

1 [Real Property Acquisition - 1828 Egbert Avenue - San Francisco Self Storage III, LLC -
2 \$67,300,000]

3 **Resolution approving and authorizing the Real Estate Division to acquire Real**
4 **Property located at 1828 Egbert Avenue, from San Francisco Self Storage III, LLC, dba**
5 **1828 Egbert Avenue, LLC, for a purchase price of \$67,300,000 subject to future**
6 **authorization of Certificates of Participation; placing the real property under the**
7 **jurisdiction of the Real Estate Division for use of storing evidence and moving**
8 **property from the Hall of Justice and other locations; adopting findings that the**
9 **acquisition is consistent with the General Plan, and the eight priority policies of**
10 **Planning Code, Section 101.1; and authorizing the Director of Property to execute**
11 **documents, enter into the Leaseback, and make certain modifications and take**
12 **certain actions in furtherance of the Purchase Agreement and this Resolution, as**
13 **defined herein.**

14
15 WHEREAS, The City has negotiated the purchase of real property, located at 1828
16 Egbert Avenue in San Francisco (the "Property"), from San Francisco Self Storage III, LLC
17 dba 1828 Egbert Avenue, LLC ("Seller"), for storing evidence and other property; Seller and
18 City have negotiated a purchase and sale agreement, a copy of which is on file with the
19 Clerk of the Board of Supervisors in File No. 190774 (the "Purchase Agreement"), for the
20 sale of the Property to the City for \$67,300,000 ("Purchase Price"), subject to the City's
21 successful issuance of Certificates of Participation ("COP") or other forms of indebtedness
22 to pay the Purchase Price and other conditions set forth in the Purchase Agreement; and

23 WHEREAS, The Police Department's ("SFPD") Property and Evidence Storage
24 (collectively, "Evidence") facilities are currently located at two separate locations: one at the
25 Hall of Justice (HOJ) and the other at Building 606 in the Hunters Point Naval Shipyard; and

1 WHEREAS, The Justice Facilities Improvement Program (JFIP) proposes the
2 vacation, demolition and reconstruction of the HOJ, requiring the relocation of the Evidence
3 stored at that site; and

4 WHEREAS, The Evidence located in leased property at 606 Manseau Street must
5 also be relocated; and

6 WHEREAS, The SFPD and the Department of Public Works have evaluated the
7 Property and confirmed that it will accommodate all of the SFPD's storage space needs; and

8 WHEREAS, An independent appraisal and an appraisal review confirmed that the
9 Purchase Price is less than the fair market value of the Property; and

10 WHEREAS, The Planning Department, by letter dated May 17, 2019 ("Planning
11 Letter"), found that the acquisition of the Property is not considered a project under the
12 California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines, Sections
13 15378 and 15060(c)(2) of the Administrative Code, and is consistent with the General Plan,
14 and the eight priority policies of Planning Code, Section 101.1, which letter is on file with the
15 Clerk of the Board of Supervisors in File No. 190774, and incorporated herein by this
16 reference; and

17 WHEREAS, The Property is currently used as a self-storage business with
18 approximately 900 month-to-month self-storage occupants, each occupying the Property
19 under a "Storage Agreement"; and

20 WHEREAS, Concurrent with City's acquisition of the Property, City intends to lease
21 the Property back to Seller at the nominal lease rate of \$1,000 per month ("Leaseback") for
22 a period of up to six months, for the sole purpose of providing Seller enough time to
23 terminate the Storage Agreements and relocate the self-storage occupants to alternative
24 space; and

1 WHEREAS, \$5,000,000 or "Performance Guarantee" will be held in escrow at
2 Closing until the earlier to occur of: (i) Seller has terminated all Storage Agreements and
3 delivers the Property to the City free clear of any leasehold or other encumbrances,
4 including the Storage Agreements, and remaining personal property, at which time the
5 Performance Guarantee will be released to Seller; or (ii) six months after the Closing,
6 whereby City will have the right to keep the Performance Guarantee, as liquidated damages,
7 if Seller fails to remove all occupants and encumbrances at the Property; now, therefore, be
8 it

