability for Omissions or Errors. Notwithstanding SFMTA's approval of the Final Plans or any change orders thereto, SFMTA shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Final Plans; provided, however, SFMTA shall be a third party beneficiary under any such contracts with the Architect and Engineer and shall have the right to proceed directly against such parties for any errors and omissions contained in the Final Plans or any approved change orders thereto.

3. Costs; Budget. All costs related to the design, construction and installation of the Leasehold Improvements (collectively, the "**Work Costs**") shall be paid by Landlord, including, but not limited to, the design of the Leasehold Improvements, the preparation of any plans or specifications or any proposed and approved Final Plans and any approved change orders thereto, all fees of the Architect, Engineer, and Landlord's contractors and subcontractors, all permits, and all work needed and costs incurred to design and construct the Leasehold Improvements in compliance with the Americans with Disabilities Act and all other applicable Laws.

4. Permits. Landlord shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvements (the "**Required Permits**"). Promptly following SFMTA's approval of the Final Plans, Landlord shall apply for the Required Permits and diligently pursue such application to completion. Landlord shall

promptly deliver a copy of any Required Permit Landlord receives to SFMTA, and shall keep SFMTA apprised of the status of approval for each of the Required Permits.

Landlord shall also keep SFMTA apprised of any community meetings and/or public hearings related to the Required Permits and shall further apprise SFMTA of the date, time and location of such meetings in order to afford SFMTA the opportunity to participate in such community meetings and/or public hearings.

5. Construction.

(a) Commencement. Following SFMTA's approval of the Final Plans and the construction budget, and Landlord's procurement of all Required Permits, Landlord shall proceed with and complete the construction of the Leasehold Improvements. When construction progress so permits, but not less than thirty (30) days in advance of completion, Landlord shall notify SFMTA of the approximate date on which the Leasehold Improvements will be substantially completed in accordance with the approved Final Plans and this Work Letter.

(b) Construction Schedule; Updates. Landlord shall diligently pursue construction to completion, all in accordance with the Schedule. Landlord shall keep SFMTA apprised of the progress of construction, delivering bi-weekly reports on construction in such form as Landlord's Contractor shall typically produce or, if requested by SFMTA, Landlord shall coordinate bi-weekly progress meetings between designated representatives of Landlord and SFMTA. From time to time during the construction of the Leasehold Improvements, SFMTA shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the course of construction, provided such inspections do not unreasonably interfere with the construction or installation of the Leasehold Improvements. Landlord or its designated representative may accompany SFMTA during any such inspection.

(c) Applicable Laws. All of the Leasehold Improvements shall be performed in compliance with all applicable Laws, including, but not limited to, all applicable 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.

(d) Coordination with SFMTA Work. Subject to applicable Laws governing SFMTA's right to enter or perform construction in the Premises, SFMTA shall be allowed to install its own machinery, equipment, fixtures, or other personal property on the Premises during the final stages of the construction of the Leasehold Improvements provided that such entry or performance does not interfere with the completion of construction or cause any labor dispute as a result of such installations, and provided further that City does hereby agree to indemnify, defend, and hold Landlord harmless from any loss or damage to the Leasehold Improvements and all liability, loss, or damage arising from any injury to the Leasehold Improvements or the property of Landlord or its contractors, subcontractors, or materialmen, and any death or personal injury to any person or persons arising out of such SFMTA entry or performance, unless any such loss, damage, liability, death, or personal injury was caused by the negligence of Landlord or any of its contractors, subcontractors, or materialmen. Any such occupancy or performance in the Premises shall be subject to SFMTA providing to Landlord satisfactory evidence of reasonably satisfactory payment arrangements with respect to installations permitted hereunder.

6. Substantial Completion. The Leasehold Improvements shall be deemed substantially completed ("Substantially Completed" or "Substantially Complete") when, in the opinion of the Architect or Engineer, the Leasehold Improvements are substantially completed except for punch list items that do not prevent in any material way the use of the Leasehold Improvements for the purposes for which they were intended; provided such opinion is given in conjunction with a certificate of occupancy or a temporary certificate of occupancy or a permit inspection card or other documentation from the City of South San Francisco indicating that the Premises

can be legally occupied. SFMTA's occupancy of the Premises for the conduct of its normal business operations shall also cause the Leasehold Improvements to be deemed Substantially Completed. As soon as the Leasehold Improvements have been Substantially Completed, Landlord shall notify SFMTA in writing of the date that the Leasehold Improvements were Substantially Completed, and SFMTA or its representatives shall be permitted to accompany Landlord or its Architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

After the date the Leasehold Improvements are Substantially Complete, SFMTA shall, upon demand, execute and deliver to Landlord a letter of acceptance of delivery of the Leasehold Improvements subject to satisfactory and timely completion of any remaining punch list items, which Landlord shall diligently pursue to completion. SFMTA shall have the right to present to Landlord within three (3) business days after SFMTA's initial walk-through inspection of the Premises, a written "punchlist" consisting of any items that have not been finished in accordance with the Final Plans or the terms of this Work Letter. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and in any event within thirty (30) days after the delivery of such list. SFMTA's failure to include any item on such list shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvements in accordance with the Final Plans and the provisions hereof.

7. Prevailing Wages. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements 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 such labor 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 SFMTA upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

8. General Provisions.

(a) Notices. Except as may be otherwise specifically provided herein, any notice given under this Work Letter shall be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

City: SFMTA
1 South Van Ness Avenue, 8th Floor
San Francisco, California 94103
Attn: Real Estate Section, Senior Manager

Landlord: Tanforan Industrial Park, LLC
160 So. Linden Ave., Suite 100
South San Francisco, CA 94080
Attn: Joseph P. Cassidy

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of 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 business day after the date when it is mailed if sent by overnight courier, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

(b) Cooperation. Landlord shall use commercially reasonable efforts to cooperate at all times with SFMTA in bringing about the timely completion of the Leasehold Improvements in accordance with the Lease and this Work Letter. Landlord shall use commercially reasonable efforts to resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner which shall allow work to proceed expeditiously. SFMTA shall use its reasonable efforts to timely provide all information reasonably required by the Architect, the Engineer, and Landlord to timely complete the permitting process for the Leasehold Improvements. Landlord acknowledges that SFMTA is acting in its proprietary capacity in reviewing and approving the Final Plans and any other construction documents pursuant to this Work Letter or the Lease, and any such approval by SFMTA shall not be deemed to be, or to impact, the regulatory approvals needed for the Final Plans, such construction documents, or the Leasehold Improvements.

(c) Tropical Hardwood and Virgin Redwood Ban. 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 SFMTA in the construction of the Leasehold Improvements or otherwise in the performance of this Work Letter which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood, or virgin redwood wood products.

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 any 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.

(d) Preservative-Treated Wood Products Containing Arsenic. Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Work Letter unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the City's 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.

(e) Days. Unless otherwise provided herein, all periods specified by a number of days shall refer to calendar days. Saturdays, Sundays and recognized City holidays shall not constitute business days.

(f) Approvals. Landlord understands and agrees that City is entering into this Work Letter in its proprietary capacity and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary herein, no approval by SFMTA of the plans for the Leasehold Improvements (including the Schematic Plans, the Finish Standards, or the Final Plans), completion of the Leasehold Improvements nor any other approvals by SFMTA hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of SFMTA as tenant hereunder may be made by SFMTA's Director of Transportation unless otherwise specified herein.

9. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

The parties have executed this Work Letter as of the date first set forth above.

LANDLORD: TANFORAN INDUSTRIAL PARK, LLC, a California limited liability company

By: Joseph P. Cassidy
Name: Joseph P. Cassidy
Its: Manager

Date: November 2, 2015

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, acting by and through its
Municipal Transportation Agency

By: _____
Edward D. Reiskin
Director of Transportation

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Stephanie Stuart, Deputy City Attorney

SCHEDULE 1
SCHEMATIC PLANS

SCHEDULE 2

FINISH STANDARDS

Site specifications for 30 Tanforan, South San Francisco

New motor and trolley coach training course consisting of flat paved structural concrete pad, access to standard utilities, and associated landscaping.

Full entitlement approval, design review, planning and building permitting with City of South San Francisco and any other applicable regulatory bodies or approval authorities.

Site

- Structural aggregate base and concrete pavement to meet SFMTA and soils report requirements recommended in the Geotechnical Report by H Allen Gruen for the SFMTA Training Site, 2/8/15 (7" minimum with rebar). Parking lot striping to meet building code standards of the City of South San Francisco.
- Landscaping 10% of lot area to meet city standards with automatic irrigation system.
- Perimeter 8' high CMU wall at street with 8' high rolling security gates electronic openers. Chain link 8' high security fence with privacy slats at back and side yard property lines.
- LED Site lighting.
- Provide conduit under slab for security cameras.
- Utilize existing underground storage tank for rain collection and irrigation water, if feasible, and to attain points toward LEED Gold certification.
- Trash enclosure with metal gates and roof.
- Install base mounting pads or fixtures per SFMTA mounting-bolt template for SFMTA-provided poles for overhead trolley bus wires; wires and poles to be supplied and installed by SFMTA or others designated by SFMTA.
- Provide new gas, electrical, fire, phone and sewer service to the site, to be terminated or "stubbed out" at agreed locations.
- Provide new fire hydrants to meet requirements of the City of South San Francisco.
- Signage at entry gate to meet building code, ADA and fire codes.
- Fire extinguishers to meet building and fire codes.

Other – at the SFMTA's Expense, if Requested by the SFMTA

- Portable restroom and/or office facilities
- Other tenant improvements or finishes, as specified by the SFMTA in Change Orders and/or Lease amendments

LEASE EXHIBIT D
Form of Nondisturbance Agreement

EXHIBIT D

Form of Nondisturbance Agreement

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

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

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement"), dated as of _____, 20__, is by and among _____ ("Owner"), _____, a _____ ("Lender"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

RECITALS

A. Owner is the owner of that certain parcel of real property situated in the City and County of San Francisco, State of California, as more particularly described in Exhibit A hereto (the "Property").

B. Owner and City are parties to a Lease dated _____ (the "Lease") for the Property.

C. Lender made a loan to Owner in the principal sum of _____ (the "Loan"), which is evidenced by a Promissory Note from Owner to Lender dated _____ (the "Note").

D. The Note is secured, in part, by that certain Deed of Trust for the benefit of Lender, dated _____, and recorded on _____ in the Official Records of the City and County of San Francisco, as Instrument No. _____ (the "Deed of Trust").

E. As a condition to making the Loan, Lender requires the execution and delivery of this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants contained herein and after good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Subordination of Lease. The Deed of Trust, and all supplements, amendments, modifications, renewals, replacements or extensions thereto, shall unconditionally be and remain at all times a lien or charge on the Property prior and superior to the Lease, to the leasehold

estate created thereby, and to all rights and privileges of City thereunder. The Lease, and the leasehold estate created thereby, together with all rights and privileges of City thereunder, are hereby unconditionally subjected and made subordinate to, the lien or charge of the Deed of Trust in favor of Lender. Nothing herein contained shall be deemed or construed as limiting or restricting the enforcement by Lender of any of the terms, covenants, provisions or remedies of the Deed of Trust.

Notwithstanding anything to the contrary contained in this Agreement: (a) the subordination contained herein shall apply only with respect to (i) all indebtedness evidenced by the Note in the original principal amount, including all accrued but unpaid interest thereon, and (ii) all future amounts advanced by the Lender (including advances for the payment of real estate taxes and assessments and insurance premiums relating to the Property), and all costs, fees, and expenses including attorneys' fees and costs hereafter incurred by the Lender, under and pursuant to the Loan documents in enforcing any and all of its rights and remedies under the Loan or preserving or protecting the security for the Loan (such amounts, costs, fees and expenses are referred to collectively as the "Loan Advances"); and (b) this Agreement shall not be deemed to apply with respect to a future loan or loans (excluding the Loan and all Loan Advances), which future loan or loans (excluding the Loan and all Loan Advances) represent new loans to Owner evidenced by a separate note or other instrument.

2. Non-Disturbance During or Prior to Foreclosure. If there is any foreclosure, trustee's sale, or other proceeding to enforce the Deed of Trust during the term of the Lease and City is in payment default or any material non-payment default under the Lease beyond any cure period provided for under the Lease at such time, (a) City shall not be named or joined in any foreclosure, trustee's sale or other proceeding to enforce the Deed of Trust unless such joinder is required by law in order to perfect such foreclosure, trustee's sale or other proceeding, (b) enforcement of the Deed of Trust shall not terminate the Lease, or disturb or interfere with City's quiet and peaceable possession and use of the Property or City's rights and privileges thereunder, and (c) the leasehold estate granted by the Lease shall not be affected or disturbed in any manner by any foreclosure, trustee's sale or other proceeding instituted or action taken under or in connection with the Deed of Trust, or if Lender takes possession of the Property pursuant to any provision of the Deed of Trust or otherwise and the Lease shall remain in full force and effect as a direct indenture of lease with Lender, its transferee, successors, or assigns (collectively "Purchaser") and City.

3. Non-Disturbance After Foreclosure. If any interest of Owner under the Lease shall be transferred to a Purchaser by reason of any foreclosure, trustee's sale or other proceeding for enforcement of the Deed of Trust or by deed in lieu thereof during the term of the Lease, and if City is not in payment default or in material non-payment default under the Lease beyond any cure period provided for in the Lease at such time, Purchaser will recognize the Lease as a direct lease between Purchaser and the City and will not disturb City in its possession of the Property for any reason other than one that would have entitled Owner to terminate the Lease or otherwise dispossess City of the Property under the Lease. Purchaser shall be bound to City under all the terms, covenants and conditions of the Lease for the balance of the term thereof, and any extension or renewal thereof which may be or become effective in accordance with any option therefore in the Lease, with the same force and effect as though the Lease was originally made directly between Purchaser and the City, provided that:

3.1 Purchaser shall not be liable for any acts or omissions of any prior landlord under the Lease, including Owner ("Prior Landlord").

3.2 Purchaser shall not be subject to any setoffs or defenses that City might have as to Owner or to any claims for damages against any Prior Landlord.

3.3 Purchaser shall be responsible for the performance of only those covenants and obligations of any Prior Landlord under the Lease accruing after the foreclosure or transfer to Purchaser.

3.4 Purchaser shall not be bound by any payment of rent or additional rent by City to any Prior Landlord for more than two (2) months in advance.

3.5 Purchaser shall not be liable or responsible for or with respect to the retention, application, and/or return to City of any security deposit, cleaning deposit or other prepaid charge paid to other Prior Landlord, whether or not still held by such Prior Landlord, unless and until Purchaser as actually received for its own account as landlord the full amount of such security deposit, cleaning deposit or other prepaid charge.

However, nothing contained in this Agreement is intended to release, limit or affect (i) Owner or Purchaser from its obligations to fulfill its obligations under the Lease prospectively from and after the date of any foreclosure or other transfer, (ii) any or all of City's rights and remedies against Owner for any act, omission or breach of the Lease by Owner prospectively from and after the date of any foreclosure or other transfer, and (iii) City's right to terminate this Lease or exercise other available remedies based upon a breach by Owner prospectively from and after the date of any foreclosure or other transfer.

4. Attornment. If any interest of Owner under the Lease is transferred to a Purchaser by reason of any foreclosure, trustee's sale or other proceeding for enforcement of the Deed of Trust or by deed in lieu thereof during the term of the Lease, City shall be bound to Purchaser as City's landlord under the terms, covenants and conditions of the Lease for the remaining balance of the Lease with the same force and effect as if the Lease was originally made directly between City and Purchaser, such attornment to be effective and self-operative without the execution of any further instrument on the part of any of the parties to this Agreement.

5. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California and the Charter of the City and County of San Francisco.

6. Recordation. Lender may record this Agreement in the Official Records of the City and County of San Francisco. The parties hereto agree to execute and deliver, in recordable form if necessary, any and all further documents and instruments reasonably requested by any party hereto to give effect to the terms of provisions of this Agreement.

7. Modifications. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest.

8. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

9. Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this Agreement to form one document, which may be recorded. This Agreement shall not be binding on City unless and until City has received a fully executed original of this Agreement, signed by City, Owner and Lender.

10. Attorneys Fees. If any legal action or proceeding is commenced to interpret or enforce the terms of, or obligations arising under this Agreement, or to recover damages for the breach thereof, the party prevailing in any such action or proceeding shall be entitled to recover from the

non-prevailing party all reasonable attorneys' fees, costs and expenses incurred by the prevailing party. For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

11. Recitals and Exhibits. The Recitals set forth above and the Exhibits referenced herein and attached hereto are incorporated into and made a part of this Agreement.

[Signatures on following page]

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

OWNER: TANFORAN INDUSTRIAL PARK, LLC, a California limited liability company

By: _____

Date: _____

LENDER: _____

By: _____

Name: _____

Its: _____

Date: _____

CITY: CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Municipal Transportation Agency

By: _____

Edward D. Reiskin
Director of Transportation

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA,
City Attorney

By: _____
Stephanie Stuart
Deputy City Attorney

EXHIBIT A TO NONDISTURBANCE AGREEMENT

Legal Description of Property

Parcel One:

Parcel 2, Parcel Map of Tanforan Industrial Park, filed November 2, 1984, Book 55 of Parcel Maps, Page 29, San Mateo County Records.

Parcel Two:

A right of way for purpose of constructing and maintaining a Spur Tract to connect with the right of way of the Southern Pacific Railroad Company lying adjacent to and Southwesterly of the lands hereinafter described, said right of way being more particularly described as follows:

The portion of the hereinafter described strip of land which lies Southeasterly of the Southeasterly line of said right of way of the Southern Pacific Railroad Company (Valencia Branch); a strip of land 60 feet wide lying Southwesterly of adjacent to and measured at right angles from the following described line:

Beginning at a point on the Southwesterly boundary line of that lands described in Parcel One above, which point of beginning bears North 65° 20' 42" East, 260 feet, North 24° 39' 18" West, 185.20 feet and South 65° 20' 42" West 224.92 feet from the Northwesterly corner of Block 1, as said Block is shown on the Map entitled "Map of Blocks 1, 2 & 3 San Bruno Park Fifth Addition San Mateo Co., Cal.", which Map was filed in the Office of the Recorder of the County of San Mateo, State of California on November 11, 1906 in Book "B" of Maps at Page 11 and a copy entered in Book 4 of Maps at Page 42; thence from said point of beginning along the said Southwesterly boundary line of Parcel One above, North 24° 36' 58" West, 294.26 feet.

Said right of way is appurtenant to the following described portion of the lands described as Parcel 2 of said Parcel Map of Tanforan Industrial Park:

Beginning at a point on the Northerly line of Tanforan Avenue, said point being distant North 65° 20' 42" East 260 feet and North 24° 39' 18" West 60.2 feet from the Northwesterly corner of Block 1 of Map of 5th Addition to San Bruno Park, showing Blocks 1, 2 and 3 Recorded November 11, 1906 in Book 4 of Maps at Page 42, Records of San Mateo County, said point of beginning also being the most Easterly corner of that certain property described in the Deed from South San Francisco Land and Improvement Company, to Helen O'Connor, Recorded July 19, 1922 in Book 45, Official Records, at Page 210;

Running thence from said point of beginning along the Northeasterly line of O'Connor Property, North 24° 39' 18" West 125 feet to the most Northerly corner thereof; thence along the Northwesterly line of property and continuing along the Northwesterly line of the Henry F. Sharp property, as conveyed in that certain Deed, dated April 3, 1922 and Recorded July 19, 1922 in Book 45 Official Records at Page 210, South 65° 20' 42" West 224.92 feet to a point that is distant 60 feet at right angles Northeasterly from the Northeasterly right of way line of the Southern Pacific Railroad, Valencia Street Branch; thence parallel with and distant 60 feet at right angles Northeasterly from said right of way line, North 24° 36' 58" West 294.26 feet; thence North 65° 20' 42" East 274.72 feet; thence South 24° 39' 18" East 419.26 feet to a point in the Northerly line of Tanforan Avenue; thence along the Northerly line of Tanforan Avenue, South 65° 20' 42" West 50 feet to the point of beginning.

]

LEASE EXHIBIT E
FORM OF PURCHASE AGREEMENT

EXHIBIT E

FORM OF PURCHASE AGREEMENT

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

TANFORAN INDUSTRIAL PARK, LLC,
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the purchase and sale of

Property located at 30 Tanforan Avenue
South San Francisco, California

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AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE
(30 Tanforan Avenue, South San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of _____, 20____, is by and between TANFORAN INDUSTRIAL PARK, LLC, a California limited liability company ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City"), acting by and through the San Francisco Municipal Transportation Authority ("SFMTA").

RECITALS

A. City currently leases from Seller certain real property commonly known as 30 Tanforan Avenue, South San Francisco, California (the "Premises"), pursuant to the terms of that certain Industrial Lease between Seller and City dated as of _____, 20__ (the "Lease"). The Lease grant the City the option to purchase the Premises pursuant to the terms and conditions set forth in Section 22.1 of the Lease (the "Purchase Option"). In the event the City does not exercise the Purchase Option, the Lease also grants the City the first right of refusal for the purchase of the Premises pursuant to the terms and conditions set forth in Section 22.2 of the Lease (the "Right of First Refusal").

If City exercises the Purchase Option, insert the following recital:

B. City exercised the Purchase Option on _____, 20__ (the "Exercise Date"), and in accordance with the terms of the Purchase Option, City and Seller have executed and do hereby enter into this Agreement.

If City made an Offer under Section 22.2 of the Lease, insert the following recital:

B. City delivered an Offer (as defined in Section 22 of the Lease) to Seller on _____, 20__ (the "Exercise Date"), and in accordance with the terms of the Right of First Refusal, City and Seller have executed and do hereby enter into this Agreement.

If City made a Counter Offer under Section 22.2 of the Lease, insert the following recital:

B. City delivered a Counter Offer (as defined in Section 22 of the Lease) to Seller on _____, 20__ (the "Exercise Date"), which was accepted by Seller on _____, 20__, (the "Acceptance Date") and in accordance with the terms of the Right of First Refusal, City and Seller have executed and do hereby enter into this Agreement.

AGREEMENT

IN CONSIDERATION of the foregoing and the payment of the non-refundable sum of Ten Dollars (\$10) by City, the receipt of which is hereby acknowledged by Seller, and the respective agreements contained herein below, Seller and City agree as follows:

1. PURCHASE AND SALE

Seller agrees to sell and convey to City, and City agrees to purchase from Seller, subject to the terms, covenants and conditions hereinafter set forth, the following:

(a) the real property consisting of approximately _____ (____) acres of land, located in South San Francisco, California, commonly known as 30 Tanforan Avenue, South San Francisco, California (Assessor's Parcel Number 014-250-090), and more particularly described in Exhibit A attached hereto (the "Land");

(b) all improvements and structures located on the Land, including, without limitation, all fixtures and apparatus, equipment and appliances located on the Land, including

the facilities used to provide any utility or other services, and all on-site parking (the "Improvements");

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

(d) all personal property owned by Seller located on or in or used in connection with the Land or Improvements as of the date of this Agreement and as of the Closing Date (as defined in Section 6.2 [Closing Date]) (the "Personal Property");

(e) any intangible personal property now or hereafter owned by Seller and used in the ownership, use or operation of the Land, Improvements or Personal Property, including all licenses, permits and certificates of occupancy issued by governmental authorities relating to the use, maintenance, occupancy and/or operation of the Property, and all warranties and guaranties made by or received from any third party with respect to the Improvements (the "Intangible Property"); and

(f) all books and records, keys, and other materials of any kind owned by Seller and in the possession or control of Seller or its property manager or asset manager, if any, which are used in the continuing operation of the Improvements (collectively, the "Books and Records").

All of the items referred to in subsections (a), (b), (c), (d), (e) and (f) above are collectively referred to as the "Property."

2. PURCHASE PRICE

2.1. Purchase Price

The total purchase price for the Property is _____ Dollars (\$ _____) (the "Purchase Price").

2.2. Payment

On the Closing Date (as defined in Section 6.2 [Closing Date]), City shall pay the Purchase Price, adjusted pursuant to the provisions of Article 7 [Expenses and Taxes], and reduced by any credits due City hereunder. Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under Section 6.3 [Seller's Delivery of Documents], Title Company may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code"), or Section 18662 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by Title Company shall be deemed to have been paid by City as part of the Purchase Price, and Seller's obligation to consummate the transaction contemplated herein shall not be excused or otherwise affected thereby.

2.3. Funds

All payments made by any party hereto shall be in legal tender of the United States of America, paid by wire transfer of immediately available funds to Chicago Title Company (the "Title Company"), as escrow agent, to attention of _____, as arranged through the Title Company's offices located at _____.

3. TITLE TO THE PROPERTY

3.1. Conveyance of Title to the Property

At the Closing Seller shall convey to City, marketable and insurable fee simple title to the Land, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit B (the "Deed"). The Deed shall be subject only to the following (the "Accepted Conditions of Title"): (a) general real estate taxes not yet due or payable as of the date of the Closing; (b) all title matters relating to the Property that are (i) Approved Title Matters (as defined in Section 5.1(a) below), (ii) Newly Discovered Title Matters that Seller has not agreed, in one or more Seller's Removal Notices (as defined below in Section 5.1(a)) to cure, except to the extent, if any, that Seller agrees in one or more Seller's Removal Notices to cure the same, and (iii) all other exceptions, if any, created by City or agreed to by City in writing, including, without limitation, any liens arising from labor, material or services provided at the request of City pursuant to this Agreement or the Lease. Seller's obligation to cure any Newly Discovered Title Matters shall be limited as set forth in Section 5.1(a), below.

3.2. Title Insurance

Delivery of title in accordance with the preceding Section shall be evidenced by the commitment of the Title Company to issue to City, an ALTA extended coverage owner's policy of title insurance (Form B - 1970 amended 4-6-90) (the "Title Policy") in the amount of the Purchase Price, insuring fee simple title to the Land, the Appurtenances and the Improvements in City, free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, creditors' claims, rights of tenants or other occupants and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant to Section 5.1(a) below. The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property, shall not contain any exclusion from coverage for creditor's rights or bankruptcy, and shall contain an affirmative endorsement that there are no violations of restrictive covenants, if any, affecting the Property such special endorsements as City may reasonably request. The Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request.