9 RESOLVED, That in accordance with the recommendation of the Police Chief of the
10 SFPD and the Director of Property, the Board of Supervisors approves the Purchase
11 Agreement in substantially the form presented to the Board, and authorizes the Director of
12 Property, with consultation through the Office of the City Attorney and the SFPD, to take all
13 actions necessary or appropriate to acquire the Property in accordance with the Purchase
14 Agreement, subject to future authorization of COPs or other forms of indebtedness and
15 other the conditions set forth in the Purchase Agreement; and, be it

16 FURTHER RESOLVED, That Board confirms the findings made by the Planning
17 Department in the Planning Letter, including General Plan consistency findings; and, be it

18 FURTHER RESOLVED, That SFPD has legal authority, is willing, and is in a position
19 financially and otherwise to assume immediate care and maintenance of the Property, and
20 that the Police Chief and the Director of Property are authorized and urged to accept the
21 deed to the Property from the Seller upon the closing in accordance with the terms and
22 conditions of the Purchase Agreement, subject to the availability of funding in an amount
23 equal to or greater than the Purchase Price to be authorized through future legislation, and
24 to take any and all steps (including, but not limited to, the execution and delivery of any and
25 all certificates, agreements, notices, consents, escrow instructions, the Leaseback, closing

1 documents, and other instruments or documents) as the Director of Property, with
2 consultation from the Office of the City Attorney, deems necessary or appropriate in order to
3 acquire the Property under the Purchase Agreement, or to other effectuate the purpose and
4 intent of this Resolution, such determination to be conclusively evidenced by the execution
5 and delivery by the Director of Property of any such documents; and be it

6 FURTHER RESOLVED, That within thirty (30) days of the City acquiring the
7 Property, the Director of Property shall provide a copy of the fully executed Purchase
8 Agreement to the Clerk of the Board for inclusion into the official file.
9

10
11 RECOMMENDED:

12 SAN FRANCISCO POLICE DEPARTMENT
13

14
15 

16 _____
17 William Scott
18 Chief of Police
19 San Francisco Police Department

20 REAL ESTATE DIVISION

21 

22 _____
23 Andrico Q. Penick 7/8/18
24 Director of Property
25

| | |
|---|---|
| <p>Item 10 File 19-0774</p> | <p>Department: Real Estate Division (RED) San Francisco Police Department (SFPD)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> | |
| <ul style="list-style-type: none"> • The proposed resolution would authorize the Real Estate Division to acquire real property located at 1828 Egbert Avenue, from San Francisco Self Storage III, LLC, doing business as 1828 Egbert Avenue, LLC, for a purchase price of \$67.3 million subject to future authorization of Certificates of Participation. | |
| <p style="text-align: center;">Key Points</p> | |
| <ul style="list-style-type: none"> • The Police Department’s evidence storage unit is currently located in the Hall of Justice. The City’s Capital Plan provides for an expedited exit of City departments from the Hall of Justice due to the deficiencies in the building. The Police Department’s evidence storage unit would relocate from the Hall of Justice to 1828 Egbert Avenue. | |
| <p style="text-align: center;">Fiscal Impact</p> | |
| <ul style="list-style-type: none"> • The purchase price of \$67.3 million for 1828 Egbert Avenue is consistent with the fair market price determined by the appraisal; the appraisal review confirmed the reasonableness of the appraisal’s price determination. • The Capital Plan calls for \$131 million in Certificates of Participation to fund the relocation of City departments from the Hall of Justice. The Office of Public Finance will submit legislation to the Board of Supervisors in approximately September 2019 to approve the issuance of approximately \$84.9 million in Certificates of Participation, which includes the \$67.3 million purchase price, reserves, and issuance costs. | |
| <p style="text-align: center;">Policy Consideration</p> | |
| <ul style="list-style-type: none"> • The Board of Supervisors previously approved a ten-year lease from July 2018 through June 2028 at 777 Brannan Street for the Police Department’s evidence storage to relocate from the Hall of Justice. Subsequent to the lease approval, the Department of Public Works and Real Estate Division determined that 777 Brannan Street would require significant improvements to meet the Police Department’s security and other requirements for evidence storage, at an estimated cost of \$17 million. The Real Estate Division determined that the purchase of 1828 Egbert Avenue for the Police Department’s evidence storage unit was preferred because it meets the Department’s seismic and other standards. • The Real Estate Division and Public Works are evaluating alternative use for 777 Brannan for departments that still need to be relocated from the Hall of Justice. • The Budget and Legislative Analyst recommends approval of the proposed resolution because the purchase of 1828 Egbert Avenue for use by the Police Department’s evidence storage is consistent with Board of Supervisors policy for the City to own the facilities that house necessary and permanent City functions. | |
| <p style="text-align: center;">Recommendations</p> | |
| <ul style="list-style-type: none"> • Amend the proposed resolution to request the Director of Real Estate to report back in January 2020 on the plan for the City’s use of 777 Brannan Street. • Approve the proposed resolution as amended. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The City's Hall of Justice, located at 850 Bryant Street, was constructed in 1958, and is seismically deficient. In January 2017, given the serious concerns about the safety and working conditions in the building, the City Administrator declared that the offices and jail located at the Hall of Justice be closed as quickly as possible. As a result, the Capital Plan was updated in 2017 to target an expedited exit in 2019 from the Hall of Justice for all staff and inmates. The building currently houses four remaining City departments,¹ and the last Department is expected to move out of the building in 2021.