3.3. Bill of Sale

It shall be a condition precedent to City's obligation to close the purchase of the Property that Title Company shall be irrevocably committed to issue to City, (i) an ALTA extended coverage owner's policy of title insurance (6/17/06) (provided that City obtains a survey of the Property and satisfies any requirements of the Title Company required to issue an ALTA policy which are within City's control), or at City's sole option, a CLTA policy of title insurance (the "Owner Title Policy") in the amount (the "Owner Title Policy Amount") of the greater of (x) the Purchase Price, or (y) other financing debt, insuring fee simple and marketable title to the Land, the Appurtenances (to the extent the Title Company may agree in writing, during the Applicable Period (as defined below), to insure such Appurtenances), and the Improvements in City, free of the rights of tenants or other occupants (other than pursuant to the Lease), and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant

to Sections 3.1 and 5.1(a) of this Agreement, and (ii) an ALTA extended coverage policy. The Owner Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property (except for any liens arising from labor, material or services provided at the request of City in connection with its inspection of the Property pursuant to this Agreement or any liens for which City is liable under the terms of the Lease), shall not contain any exclusion from coverage for creditor's rights or bankruptcy, and the Owner Title Policy shall contain an affirmative endorsement (Form ALTA 9.5 (6/17/06) or equivalent CLTA endorsement) that there are no violations of restrictive covenants, if any, affecting the Property, and such special endorsements as City may reasonably request, including an ALTA 112.2 endorsement as the Title Company may agree in writing, during the Applicable Period (as defined below), to issue at the Closing. As used in this Section 3.2 [Title Insurance], "Applicable Period" means prior to the Closing, with respect to any Newly Disclosed Title Matter (as defined in Section 5.1(a) below). If requested by City, the Owner Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request.

3.4. Assignment of Intangibles

At the Closing Seller shall transfer title to the Intangible Property by such instruments as City may reasonably determine necessary, including, without limitation, an assignment of Intangible Property in the form attached hereto as Exhibit G (the "Assignment of Intangible Property").

4. BUYER'S DUE DILIGENCE INVESTIGATIONS

4.1. Due Diligence and Time for Satisfaction of Conditions

City acknowledges and agrees that City is in possession of the Land and Improvements pursuant to the terms of the Lease and has, before entering into this Agreement, investigated and inspected, either independently or through agents of City's own choosing, the condition of the Property and the suitability of the Property for City's intended use. Seller confirms that, in accordance with the provisions of Section 22.3 of the Lease, Seller has previously delivered to City the following documents, all to the extent such documents exist and are in the possession or control of any of Seller, any member of Seller, or Seller's property manager or asset manager: (i) structural calculations for the Improvements; (ii) site plans and digital copies of the as-built plans and specifications for the Improvements and measurements of the Improvements; (iii) existing service contracts, utility contracts, maintenance contracts, employment contracts, management contracts, and brokerage and leasing commission agreements with respect to the Property, the obligations of which may continue following the Closing; (iv) warranties or guaranties received by Seller or Seller's predecessors in interest from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Property; (v) current certificates of insurance for carriers insuring the Property, as well as any information or reports relative to the claims history of the Property; (vi) any environmental reports, studies, surveys, tests and assessments; (vii) any soils and geotechnical reports, including without limitation, any reports relating to the presence of asbestos or asbestos containing materials located at the Property; and (viii) any other contracts or documents necessary for the operation of the Property or which will be binding on the Property after the Closing (collectively, the "Documents"). Seller further agrees to promptly deliver to City any such Documents discovered, created or received by Seller, its property manager or its asset manager (each, a "Newly Discovered Document") from the date of such initial delivery through Closing.

In addition to the Documents, Seller confirms that Seller has delivered to City a Natural Hazards Disclosure Statement for the Property as required under California law. The Natural Hazards Disclosure Statement was based on a report or reports of a licensed engineer, land

surveyor, geologist, or expert in natural hazard discovery, which report or reports was attached to such Natural Hazards Disclosure Statement. City acknowledges that the Natural Hazards Disclosure Statement shall be based solely on the information contained in the report or reports attached thereto, and Seller shall have no liability for any inaccuracy in such reports. In no event shall such Natural Hazards Disclosure Statement or any such report be deemed a representation or warranty of Seller or impose any liability or obligation on Seller.

If a Newly Discovered Document is delivered to City on or after the date which is ten (10) business days prior to the Exercise Date, and such Newly Discovered Document affects or discloses a matter or condition which potentially adversely affects the City's use or occupancy of the Premises as originally intended, then City shall be permitted to rescind the exercise of City's option to purchase the Property, by written notice to Seller given within ten (10) business days after City's receipt of such Newly Discovered Document, and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. Notwithstanding the foregoing, Seller shall have five (5) business days after receipt of City's termination notice to notify City in writing ("Seller's Cure Notice") as to what curative action Seller agrees to undertake in order to cure or correct the matter or condition disclosed by the Newly Discovered Document prior to Closing. If Seller does not provide the Seller's Cure Notice to City within such five (5) business day period, Seller shall be deemed not to have elected not to cure the matter or condition disclosed by the Newly Discovered Document and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. City shall notify Seller in writing within five (5) business days of receipt of Seller's Cure Notice if City reasonably dispute that Seller's proposed curative action would satisfactorily cure the disclosed condition or matter, and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. If City does not timely notify Seller that the proposed curative action would be unsatisfactory, Seller shall have thirty (30) days from the date of City's receipt of the Seller Cure Notice to cure or correct the matter or condition disclosed by the Newly Discovered Document to City's reasonable satisfaction. If Seller does not cure or correct the matter or condition disclosed by the Newly Discovered Document to City's reasonable satisfaction within such thirty (30) day period, City may elect to terminate this Agreement by written notice to Seller given within ten (10) days after the expiration of such thirty (30) day period, and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. If necessary, the Closing shall be extended to permit the completion of the notice and cure procedure described above. In the event that this Agreement is terminated for any reason, City shall promptly return to Seller the originals of all Documents previously delivered to City by or on behalf of Seller.

4.2. Energy Consumption

City acknowledges and agrees that Seller delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1681) for the Property, a copy of which is attached as Schedule 1 to this Agreement, no less than 24 hours prior to City's execution of this Agreement.

5. CLOSING CONDITIONS

5.1. City's Conditions to Closing

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

(a) The title exceptions listed as Items 5-11 in the preliminary report attached hereto as Exhibit D, the Development Agreement, and any taxes that are not yet due or payable, shall be the "Approved Title Matters". If any title matter affecting the Property is not an

Approved Title Matter and is not reflected in a preliminary title report or updated title report for the Property obtained by City on or before the tenth (10th) business day prior to the Acceptance Date (each, a "Newly Discovered Title Matter"), City shall have ten (10) business days in which to give Seller written notice approving or disapproving of such Newly Discovered Title Matter. If City fails to give such notice within such time period, City shall be deemed to have disapproved such Newly Discovered Title Matter. If such disapproval notice is timely given, or if City is deemed to have disapproved such Newly Discovered Title Matter, then Seller shall have fifteen (15) days after receipt of City's notice to notify City in writing ("Seller's Removal Notice") as to what, if any, curative action Seller agrees to undertake in order to cure any Newly Discovered Title Matter at or prior to Closing. If Seller does not provide the Seller's Removal Notice to City within such fifteen (15) day period, Seller shall be deemed to have elected not to cure the Newly Discovered Title Matter. If Seller gives such Seller's Removal Notice to City electing not to cure any of the Newly Discovered Title Matters, or if Seller is deemed to have made such election, then City shall have fifteen (15) days to elect to proceed with the purchase of the Property pursuant to this Agreement subject to the Newly Discovered Title Matters. In such event, such Newly Discovered Title Matter shall be deemed to be Accepted Conditions of Title (except to the extent that Seller may have agreed in such Seller's Removal Notice to take action to cure the same) or to terminate this Agreement without any liability on the part of Seller. If City fails to give Seller notice of its election within such fifteen (15) days, City shall be deemed to have elected to terminate this Agreement. If necessary, the Closing shall be extended to permit the completion of the notice and election procedure described above. If Seller gives Seller's Removal Notice and agrees therein to take any action to cure any Newly Discovered Title Matter and fails to take such action prior to the Closing, and City is unwilling to take title subject thereto, Seller shall be in default of its obligations under this Agreement, and City shall have the rights and remedies provided in Section 11.2, below.

(b) Seller shall not be in default in the performance of any covenant or agreement to be performed by Seller under this Agreement, and all of Seller's representations and warranties contained in Section 8.1 below shall have been true and correct as of the Exercise Date, except in each case, as disclosed in the Due Diligence Information (as defined below). In addition, Seller's Closing Certification (as defined in Section 6.3(a)(viii), below) shall not contain any material exceptions or qualifications. As used herein, "Due Diligence Information" means all information disclosed in the Documents or other materials provided to City, by Seller or otherwise, prior to the date which is ten (10) business days prior to the Exercise Date, including any title report or survey made available to or obtained by City.

(c) As of the Closing Date, there shall have occurred no material adverse change in the physical condition of the Property since the Exercise Date, reasonable wear and tear and loss by casualty or the act, neglect, default, or omission of City and its Agents and Invitees excepted (subject to the provisions of Article 9 [Risk of Loss and Possession]).

(d) Title Company shall be committed at the Closing to issue to City the Owner Title Policy as provided in Section 3.2 [Title Insurance], in the amount of the Owner Title Policy Amount, subject only to the Accepted Conditions of Title.

(e) After the completion of all required environmental review, including without limitation, under the California Environmental Quality Act ("CEQA"), SFMTA's Board of Directors, and, to the extent required, the City's Board of Supervisors, each in their sole discretion, shall have enacted a resolution (and taken such other action as may be required) approving, adopting and authorizing this Agreement and the transactions contemplated hereby and such resolution shall have become effective on or before _____, 20____. [FILL IN DATE WHICH IS 30 DAYS AFTER THE LATTER OF THE SFMTA AND/OR SF BOARD OF SUPERVISORS TAKES ACTION APPROVING AGREEMENT].

(f) Seller shall have deposited the items described in Section 6.3(a) below [Seller's Delivery of Documents] into escrow at or before 1:00 p.m. on the day occurring at least five (5) business days before the Closing Date (except as otherwise provided in such Section 6.1 below).

(g) This Agreement shall not have been terminated in accordance with its terms.

Except for the termination right of both parties provided in the last sentence of subparagraph (e) above, the City's Conditions Precedent contained in the foregoing subparagraphs (a) through (h) are solely for the benefit of City. If any of the City's Conditions Precedent are not satisfied, City shall have the right in its sole discretion either to waive in writing the City's Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement, provided that the City's Conditions Precedent described in item (f) above may not be waived. Except as otherwise provided herein, the waiver of any of the City's Conditions Precedent shall not relieve Seller of any liability or obligation with respect to any representation, warranty, covenant or agreement of Seller. The parties shall have the right, but not the obligation, to agree, each in its sole and absolute discretion, to extend the Closing Date for a reasonable period of time as agreed by the parties, to allow such City's Conditions Precedent to be satisfied; provided however, if such conditions are not satisfied at the expiration of such extension period, City shall have the right to waive in writing such conditions and proceed with the purchase or, in the alternative, terminate this Agreement. In each case where City has the right pursuant to this paragraph to waive in writing one or more of City's Conditions Precedent or terminate this Agreement at or before a specified time, City shall be deemed to have terminated this Agreement if City fails to deliver written notice to Seller waiving such condition(s) before such time.

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller, City shall have the remedies set forth below in Section 11.2.

5.2. Cooperation with City

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

6. ESCROW AND CLOSING

6.1. Opening of Escrow

Within three (3) business days after the Effective Date, the parties shall open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Seller and City agree to execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

6.2. Closing Date

The consummation of the purchase and sale contemplated hereby (the "Closing") shall be held and (except as otherwise provided in Sections 6.3 and 6.4, below) delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Title Company located at _____, San Francisco, California _____, on _____, 20____, [insert a date that is 90 days after the Approval Deadline established in accordance with Section 22 of the Lease], or on such earlier or later date as City and Seller may mutually agree in writing (the "Closing Date"), subject to the provisions of Sections 5.1 and 5.2. The Closing shall occur no later than 10:00 A.M. San Francisco time on the Closing Date. The Closing Date may not be extended without the prior written approval of both Seller and City, except as otherwise expressly provided in this Agreement. In the event the Closing does not occur on or before the Closing Date, Title Company shall, unless it is notified by both parties to the contrary within five (5) days after the Closing Date, return to the depositor thereof items which may have been deposited hereunder. Any such return shall not, however, limit the provisions hereof or otherwise relieve either party hereto of any liability it may have for its wrongful failure to close.