10-Year Capital Plan

In June 2019, the Board of Supervisors adopted the Ten-Year Capital Plan for FY 2020-21 through FY 2029-30. The Capital Plan calls for \$131 million in certificates of participation for the Hall of Justice Relocation Projects to relocate the District Attorney's Office, Adult Probation Department, Police Department Investigations Unit, Medical Examiner, and other administrative offices from the Hall of Justice.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve and authorize the Real Estate Division to acquire real property located at 1828 Egbert Avenue, from San Francisco Self Storage III, LLC, doing business as 1828 Egbert Avenue, LLC, for a purchase price of \$67,300,000 subject to future authorization of Certificates of Participation.

In addition, the proposed resolution would place the real property under the jurisdiction of the Real Estate Division for use of storing evidence and moving property from the Hall of Justice and other locations and would adopt findings that the acquisition is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Finally, the proposed resolution would authorize the Director of Property to (1) execute documents, (2) enter into a lease back of the property to the seller at the nominal lease rate of \$1,000 per month, for up to six (6) months, for the sole purpose of relocating the self-storage clients and terminating all self-storage agreements, and (3) make certain modifications and take certain actions in furtherance of the purchase agreement and this proposed resolution.

The proposed property located at 1828 Egbert Avenue is shown in the map below.

¹ The four Departments are the District Attorney's Office, Adult Probation, various offices of the Police Department, and the Sheriff's Department (County Jails #3 and #4).



Existing and Proposed Use of Property

The property at 1828 Egbert Avenue is currently used as a self-storage business with approximately 900 month-to-month self-storage clients. The property is a four-story, reinforced concrete building approximately 126,988 square feet. Each floor is approximately 31,747 square feet plus approximately 63,300 square feet of mostly paved lot. Together the building and lot sit on approximately 2.188 acres of land.

The Real Estate Division proposes using the property for the San Francisco Police Department's (SFPD) Property and Evidence Storage Facility. Currently, the SFPD occupies two separate facilities for storing evidence and property. One facility is located at the Hall of Justice (HOJ) and the other in a leased facility at 606 Manseau in the Hunters Point Naval Shipyard (Building 606). The Justice Facilities Improvement Program (JFIP) proposes the vacation, demolition and reconstruction of the HOJ requiring SFPD Evidence to relocate to a new facility. SFPD's other facility at Building 606 must also move out of its leased facility located at the Hunter's Point Naval Shipyard due to future planned development. The proposed property would house all SFPD evidence and property under one roof.

According to the Real Estate Division, the building will primarily be used for securing police evidence and property and not for office space. SFPD plans to utilize the existing office space and any additional offices for the five officers who will be on site, as well as for any evidence viewing rooms and/or workstations for evidence cataloging. The Real Estate Division also states that the proposed property may also serve other City departments requiring a secured storage facility such as the San Francisco Fire Department. For example, the surface parking lot which is

part of the proposed property will be used by both SFPD and SFFD for secure storage of vehicles.