6.3. Seller's Delivery of Documents

(a) At or before 1:00 p.m. on the date occurring at least five (5) business days before the Closing Date, or at such later date as may be indicated below for any specific item, Seller shall deposit into escrow for delivery at Closing to City at least two (2) business days prior to such date, through escrow, the following:

- (i) a duly executed and acknowledged Deed;
- (ii) duly executed Bill of Sale;
- (iii) [four (4) duly executed counterparts of the Assignment of Intangible Property;]
- (iv) originals of the Documents [, Leases, Assumed Contracts] and any other items relating to the ownership or operation of the Property not previously delivered to City;
- (v) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit D, and on which City is entitled to rely, that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code;
- (vi) a properly executed California Franchise Tax Board Form 590 certifying that Seller is a California resident if Seller is an individual or that Seller has a permanent place of business in California or is qualified to do business in California if Seller is a corporation or other evidence satisfactory to City that Seller is exempt from the withholding requirements of Sections 18662 of the State Tax Code;
- (vii) such resolutions, authorizations, or other partnership documents or agreements relating to Seller as the City or the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;
- (viii) a duly executed certification regarding the accuracy of Seller's representations and warranties as of the Closing Date, including any exceptions or qualifications thereto as of such date ("Seller's Closing Certification"); and

(ix) a duly executed owner's declaration substantially in the form attached hereto as Exhibit E.

(b) In conjunction with the Closing Date, Seller shall, to the extent such documents exist and are in the possession or control of any of Seller, its property manager or other Agents, deliver to City outside of escrow, the following:

(i) the Documents (which must be delivered to City within five (5) days after the Closing Date); and

(ii) all keys to the Property and Improvements located thereon.

The provisions of Section 6.3(b) shall survive the Closing.

6.4. City's Delivery of Documents and Funds

At or before 1:00 p.m. on the date occurring at least five (5) business days before the Closing Date, or such later date as may be indicated below for any specific item, City shall deposit the following into escrow for delivery to the Seller:

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

(b) The Purchase Price, as provided in Article 2 hereof shall be delivered into escrow on the Closing Date.

6.5. Other Documents

Seller and City shall each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof; provided, however, that no such instrument shall increase the obligations or diminish the rights of Seller or City under this Agreement or under any of the documents required hereunder to be delivered at Closing by Seller or City, respectively. Without limiting the foregoing, Seller and City shall each deposit an agreement (the "Designation Agreement") designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder, and executed by Seller, City and Title Company. The Designation Agreement shall be substantially in the form attached hereto as Exhibit F and, in any event, shall comply with the requirements of Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

7. EXPENSES AND TAXES

7.1. Rent and Other Apportionments

The following adjustments shall be made with respect to the Property, and the following procedures shall be followed:

At least ten (10) days before the Closing Date, Seller shall prepare and deliver, or cause the escrow holder to prepare and deliver, to City an unaudited statement for the Property (the "Preliminary Proration Statement") showing prorations for the items set forth below, calculated as of 12:01 a.m. on the Closing Date, on the basis of a 365-day year. City and Seller shall agree upon any adjustments to be made to the Preliminary Proration Statement before the Closing, and at the Closing, City or Seller, as applicable, shall receive a credit equal to the net amount due City or Seller, as applicable, pursuant to the Preliminary Proration Statement as finally agreed

upon by City and Seller. The items to be covered by the Preliminary Proration Statement are as follows:

- (i) rents prorated on an accrual basis;
- (ii) charges for Seller's insurance costs pursuant to the Lease;
- (iii) non-delinquent real property taxes and assessments for the tax year of the Closing; provided that if the real property tax assessment for the fiscal year in which the Closing occurs has not been issued as of the Closing Date, real property taxes shall be prorated based on the most recent assessed value of the Property, multiplied by the current tax rate, and such tax proration shall be subject to adjustment pursuant to Section 7.2 below; general real estate taxes payable for all tax years prior to the year of the Closing shall be paid by Seller in full at or before Closing;
- (iv) any installments of Special Taxes payable with respect to any Mello-Roos Community Facilities District, and any installments of unpaid interest (only) on any improvement bonds which are a lien on the Property; and
- (v) permits, licenses and/or inspection fees (calculated on the basis of the period covered), but only to the extent transferred to City.

7.2. Post-Closing Adjustments

Notwithstanding anything to the contrary contained in this Article 7, (i) if the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing is determined to be more than the amount of such real property taxes and assessments that is prorated herein (in the case of the current year) or that was paid by Seller (in the case of any prior year) Seller and City shall promptly adjust the proration of such real property taxes and assessments after the determination of such amounts, and Seller shall pay to City any increase in the amount of such real property taxes and assessments applicable to any period before Closing; and (ii) if the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing is determined to be less than the amount of such real property taxes and assessments that is prorated herein (in the case of the current year) or that was paid by Seller (in the case of any prior year), due to an appeal of the taxes by Seller, a reassessment of the value of the Property or otherwise, Seller and City shall promptly adjust the proration of such real property taxes and assessments after the determination of such amounts, and (a) City shall pay to Seller any refund received by City representing such a decrease in the amount of such real property taxes and assessments applicable to any period before Closing; and (b) Seller shall be entitled to retain any refund received by Seller representing such a decrease in the amount of such real property taxes and assessments applicable to any period before Closing. Each party shall give notice to the other party of any adjustment of the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing within thirty (30) days after receiving notice of any such adjustment.

7.3. Closing Costs

City shall pay the premium for the Title Policy and the cost of the endorsements thereto, the cost of any survey obtained by City, escrow and recording fees for the sale. Seller shall be responsible for all costs (including without limitation, any prepayment fees, penalties or other charges) incurred in connection with the removal of title matters other than the Accepted Conditions of Title (including the Newly Discovered Title Matters which Seller has elected to remove), including all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. The parties anticipate that no transfer taxes will be applicable to the sale to City. If transfer taxes are payable on the sale, such transfer taxes shall

be paid 50% by Seller and 50% by City. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section 7.3 or elsewhere in this Agreement shall be allocated in accordance with the closing customs for San Francisco County, as determined by Title Company.

7.4. Real Estate Taxes and Special Assessments

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

7.5. Survival

The provisions of this Article shall survive the Closing.

8. REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties of Seller

Seller represents and warrants to and covenants with City as follows:

(a) To the best of Seller's knowledge and except as disclosed by Seller in writing or by the Documents or the Title Policy, there are now, and at the time of the Closing will be, no material physical or mechanical defects of the Property, and no violations of any laws, rules or regulations applicable to the Property, including, without limitation, any earthquake, life safety and handicap laws (including, but not limited to, the Americans with Disabilities Act).

(b) Except as disclosed by Seller in writing or by the Documents or the Title Policy, there are no leases that will affect the Property following the Closing.

(c) Except as disclosed by Seller in writing or by the Documents or the Title Policy, no document or instrument prepared by Seller, either directly or at Seller's direction after the Exercise Date, and supplied 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. Seller, however, makes no warranty or representation about the accuracy of statements or factual representations contained in the Documents except for instruments prepared by Seller or at Seller's direction after the Exercise Date.

(d) Except as disclosed by Seller in writing or by the Documents or the Title Policy, Seller does not have knowledge of any condemnation, either instituted or planned to be instituted by any governmental or quasi-governmental agency other than City, which could detrimentally affect the use, operation or value of the Property.

(e) To Seller's knowledge, all water, sewer, gas, electric, telephone, and drainage facilities and all other utilities required by law or by the normal use and operation of the Property are and at the time of Closing will be installed to the property lines of the Property and are and at the time of Closing will be adequate to service the Property.

(f) Except as disclosed by Seller in writing or by the Documents or the Title Policy, there are no easements or rights of way which have been acquired by prescription or which are otherwise not of record with respect to the Property, and there are no easements, rights of way, permits, licenses or other forms of agreement which afford third parties the right to traverse any portion of the Property to gain access to other real property. Similarly, except as disclosed by Seller in writing or by the Documents or the Title Policy, there are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

(g) Except as disclosed by Seller in writing or by the Documents or the Title Policy, there is no litigation pending or, after due and diligent inquiry, to the best of Seller's knowledge, threatened, against Seller or any basis therefor that arises out of the ownership of the Property or that might detrimentally affect the use or operation of the Property for its intended purpose or the value of the Property or the ability of Seller to perform its obligations under this Agreement.

(h) Except as disclosed by Seller in writing or by the Documents or the Title Policy, Seller is the legal and equitable owner of the Property, with full right to convey the same, and without limiting the generality of the foregoing, Seller has not granted any option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Property.

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

(j) Seller 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 Seller 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.

(k) Except as disclosed by Seller in writing or by the Documents or the Title Policy, Seller knows of no facts nor has Seller failed to disclose any fact that would prevent City from using and operating the Property after Closing in the normal manner in which it is intended.

(l) Except as disclosed by Seller in writing or by the Documents or the Title Policy, Seller hereby represents and warrants to and covenants with City that the following statements are true and correct and will be true and correct as of the Closing Date: (i) neither the Property nor to the best of Seller's knowledge any real estate in the vicinity of the Property is in violation of any Environmental Laws; (ii) the Property is not now being used in any manner 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 or warehouses (not including the warehousing of Hazardous Material); (iii) there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property; (iv) there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store

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

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

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

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

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

8.2. Indemnity

In the event that City completes its purchase of the Property, then and in that event, Seller, on behalf of itself and its successors and assigns, hereby agrees to indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all liabilities, claims, demands, damages, liens, costs, penalties, losses and expenses, including, without limitation, reasonable attorneys' and consultants' fees (collectively, "Losses");

resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in connection with this Agreement. The foregoing indemnity includes, without limitation, costs incurred in connection with the investigation of site conditions and all activities required to locate, assess, evaluate, remediate, cleanup, remove, contain, treat, stabilize, monitor or otherwise control any Hazardous Material. The indemnification provisions of this Section shall survive beyond the Closing, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement. This Section shall not be applicable however, to any Losses arising out of matters which were disclosed (a) by Seller to SFMTA in writing before the Closing, (b) in the Documents delivered to SFMTA before the Closing, or (c) the Title Policy.

9. RISK OF LOSS AND POSSESSION

9.1. Risk of Loss

If any of the Property is damaged or destroyed prior to the Closing Date by a cause which is not in whole or in part the result of the acts or conduct of City, SFMTA, or its employees or agents, or if condemnation proceedings are commenced against any of the Property, then the rights and obligations of Seller and City hereunder shall be as follows:

(a) If such damage or destruction is fully covered by Seller's insurance except for the deductible amount thereunder, and the insurer agrees to timely pay for the entire cost of such repair, and such damage or destruction would cost less than Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Threshold Damage Amount") to repair or restore, then this Agreement shall remain in full force and effect and City shall acquire the Property upon the terms and conditions set forth herein. In such event, City shall receive a credit against the Purchase Price equal to such deductible amount, and Seller shall assign to City at Closing all of Seller's right, title and interest in and to all proceeds of insurance on account of such damage or destruction pursuant to an instrument satisfactory to City.

(b) If such damage or destruction is not fully covered by Seller's insurance, other than the deductible amount, and would cost less than the Threshold Damage Amount to repair or restore, then the transaction contemplated by this Agreement shall be consummated with City receiving a credit against the Purchase Price at the Closing in an amount reasonably determined by Seller and City (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction.

(c) If the cost of such damage or destruction would equal or exceed the Threshold Damage Amount, or if condemnation proceedings are commenced against any of the Property, then, City shall have the right, at its election, either to terminate this Agreement in its entirety, or only as to that portion of the Property damaged or destroyed or subject to condemnation proceedings (in which case there shall be an equitable adjustment to the Purchase Price), or to not terminate this Agreement and purchase the Property (or the portion not damaged or affected by condemnation, as the case may be). City shall have thirty (30) days after Seller notifies City that an event described in this Subsection (c) has occurred to make such election by delivery to Seller of an election notice. City's failure to deliver such notice within such thirty (30)-day period shall be deemed City's election to terminate this Agreement in its entirety. If this Agreement is terminated in its entirety or in part pursuant to this Subsection (c) by City's delivery of notice of termination to Seller, then City and Seller shall each be released from all obligations hereunder pertaining to that portion of the Property affected by such termination. If City elects not to terminate this Agreement, Seller shall notify City of Seller's intention to repair such damage or destruction, in which case this Agreement shall remain in full force and effect, or notify City of Seller's intention to give City a credit against the Purchase Price at the Closing in the amount reasonably determined by City and Seller (after consultation with unaffiliated

experts) to be the cost of repairing such damage or destruction and, in the event of a result of such condemnation proceeding, the value of any Property taken as a result of such proceeding, in which case this Agreement shall otherwise remain in full force and effect, and Seller shall be entitled to any proceeds of insurance or condemnation awards. Any repairs elected to be made by Seller pursuant to this Subsection shall be made within one hundred eighty (180) days following such damage or destruction and the Closing shall be extended until the repairs are substantially completed. As used in this Section, the cost to repair or restore shall include the cost of lost rental revenue, including additional rent and base rent.

9.2. Insurance

Through the Closing Date, Seller shall maintain or cause to be maintained, at Seller's sole cost and expense, a policy or policies of property insurance in amounts equal to the full replacement value of the Improvements and the Personal Property, insuring against all insurable risks, including, without limitation, fire, vandalism, malicious mischief, lightning, windstorm, water, and other perils customarily covered by casualty insurance and the costs of demolition and debris removal. Seller shall furnish City with evidence of such insurance upon request by City.

9.3. Possession

Possession of the Property shall be delivered to City on the Closing Date.

10. MAINTENANCE; CONSENT TO NEW CONTRACTS

10.1. Maintenance of the Property by Seller

Between the date of Seller's execution of this Agreement and the Closing, Seller shall continue to perform all work and maintenance that Seller is required to perform under the terms of the Lease.

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

After the Effective Date, Seller shall not enter into any Lease or contract, or any amendment thereof, or permit any tenant of the Property to enter into any sublease, assignment or agreement pertaining to the Property, without in each instance obtaining City's prior written consent thereto. City agrees that it shall not unreasonably withhold or delay any such consent. Seller shall terminate prior to the Closing, at no cost or expense to City, any and all management agreements affecting the Property that City does not agree in writing prior to the Closing to assume.

11. DEFAULT AND REMEDIES

11.1. City Default

(a) If City defaults before the Closing under any provision of this Agreement and Seller has actual knowledge of such default(s) before the Closing, or if City defaults on its obligation to close the transaction contemplated hereby, then Seller shall have the right, as its sole and exclusive remedies for such default(s), (i) to terminate this Agreement and recover reimbursement from City for Seller's actual out-of-pocket expenses incurred in connection with its negotiation of this Agreement and its preparation to close the transaction contemplated hereby, up to a maximum of \$2,000.00, and neither party shall have any further liability or obligation to the other hereunder, except for provisions of this Agreement and of the Lease by which City and/or SFMTA or its successors or assigns then hold possession of the Property

which expressly state that they shall survive the termination of this Agreement, or (ii) continue this Agreement in effect pending Seller's action for damages hereunder.

(b) Seller acknowledges that any claim Seller may have against City arising under this Agreement may, as a matter of law, be subject to limitations on timing of presentment pursuant to Section 911.2 and other relevant provisions of the California Government Code; provided, however, that nothing in this sentence shall be deemed to cause any such claim to be subject to such sections of the California Government Code which would not, as a matter of law, be subject to such sections in the absence of this sentence.

11.2. Seller Default

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller or if a Condition Precedent cannot be fulfilled because Seller frustrated such fulfillment by some affirmative act or negligent omission, City may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to Seller, whereupon Seller shall pay to City any title, escrow, legal and inspection fees incurred by City and any other expenses incurred by City in connection with the negotiation of this Agreement, the performance of its due diligence review of the Property, and its preparation to close the transaction contemplated hereby, including in each instance attorneys' fees, and neither party shall have any further rights or obligations hereunder, except for provisions of this Agreement which expressly state that they shall survive the termination of this Agreement or (2) continue this Agreement pending City's action for specific performance and/or damages hereunder, including, without limitation, City's costs and expenses incurred hereunder.

11.3. Termination

Upon any termination provided for in this Agreement, each of the parties will be discharged from any further obligations and liabilities under this Agreement, except for the obligations and liabilities that expressly survive such termination under the terms of this Agreement.

12. GENERAL PROVISIONS

12.1. Notices

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

CITY: San Francisco Municipal Transportation Agency
Attn: Senior Manager, Real Estate Section
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Facsimile No.: 415-701-4743

with a copy to:

Office of the City Attorney
1390 Market Street, Suite 700
San Francisco, CA 94102
Attn: Transportation
Re: 30 Tanforan
Facsimile No.: 415-554-3985

SELLER:

Tanforan Industrial Park, LLC
160 So. Linden Avenue, Suite 100
South San Francisco, CA (Attn: Joe Cassidy)
Facsimile No.: (650) 876-9404

or to such other address as either party may from time to time specify in writing to the other upon five (5) days prior written notice in the manner provided above. For convenience of the parties, copies of notices may also be given by telefacsimile, to the telephone number listed above, or such other numbers as may be provided from time to time. However, neither party may give official or binding notice by facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice.

12.2. Brokers and Finders

Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the purchase and sale contemplated herein [, except for _____, whose commission, if any is due, shall be the sole responsibility of Seller pursuant to a separate written agreement with such broker, and City shall have no liability whatsoever therefor]. In the event that any [other] broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his or her claim shall be responsible for such commission or fee and shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section shall survive the Closing.

12.3. Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns. City shall have the right, upon notice to Seller, to assign its right, title and interest in and to this Agreement to one (1) or more assignees at any time before the Closing Date.

12.4. Amendments

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

12.5. Continuation and Survival of Representations and Warranties

All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement are intended to be, and shall remain, true and correct as of the Closing, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective parties contained herein or made in writing pursuant to this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing, or, to the extent the context requires, beyond any termination of this Agreement. All statements contained in any certificate or other instrument delivered at any time by or on behalf of Seller in conjunction with the transaction contemplated hereby shall constitute representations and warranties hereunder.

12.6. Governing Law

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

12.7. Merger of Prior Agreements

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

12.8. Parties and Their Agents; Approvals

The term "Seller" as used herein shall include the plural as well as the singular. If there is more than one (1) Seller, then the obligations under this Agreement imposed on Seller 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. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through SFMTA's Director of Transportation unless otherwise provided herein, subject to applicable law.

12.9. Interpretation of Agreement

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

12.10. Attorneys' Fees

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

which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

12.11. Sunshine Ordinance

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

12.12. Conflicts of Interest

Through its execution of this Agreement, Seller 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 provision, and agrees that if Seller becomes aware of any such fact during the term of this Agreement, Seller shall immediately notify the City.

12.13. Notification of Limitations on Contributions

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

12.14. 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 Seller, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Seller, its successors and assigns, or for any obligation of City under this Agreement.

12.15. Counterparts

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

12.16. Effective Date

As used herein, the term "Effective Date" shall mean the date on which the SFMTA Director of Transportation executes and delivers four (4) copies of the Agreement to Seller in accordance with Section 22 of the Lease.

12.17. Severability

If any provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Agreement without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Agreement.

12.18. Agreement Not to Market Prior to Effective Date

Seller agrees that unless and until this Agreement terminates pursuant to its terms, Seller shall not negotiate with any other parties pertaining to the sale of the Property and shall not market the Property to third parties.

12.19. Acceptance of Agreement by Seller

This Agreement shall be null and void unless Seller accepts it and returns to City four (4) fully executed counterparts hereof no later than five (5) days after the receipt of Agreement executed by City.

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

12.21 §1031 Exchange. The parties are aware that Seller may elect to structure the sale of the Property as an exchange pursuant to Section 1031 of the Internal Revenue Code of 1986.

In the event an exchange is elected to be used by Seller, the parties shall cooperate with each other to accomplish such exchange and each party hereby agrees that any and all costs associated with said exchange shall be borne solely by the exchanging party (here, Seller) and shall in no way be attributable to the non-exchanging party (here, City). In no event shall the non-exchanging party be required to take title to the exchanged property(ies) to effectuate the tax-deferred exchange contemplated by this paragraph.

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

SELLER:

TANFORAN INDUSTRIAL PARK, LLC,
a California limited liability company

By: _____
Its: Manager

By: _____
Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, acting by and through
its Municipal Transportation Agency

By: _____
EDWARD D. REISKIN
Director of Transportation

APPROVED BY:
San Francisco Municipal Transportation Agency
Board of Directors
Resolution No: _____
Adopted: _____
Attest:

Secretary, SFMTA Board of Directors

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

By: _____
Stephanie Stuart
Deputy City Attorney

Title Company agrees to act as escrow holder in accordance with the terms of this Agreement and to execute the Designation Agreement (attached hereto as Exhibit F) and act as the Reporting Person (as such term is defined in the Designation Agreement). Title Company's failure to execute below shall not invalidate the Agreement between City and Seller.

TITLE COMPANY:

[CHICAGO] TITLE INSURANCE
COMPANY

By: _____

Its: _____

Date: _____

EXHIBIT A

Legal Description of Property

Parcel One:

Parcel 2, Parcel Map of Tanforan Industrial Park, filed November 2, 1984, Book 55 of Parcel Maps, Page 29, San Mateo County Records.

Parcel Two:

A right of way for purpose of constructing and maintaining a Spur Tract to connect with the right of way of the Southern Pacific Railroad Company lying adjacent to and Southwesterly of the lands hereinafter described, said right of way being more particularly described as follows:

The portion of the hereinafter described strip of land which lies Southeasterly of the Southeasterly line of said right of way of the Southern Pacific Railroad Company (Valencia Branch); a strip of land 60 feet wide lying Southwesterly of adjacent to and measured at right angles from the following described line:

Beginning at a point on the Southwesterly boundary line of that lands described in Parcel One above, which point of beginning bears North 65° 20' 42" East, 260 feet, North 24° 39' 18" West, 185.20 feet and South 65° 20' 42" West 224.92 feet from the Northwesterly corner of Block 1, as said Block is shown on the Map entitled "Map of Blocks 1, 2 & 3 San Bruno Park Fifth Addition San Mateo Co., Cal.", which Map was filed in the Office of the Recorder of the County of San Mateo, State of California on November 11, 1906 in Book "B" of Maps at Page 11 and a copy entered in Book 4 of Maps at Page 42; thence from said point of beginning along the said Southwesterly boundary line of Parcel One above, North 24° 36' 58" West, 294.26 feet.

Said right of way is appurtenant to the following described portion of the lands described as Parcel 2 of said Parcel Map of Tanforan Industrial Park:

Beginning at a point on the Northerly line of Tanforan Avenue, said point being distant North 65° 20' 42" East 260 feet and North 24° 39' 18" West 60.2 feet from the Northwesterly corner of Block 1 of Map of 5th Addition to San Bruno Park, showing Blocks 1, 2 and 3 Recorded November 11, 1906 in Book 4 of Maps at Page 42, Records of San Mateo County, said point of beginning also being the most Easterly corner of that certain property described in the Deed from South San Francisco Land and Improvement Company, to Helen O'Connor, Recorded July 19, 1922 in Book 45, Official Records, at Page 210;

Running thence from said point of beginning along the Northeasterly line of O'Connor Property, North 24° 39' 18" West 125 feet to the most Northerly corner thereof; thence along the Northwesterly line of property and continuing along the Northwesterly line of the Henry F. Sharp property, as conveyed in that certain Deed, dated April 3, 1922 and Recorded July 19, 1922 in Book 45 Official Records at Page 210, South 65° 20' 42" West 224.92 feet to a point that is distant 60 feet at right angles Northeasterly from the Northeasterly right of way line of the Southern Pacific Railroad, Valencia Street Branch; thence parallel with and distant 60 feet at right angles Northeasterly from said right of way line, North 24° 36' 58" West 294.26 feet; thence North 65° 20' 42" East 274.72 feet; thence South 24° 39' 18" East 419.26 feet to a point in the Northerly line of Tanforan Avenue; thence along the Northerly line of Tanforan Avenue, South 65° 20' 42" West 50 feet to the point of beginning.

EXHIBIT B
GRANT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

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

The undersigned hereby declares this instrument to be
exempt from Recording Fees (Govt. Code § 27383).

Documentary Transfer Tax of \$0 based on
full value of the property conveyed

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

GRANT DEED
(Assessor's Parcel No. _____)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, TANFORAN INDUSTRIAL PARK, LLC, a California limited liability company, hereby grants to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the real property located in the City of South San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof (the "Property").

TOGETHER WITH any and all of Grantor's rights, privileges and easements incidental or appurtenant to the Property, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Property, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Property, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and all of Grantor's right, title and interest in and to any and all roads and alleys adjoining or servicing the Property.

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

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)

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the foregoing Grant Deed to the City and County of San Francisco, a municipal corporation, is hereby accepted pursuant to Board of Supervisors' Resolution No. 18110 Series of 1939, approved August 7, 1957, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

John Updike
Director of Property

EXHIBIT A TO GRANT DEED

Legal Description of Property

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

Parcel One:

Parcel 2, Parcel Map of Tanforan Industrial Park, filed November 2, 1984, Book 55 of Parcel Maps, Page 29, San Mateo County Records.

Parcel Two:

A right of way for purpose of constructing and maintaining a Spur Tract to connect with the right of way of the Southern Pacific Railroad Company lying adjacent to and Southwesterly of the lands hereinafter described, said right of way being more particularly described as follows:

The portion of the hereinafter described strip of land which lies Southeasterly of the Southeasterly line of said right of way of the Southern Pacific Railroad Company (Valencia Branch); a strip of land 60 feet wide lying Southwesterly of adjacent to and measured at right angles from the following described line:

Beginning at a point on the Southwesterly boundary line of that lands described in Parcel One above, which point of beginning bears North 65° 20' 42" East, 260 feet, North 24° 39' 18" West, 185.20 feet and South 65° 20' 42" West 224.92 feet from the Northwesterly corner of Block 1, as said Block is shown on the Map entitled "Map of Blocks 1, 2 & 3 San Bruno Park Fifth Addition San Mateo Co., Cal.", which Map was filed in the Office of the Recorder of the County of San Mateo, State of California on November 11, 1906 in Book "B" of Maps at Page 11 and a copy entered in Book 4 of Maps at Page 42; thence from said point of beginning along the said Southwesterly boundary line of Parcel One above, North 24° 36' 58" West, 294.26 feet.

Said right of way is appurtenant to the following described portion of the lands described as Parcel 2 of said Parcel Map of Tanforan Industrial Park:

Beginning at a point on the Northerly line of Tanforan Avenue, said point being distant North 65° 20' 42" East 260 feet and North 24° 39' 18" West 60.2 feet from the Northwesterly corner of Block 1 of Map of 5th Addition to San Bruno Park, showing Blocks 1, 2 and 3 Recorded November 11, 1906 in Book 4 of Maps at Page 42, Records of San Mateo County, said point of beginning also being the most Easterly corner of that certain property described in the Deed from South San Francisco Land and Improvement Company, to Helen O'Connor, Recorded July 19, 1922 in Book 45, Official Records, at Page 210;

Running thence from said point of beginning along the Northeasterly line of O'Connor Property, North 24° 39' 18" West 125 feet to the most Northerly corner thereof; thence along the Northwesterly line of property and continuing along the Northwesterly line of the Henry F. Sharp property, as conveyed in that certain Deed, dated April 3, 1922 and Recorded July 19, 1922 in Book 45 Official Records at Page 210, South 65° 20' 42" West 224.92 feet to a point that is distant 60 feet at right angles Northeasterly from the Northeasterly right of way line of the Southern Pacific Railroad, Valencia Street Branch; thence parallel with and distant 60 feet at right angles Northeasterly from said right of way line, North 24° 36' 58" West 294.26 feet;

thence North 65° 20' 42" East 274.72 feet; thence South 24° 39' 18" East 419.26 feet to a point in the Northerly line of Tanforan Avenue; thence along the Northerly line of Tanforan Avenue, South 65° 20' 42" West 50 feet to the point of beginning.

EXHIBIT C
BILL OF SALE

EXHIBIT D

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

EXHIBIT E

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

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the transferee of certain real property located in the City of South San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by TANFORAN INDUSTRIAL PARK LLC, a California limited liability company ("Transferor"), the undersigned hereby certifies the following on behalf of Transferor:

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

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

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

Dated: _____, 20__.

On behalf of:

[NAME]

a _____

By: _____
[NAME]

Its: _____

EXHIBIT F

OWNER'S DECLARATION

The undersigned hereby declares and certifies to _____ (the "Title Company"), with respect to that certain real property commonly known as 30 Tanforan Avenue, located in the City of South San Francisco, California (the "Premises"), that:

(1) the undersigned has not entered into any written agreement for any repair, work of improvement or materials furnished to the Premises within the last one hundred eighty (180) days which has not been paid for, and the undersigned has not received any written notice asserting any currently existing claim based on any such repair, work or materials; and

(2) to the actual knowledge of the undersigned, there is no one in possession of the Premises other than the City and County of San Francisco pursuant to that certain Lease dated _____, 2015.

This Declaration is given for the purpose of inducing the Title Company to issue its policy(ies) of title insurance in favor of the City and County of San Francisco and its lender, which may provide coverage as to the items mentioned above in connection with the undersigned's transfer of the Premises to Transferee on or about the date hereof.

Dated this ____ day of _____, 20__.

EXHIBIT G

DESIGNATION AGREEMENT

This DESIGNATION AGREEMENT (the "Agreement") dated as of _____, 20__, is by and between TANFORAN INDUSTRIAL PARK LLC, a California limited liability company ("Seller"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and _____ ("Title Company").

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

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

C. Pursuant to Subsection 6.1 of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No. _____, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

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

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

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

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

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

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

SELLER:

Attn: _____
Facsimile No.: () _____

CITY:

San Francisco Municipal Transportation Agency
Attn: Senior Manager, Real Estate Section
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Facsimile No.: 415-701-4341

with a copy to:

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

TITLE COMPANY:

Attn: _____
Facsimile No.: () _____

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

[SIGNATURES ON FOLLOWING PAGE]

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

SELLER:

TANFORAN INDUSTRIAL PARK LLC,
a California limited liability company

By: _____
Its: _____

By: _____
Its: _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a
municipal corporation, acting by and through its
Municipal Transportation Agency

By: _____
EDWARD D. REISKIN
Director of Transportation

Date: _____

TITLE COMPANY:

TITLE INSURANCE COMPANY

By: _____
Its: _____

Date: _____

SCHEDULE 1

ENERGY DISCLOSURE DOCUMENTS

EXHIBIT A TO DESIGNATION AGREEMENT

Legal Description of Property

Parcel One:

Parcel 2, Parcel Map of Tanforan Industrial Park, filed November 2, 1984, Book 55 of Parcel Maps, Page 29, San Mateo County Records.

Parcel Two:

A right of way for purpose of constructing and maintaining a Spur Tract to connect with the right of way of the Southern Pacific Railroad Company lying adjacent to and Southwesterly of the lands hereinafter described, said right of way being more particularly described as follows:

The portion of the hereinafter described strip of land which lies Southeasterly of the Southeasterly line of said right of way of the Southern Pacific Railroad Company (Valencia Branch); a strip of land 60 feet wide lying Southwesterly of adjacent to and measured at right angles from the following described line:

Beginning at a point on the Southwesterly boundary line of that lands described in Parcel One above, which point of beginning bears North 65° 20' 42" East, 260 feet, North 24° 39' 18" West, 185.20 feet and South 65° 20' 42" West 224.92 feet from the Northwesterly corner of Block 1, as said Block is shown on the Map entitled "Map of Blocks 1, 2 & 3 San Bruno Park Fifth Addition San Mateo Co., Cal.", which Map was filed in the Office of the Recorder of the County of San Mateo, State of California on November 11, 1906 in Book "B" of Maps at Page 11 and a copy entered in Book 4 of Maps at Page 42; thence from said point of beginning along the said Southwesterly boundary line of Parcel One above, North 24° 36' 58" West, 294.26 feet.

Said right of way is appurtenant to the following described portion of the lands described as Parcel 2 of said Parcel Map of Tanforan Industrial Park:

Beginning at a point on the Northerly line of Tanforan Avenue, said point being distant North 65° 20' 42" East 260 feet and North 24° 39' 18" West 60.2 feet from the Northwesterly corner of Block 1 of Map of 5th Addition to San Bruno Park, showing Blocks 1, 2 and 3 Recorded November 11, 1906 in Book 4 of Maps at Page 42, Records of San Mateo County, said point of beginning also being the most Easterly corner of that certain property described in the Deed from South San Francisco Land and Improvement Company, to Helen O'Connor, Recorded July 19, 1922 in Book 45, Official Records, at Page 210;

Running thence from said point of beginning along the Northeasterly line of O'Connor Property, North 24° 39' 18" West 125 feet to the most Northerly corner thereof; thence along the Northwesterly line of property and continuing along the Northwesterly line of the Henry F. Sharp property, as conveyed in that certain Deed, dated April 3, 1922 and Recorded July 19, 1922 in Book 45 Official Records at Page 210, South 65° 20' 42" West 224.92 feet to a point that is distant 60 feet at right angles Northeasterly from the Northeasterly right of way line of the Southern Pacific Railroad, Valencia Street Branch; thence parallel with and distant 60 feet at right angles Northeasterly from said right of way line, North 24° 36' 58" West 294.26 feet; thence North 65° 20' 42" East 274.72 feet; thence South 24° 39' 18" East 419.26 feet to a point in the Northerly line of Tanforan Avenue; thence along the Northerly line of Tanforan Avenue, South 65° 20' 42" West 50 feet to the point of beginning.

LEASE EXHIBIT F
FORM OF MEMORANDUM OF LEASE

EXHIBIT F

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

- a. **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 _____, 20__, is by and between _____, a California [corporation/limited liability company] ("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 _____, 20__ (the "Lease"), pursuant to which Landlord leased to City and City leased from Landlord the real property more particularly described in the attached Exhibit A (the "Property"), which is incorporated by this reference.

B. The Lease provides City an option to purchase the Property (the "Purchase Option") on the terms specified in Section 22.1 of the Lease.

C. The Lease further provides City the right of first refusal to purchase the Property pursuant to Section 22.2 of the Lease.

D. Landlord and City desire to execute this Memorandum to provide constructive notice of the Lease, the Purchase Option and City's right of first refusal to purchase the Property pursuant to 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 Tenant 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 the date that is twenty (20) years after the Commencement Date (as such term is defined in the Lease), 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 California [corporation/limited liability company]

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
EDWARD D. REISKIN
Director of Transportation, SFMTA

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Stephanie Stuart
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)

EXHIBIT A TO MEMORANDUM OF LEASE

Legal Description of Property

Parcel One:

Parcel 2, Parcel Map of Tanforan Industrial Park, filed November 2, 1984, Book 55 of Parcel Maps, Page 29, San Mateo County Records.

Parcel Two:

A right of way for purpose of constructing and maintaining a Spur Tract to connect with the right of way of the Southern Pacific Railroad Company lying adjacent to and Southwesterly of the lands hereinafter described, said right of way being more particularly described as follows:

The portion of the hereinafter described strip of land which lies Southeasterly of the Southeasterly line of said right of way of the Southern Pacific Railroad Company (Valencia Branch); a strip of land 60 feet wide lying Southwesterly of adjacent to and measured at right angles from the following described line:

Beginning at a point on the Southwesterly boundary line of that lands described in Parcel One above, which point of beginning bears North 65° 20' 42" East, 260 feet, North 24° 39' 18" West, 185.20 feet and South 65° 20' 42" West 224.92 feet from the Northwesterly corner of Block 1, as said Block is shown on the Map entitled "Map of Blocks 1, 2 & 3 San Bruno Park Fifth Addition San Mateo Co., Cal.", which Map was filed in the Office of the Recorder of the County of San Mateo, State of California on November 11, 1906 in Book "B" of Maps at Page 11 and a copy entered in Book 4 of Maps at Page 42; thence from said point of beginning along the said Southwesterly boundary line of Parcel One above, North 24° 36' 58" West, 294.26 feet.

Said right of way is appurtenant to the following described portion of the lands described as Parcel 2 of said Parcel Map of Tanforan Industrial Park:

Beginning at a point on the Northerly line of Tanforan Avenue, said point being distant North 65° 20' 42" East 260 feet and North 24° 39' 18" West 60.2 feet from the Northwesterly corner of Block 1 of Map of 5th Addition to San Bruno Park, showing Blocks 1, 2 and 3 Recorded November 11, 1906 in Book 4 of Maps at Page 42, Records of San Mateo County, said point of beginning also being the most Easterly corner of that certain property described in the Deed from South San Francisco Land and Improvement Company, to Helen O'Connor, Recorded July 19, 1922 in Book 45, Official Records, at Page 210;

Running thence from said point of beginning along the Northeasterly line of O'Connor Property, North 24° 39' 18" West 125 feet to the most Northerly corner thereof; thence along the Northwesterly line of property and continuing along the Northwesterly line of the Henry F. Sharp property, as conveyed in that certain Deed, dated April 3, 1922 and Recorded July 19, 1922 in Book 45 Official Records at Page 210, South 65° 20' 42" West 224.92 feet to a point that is distant 60 feet at right angles Northeasterly from the Northeasterly right of way line of the Southern Pacific Railroad, Valencia Street Branch; thence parallel with and distant 60 feet at right angles Northeasterly from said right of way line, North 24° 36' 58" West 294.26 feet; thence North 65° 20' 42" East 274.72 feet; thence South 24° 39' 18" East 419.26 feet to a point in the Northerly line of Tanforan Avenue; thence along the Northerly line of Tanforan Avenue, South 65° 20' 42" West 50 feet to the point of beginning.

EXHIBIT G

30 Tanforan Ave., South San Francisco, Lease Rent Schedule

Lease Year	Base Rent/Month	Base Rent/Year	Option to Purchase @ FMV
Year 1	\$206,692.00	\$2,480,304.00	
Year 2	\$210,825.84	\$2,529,910.08	
Year 3	\$215,042.36	\$2,580,508.28	
Year 4	\$219,343.20	\$2,632,118.45	
Year 5	\$223,730.07	\$2,684,760.82	
Year 6	\$228,204.67	\$2,738,456.03	Option to Purchase @ FMV after Year 6
Year 7	\$232,768.76	\$2,793,225.15	
Year 8	\$237,424.14	\$2,849,089.66	
Year 9	\$242,172.62	\$2,906,071.45	
Year 10	\$247,016.07	\$2,964,192.88	
Year 11	\$251,956.39	\$3,023,476.74	
Year 12	\$256,995.52	\$3,083,946.27	
Year 13	\$262,135.43	\$3,145,625.20	
Year 14	\$267,378.14	\$3,208,537.70	
Year 15	\$272,725.70	\$3,272,708.45	
Year 16	\$278,180.22	\$3,338,162.62	
Year 17	\$283,743.82	\$3,404,925.88	
Year 18	\$289,418.70	\$3,473,024.39	
Year 19	\$295,207.07	\$3,542,484.88	
Year 20	\$301,111.21	\$3,613,334.58	
Total:		\$60,264,863.50	

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 16-011

WHEREAS, The SFMTA is experiencing and will continue to experience significant demands on the comprehensive transportation system as the need to provide safe, reliable and efficient transit service continues to expand in concurrence with a growing population and economic base; and,

WHEREAS, To fill vacancies due to retirements and attrition and to meet the increasing demands, the SFMTA hired approximately 585 new Muni Operators and those new hires each require 44 days of training which includes on and off road experience for skill development and DMV testing; and,

WHEREAS, The SFMTA Training section has conducted behind the wheel training on either licensed and or leased land that has sporadic availability and when those resources are available, often times, they do not sufficiently provide acceptable driving conditions on which to train; and,

WHEREAS, The SFMTA does not have a dedicated training resource within its existing portfolio of real estate to adequately accommodate a realistic training class size of 40 trainees, which requires improved land of approximately 6-8 acres, which includes the new yard at Islais Creek; and

WHEREAS, Improved Land to meet such a need is very limited in San Francisco and surrounding communities for this critical SFMTA operating need; and,

WHEREAS, The SFMTA for the past five years has identified, evaluated and discussed over 25 potential sites with various property owners and in most cases the locations sought were either not available at the level of consistency required by training, or those sites were not adequate in size, use, and/or improvements, or were being redeveloped; and,

WHEREAS, The property at 30 Tanforan, South San Francisco, San Mateo County Assessor's Parcel Number 014-250-090 (Property) was identified and deemed the best solution for eliminating the real estate challenges associated with providing adequate, consistent and reliable resources for Operator Training; and,

WHEREAS, The SFMTA will enter into a lease with Tanforan Industrial Park, LLC (Owner), and as part of the Leasehold improvements the Owner will provide four new motor and trolley coach training courses of 317,988 square feet (approximately 7.3 acres) of flat paved structural concrete pad, with standard utilities for the installation of trailers and restroom facilities, and associated landscaping and security features; and,

WHEREAS, The proposed Lease is subject to CEQA and the South San Francisco City Council is the responsible agency in taking the first approval action by approving the Project's Conditional Use Permit, Development Agreement, and Design Review application as required in the Lease; and,

WHEREAS, On September 23, 2015, the City of South San Francisco determined that the SFMTA Operator Training use and associated Leasehold improvements proposed by the Owner and specified in the Lease are categorically exempt from environmental review under CEQA Guidelines Section 15303 New Construction or Conversion of Small Structures; and,

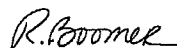
WHEREAS, SFMTA's execution of the Lease consists of a subsequent discretionary approval of said Project, and thus South San Francisco's Project approval on September 23, 2015 is the Approval Action as defined by S.F. Administrative Code Chapter 31; and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors; and,

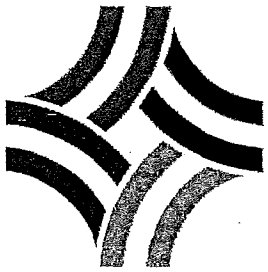
WHEREAS, The monthly base rent for the Property starts at \$206,692 (\$.65 per square foot), or \$2,480,304 for the first year, with annual increases of two percent over the nine and one-half year term of the lease, which includes an option to purchase the Property in years seven through nine of the lease, a Right of First Refusal throughout the entire term of the lease (Lease) and an Option to Extend beyond March 1, 2026, should an extension of the Development Agreement between the Property Owner and City of South San Francisco occur; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute a nine and one-half year term Industrial Lease with a Purchase Option, a Right of First Refusal, and an Extension Option with Tanforan Industrial Park, LLC, a California limited liability company, for 30 Tanforan Avenue, South San Francisco, comprised of 317,988 square feet (7.3 acres), at an initial annual base rent of \$2,480,304, with annual increases of two percent, together with all Leasehold Improvements for the provision of SFMTA bus operator training courses upon approval by the San Francisco Board of Supervisors and Mayor.

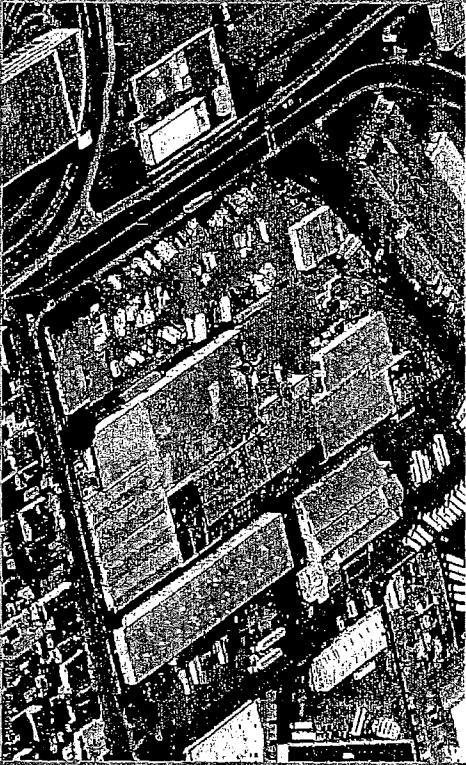
I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of January 19, 2016.



Secretary to the Board of Directors
San Francisco Municipal Transportation Agency



SFMTA
Municipal
Transportation
Agency



**SFMTA Dedicated Training Facility
30 Tanforan, South San Francisco**

**Budget and Finance Committee of the San Francisco Board of Supervisors
February 24, 2016**

File # 160091
Received in Council
2/24/16
f.w.

Safe, Reliable Transit for the Riding Public

- Our goal: Safe and reliable transit for all San Francisco residents, workers, and visitors
- Reliable training is a critical component to safe and reliable transit
- Until recently, we still had an operator shortage that resulted in:
 - Missing up to 5% of scheduled service daily
 - Lowest on-time performance in years
 - High gaps and bunches
 - Approved service increases in jeopardy of implementation

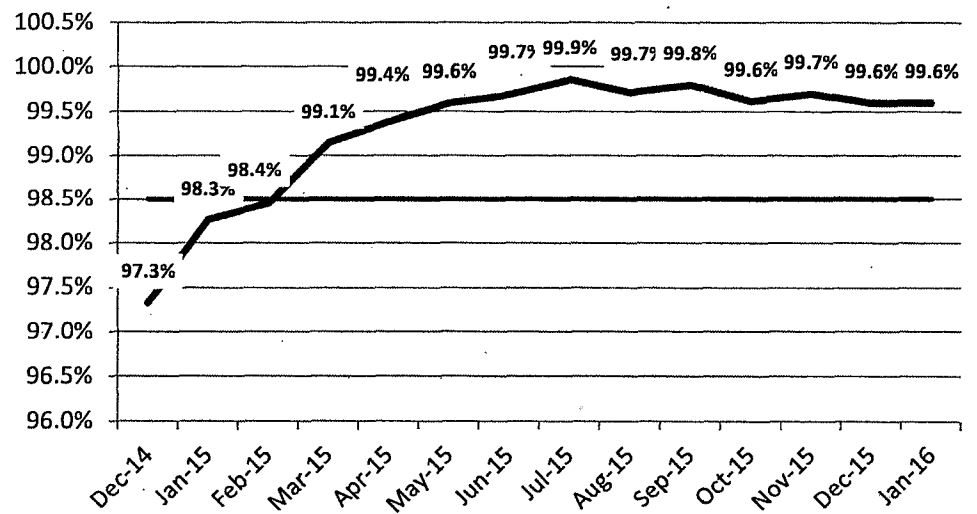
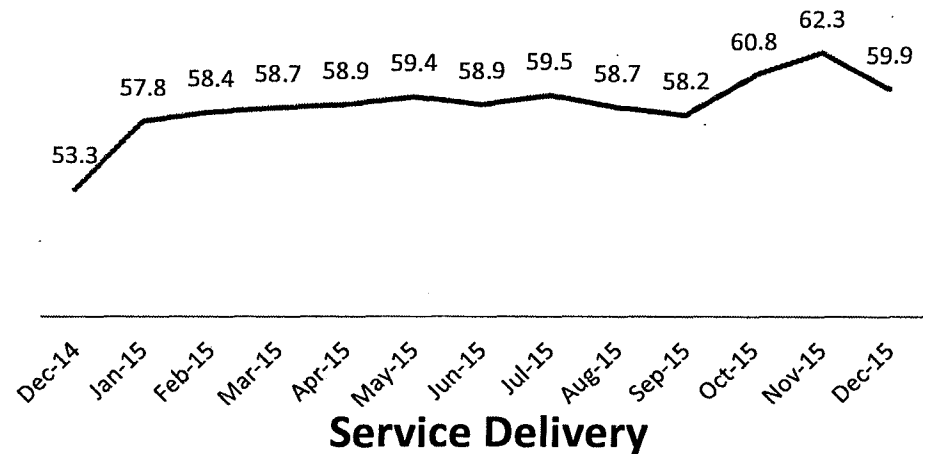
Improving Service Through Stabilized Training

- Two years ago SFMTA initiated comprehensive review of Training Program and implemented changes
 - Right sized training staff for service needs
 - Right sized operator positions for service needs
 - Improved graduation rate through program review and training
- Improved program to improve service!

Improvement Results

- Exceeded Proposition E service delivery goal for 12 months
- On-Time Performance improving
- Gaps in service down
- Implemented three service improvements and increases over the last 1.5 years

Monthly Average Percent of On-Time Performance



Vulnerability Remains

- No permanent Training Facility for the Bay Area's largest transit provider
 - No lease, no land
 - Ad hoc, month to month options disappearing
- Current situation is not sustainable
- Stable, predictable training is critical to safe and reliable service
- Guarantees that we can hire and train operators to fill service
- **Solution: Provide a dedicated Training Facility**

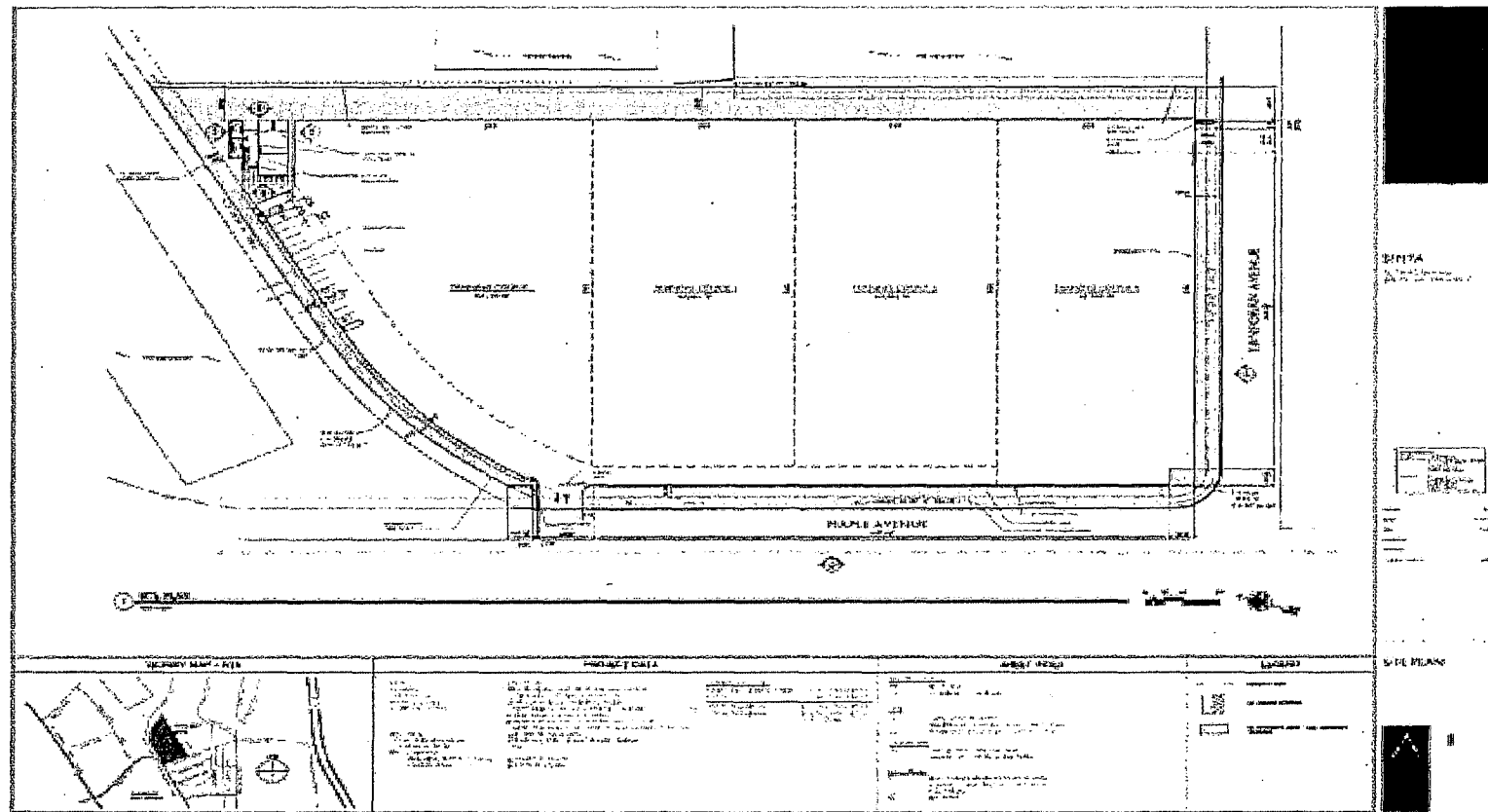
Over 25 Sites Considered

Need a large amount of open, paved space to teach operators to drive safely and teach safety skills

Site	Problems with Use
Port of San Francisco	Not consistently available
Candlestick Park Parking Lots	Now a development site
SF International Airport	Not Available
SFMTA Properties	Limited Size/Capacity and Is Difficult To Coordinate With Daily Throughput In Yards
Cow Palace	Not Consistently Available, Only 1 Week Available Every Few Months
Port of Oakland	Availability Limited to One Week a Month
Alemany Farmers Market	Not Big Enough or Consistently Available
City of Alameda (Former Naval Airstrip Lot)	Portions to be redeveloped
SamTrans Properties	Not Available Consistently; Limited Size/Difficult To Coordinate with Daily Throughput in Yards and Their Own Training
AC Transit Properties	Not Available Consistently; Limited Size/Difficult To Coordinate with Daily Throughput in Yards and Their Own Training
Private Properties	Not Large Enough Or Adequately Improved, Those That Are Large Enough, Are Redevelopment Sites

Benefits of 30 Tanforan Lease

- Consistent year round access to a new, improved training site
- Four outdoor, off-street, Transit Operator training courses (on 7.3 acres/317,988 square feet)
- Onsite bus storage and modular training classrooms



Lease Terms

\$206,692 (\$.65 per square foot) monthly, or \$2,480,304 annual, 2% increases

Option to purchase years 7-9 of 9.5 years term

Right of First Refusal throughout Lease term

Extension potential (up to 20 years)

~ \$11 million in owner/developer site improvements

Estimated completion and occupancy October 1, 2016

On January 19, 2016, the SFMTA Board of Directors approved Resolution No. 16-011 authorizing the Director of Transportation of the SFMTA to execute the Lease and to forward to the Board of Supervisors for final approval

Alternative: Another Site

- Zero sites of 30 Tanforan type and size available in the San Francisco and North Peninsula markets
- More expensive, smaller, and in poorer condition
 - San Francisco Total Industrial Market average rent: \$1.55 square foot
 - South San Francisco property rents range between ~ \$.75 and \$1.15 per square foot
- Supply decreasing region-wide

Alternative: Status Quo

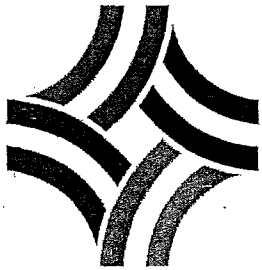
- Continue Ad Hoc contracting for space with City of Alameda, Port of Oakland, and Cow Palace (note that these are no longer available)
- Continue constant and burdensome search for month to month training options and contracting with third parties
- **Jeopardize all service and safety improvements through missing hiring schedule**
 - Current operator staffing is sufficient
 - With attrition of 15 operators per month, missing just one class will result in an operator shortage
- Jeopardize future service increases and improvements

Summary

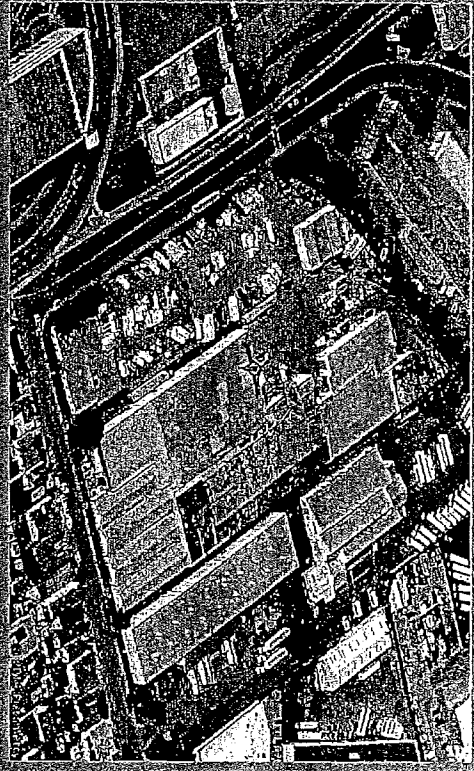
Approval of the Resolution authorizing the San Francisco Municipal Transportation Agency to execute an Industrial Lease Agreement with Tanforan Industrial Park, LLC for 30 Tanforan Avenue, South San Francisco will result in significant benefits including:

- Ensures continued improvements in service quality and safety
- Ensures consistent year round access to a new Transit Operator training site for 9.5 years with ownership potential
- Prepares San Francisco for current and future service demands, growth, and operator attrition
- Setting our Transit Operators and overall transportation system up for success by investing in critical SFMTA assets, its employees and resources

BF 160091
3/9/16



SFMTA
Municipal
Transportation
Agency



**SFMTA Dedicated Training Facility
30 Tanforan, South San Francisco
March 2016 Update**

Budget and Finance Committee of the San Francisco Board of Supervisors
March 9, 2016

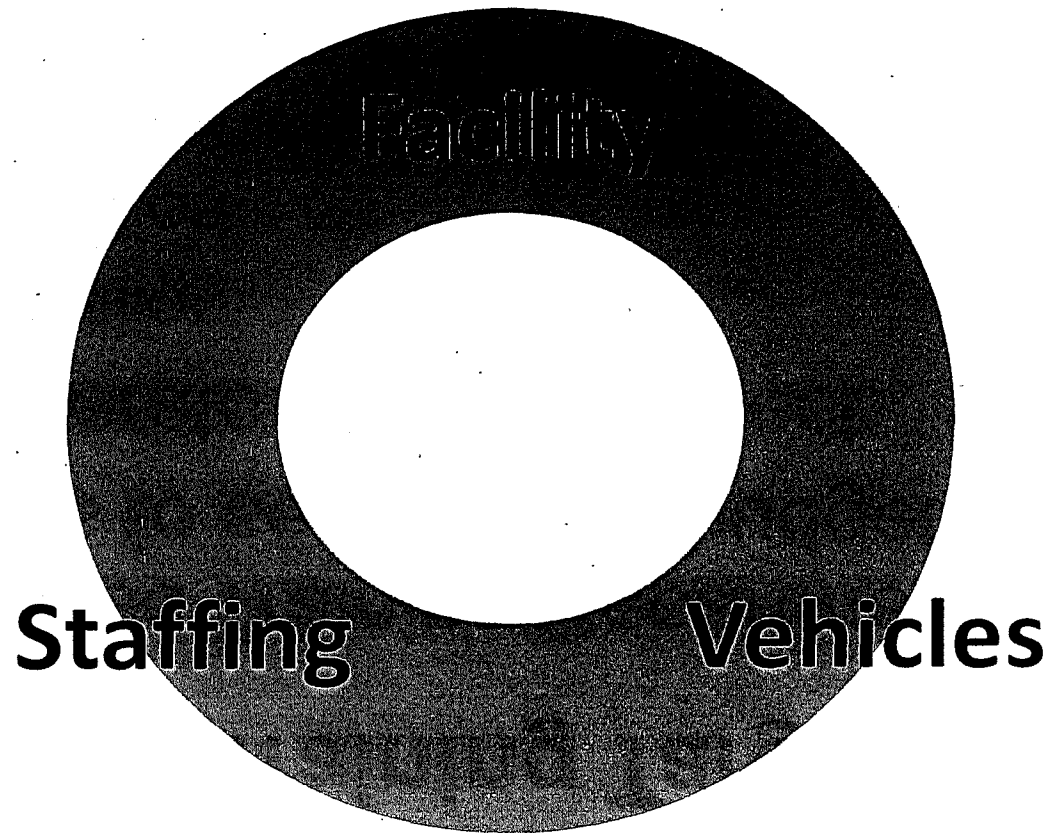
Safe, Reliable Service for the Riding Public

- Our goal: Safe and reliable transit for all San Francisco residents, workers, and visitors
- Reliable & stable operator training is a critical component to safe and reliable transit
- Training resource constraints in the past have led to high overtime and poor service delivery and quality



Safe and Reliable Service

- Reliable and stable operator training depends on three key components:
 1. Facility
 2. Staffing
 3. Vehicles



Cost of Missing Training Targets

- An under-resourced Training Department has huge impacts to service and budget
- **Unscheduled Operator Overtime Cost:**
 - CY 2012: \$4.5 million
 - CY 2013: \$4.5 million
 - CY 2014: \$6.9 million
 - **CY 2015: \$920,000**
- Cost of missing just one operator class in unscheduled overtime = **\$415,000** per month

Cost of Missing Training Targets

- Insufficient operator staffing means missed service and missing our Proposition E service delivery goal of delivering at least 98.5% of scheduled service
- Average Daily Service Missed:
 - CY 2012: 4%
 - CY 2013: 2%
 - CY 2014: 5%
 - **CY 2015: <1% by end of year**
- Results are persistent gaps in service, poor on-time performance, & overcrowding

Instability Drives Up Costs & Degrades Service

- All 13 scheduled new operator training classes in 2015 had to be rescheduled due to facility availability
- One class canceled in 2015 due to resource constraints
- Classes in 2012, 2013, and 2014 were smaller than needed due to resource constraints that led to the operator shortage

Classes per Year:

2011:	10
2012:	6
2013:	7
2014:	10
2015:	13
2016 (planned):	9

Options are Running Out

- Ad hoc, month to month options disappearing
- Down to two ad hoc training locations:
 - Alameda Naval Base – Slated for Redevelopment
 - Cow Palace – Limited availability due to events
- No permanent Training Facility for the Bay Area's largest transit provider
- **Solution: Provide a dedicated Training Facility**

City Controller Recommended

- In 2013, the City Controller's Office Audit of SFMTA Training recommended securing a dedicated Training facility.
- Report cites that the Training Department *"lacks an appropriate location for a skills course."*
- Recommendation from report:
 - "Locate and, if necessary, lease a location suitable for transit operator training programs that can be reliably scheduled to meet the needs of the Training unit."



Over 25 Sites Considered

Need a 6-7 acres of open, paved space to teach operators to drive safely and teach safety skills

Site	Problems with Use
Port of San Francisco	Not consistently available
Candlestick Park Parking Lots	Now a development site
SF International Airport	Not Available
SFMTA Properties	Limited Size/Capacity and Is Difficult To Coordinate With Daily Throughput In Yards
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Benefits of 30 Tanforan Lease

- Consistent year round access to a new, improved training site
- Four outdoor, off-street, Transit Operator training courses (on 7.3 acres/317,988 square feet) – each course 140' x 400'
- Competitive cost
- Opportunities to provide more than new operator training
- Onsite bus storage and modular training trailers



Multi-Functional Facility

- Not only for new operator motor coach training
- Site will be used for:
 - Operator retraining and annual refresher training
 - Safety and collision retraining
 - Supervisor training
 - Maintenance training
 - Non-revenue vehicle training
- Opportunities for other SFMTA related training

Lease Terms

\$206,692 (\$.65 per square foot) monthly, or \$2,480,304 annual, 2% increases

Option to purchase years 7-9 of 9.5 years term

Right of First Refusal throughout Lease term

Extension potential (up to 20 years)

~\$11 million in owner/developer site improvements

Estimated completion and occupancy October 1, 2016

On January 19, 2016, the SFMTA Board of Directors approved Resolution No. 16-011 authorizing the Director of Transportation of the SFMTA to execute the Lease and to forward to the Board of Supervisors for final approval

Cost of missing one class is over \$400,000/month or \$5 million/year in operator overtime

Alternative: Another Site

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Summary

Approval of the Resolution authorizing the San Francisco Municipal Transportation Agency to execute an Industrial Lease Agreement with Tanforan Industrial Park, LLC for 30 Tanforan Avenue, South San Francisco will result in significant benefits including:

- Ensures continued improvements in service quality and safety
- Ensures consistent year round access to a new Transit Operator training site for 9.5 years with ownership potential
- Prepares San Francisco for current and future service demands, growth, and operator attrition
- Setting our Transit Operators and overall transportation system up for success by investing in critical SFMTA assets, its employees and resources

**FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)**

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Tanforan Industrial Park, LLC	
<i>Please list the names of</i> (1) members of the contractor's board of directors: <i>N/A</i> (2) the contractor's chief executive officer, chief financial officer and chief operating officer: <i>Business has one sole owner</i> (3) any person who has an ownership of 20 percent or more in the contractor – <i>Joseph P. Cassidy (Owner/President), 100%</i> (4) any subcontractor listed in the bid or contract: <i>N/A</i> (5) any political committee sponsored or controlled by the contractor. <i>N/A</i>	
Contractor address: 160 So. Linden Ave., Suite 100, South San Francisco, CA 94080	
Date that contract was approved:	Amount of contract: Not to Exceed: \$60,264,863.50 * Purchase Option and Lease Extension (Up to 20 years) is included in the Lease, if exercised and granted.

Describe the nature of the contract that was approved: SFMTA: Lease Agreement for the Premises at 30 Tanforan, South San Francisco, for the provision of SFMTA Bus Operator training courses and other transit related uses.
Comments:

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits
Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: 415-554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, 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