Environmental and Planning Code Provisions

On May 17, 2019, the Environmental Planning Division of the Planning Department determined that the acquisition is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment. In addition, the Planning Department verified that the proposed acquisition of 1828 Egbert Avenue is consistent with the City's General Plan and the eight priority policies in Section 101.1 of the Planning Code.

FISCAL IMPACT

Appraisal and Purchase Price

In April 2019, the Real Estate Division contracted with Runde & Partners, Inc. to conduct an appraisal of the 1828 Egbert property, which determined that the market value is consistent with the proposed negotiated price of \$67,300,000, in accordance with Administrative Code 23.3. The appraisal defines market value as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale.

In May 2019, the Real Estate Division contracted with Mateo Advisors, LLC to conduct an appraisal review of the 1828 Egbert Avenue appraisal. Mateo Advisors, LLC concluded that the appraiser's work and approaches to value supported the credibility and reasonableness of the concluded opinion of value.

According to the terms of the proposed purchase, the Real Estate Division will allow a lease back of the property to the seller at the nominal lease rate of \$1,000 per month², for up to six months, for the sole purpose of relocating the self-storage clients and terminating all self-storage agreements. The City will take possession of the property once it is cleared of all tenancies.

In addition, \$5,000,000 will be held back in escrow to ensure that the seller clears the property of its self-storage clients and all personal property within the six months period. If the seller fails to clear the property within this timeframe, the City will retain the \$5,000,000 as liquidation damages. The proposed date for close of escrow is 45 days following approval by the Board of Supervisors and Mayor of the Certificates of Participation.

Use of Certificates of Participation

The adopted Ten-Year Capital Plan for FY 2020-21 through FY 2029-30 calls for \$131 million in certificates of participation for the Hall of Justice Relocation Projects³. The City would pay approximately \$67,365,000 for the total project cost of 1828 Egbert

² According to the Real Estate Division, the \$1,000 per month is a nominal rent which approximates fair market rent since the only use permitted under the lease is vacating existing self-storage tenants and no other purpose.

³ According to the Real Estate Division, this amount was based on an anticipated need of \$69 million for the 1828 Egbert site acquisition, \$12 million to reimburse the interim financing for the McDonald's site acquisition and demolition approximately \$50 million for various tenant improvements located at the Hall of Justice.

Avenue, including \$67,300,000 for site acquisition, as shown in Table 1 below. In addition, the City’s estimated costs to issue the certificates of participation are \$17,510,000, including the audit fee, debt service reserve fund, capitalized interest fund, cost of issuance and underwriter’s discount. \$2,625,000 would be reserved for market uncertainty.

Table 1: Certificates of Participation Budget for 1828 Egbert Avenue Acquisition

| | |
|---|---------------------|
| Site Acquisition | \$67,300,000 |
| Title Insurance | 45,000 |
| Title Endorsement, Escrow Fees and Other Fees | 20,000 |
| Subtotal Estimated Project Cost | 67,365,000 |
| Audit Fee | 134,730 |
| Debt Service Reserve Fund | 7,705,350 |
| Capitalized Interest Fund | 8,275,313 |
| Cost of Issuance | 800,483 |
| Underwriter’s Discount | 594,125 |
| Subtotal Costs of Issuance (rounded) | 17,510,000 |
| Total Estimated Costs (rounded) | 84,875,000 |
| Reserve for Market Uncertainty | 2,625,000 |
| Total Not to Exceed (rounded) | \$87,500,000 |

According to the Real Estate Division, it is currently anticipated that the Office of Public Finance will introduce legislation authorizing the certificates of participation in September 2019.

If the proposed resolution is approved, the Real Estate Division also anticipates that SFPD will be able to move Police Property and Evidence into the Egbert building no later than July 2020. The department states that the majority of the tenants in the West Wing of the Hall of Justice are expected to be vacated by December 2020.

POLICY CONSIDERATION

Existing 777 Brannan Street Lease

In May 2018, the Board of Supervisors approved the lease between the City (as tenant) and LCL Global (as landlord) for 777 Brannan Street for the Police Department to use as evidence storage and office space for 30 Department employees. The lease is for ten years, from July 1, 2018 through June 30, 2028, with two five-year options for renewal through June 30, 2038. Pursuant to the lease at 777 Brannan Street, the City cannot legally terminate the lease prior to the initial expiration date of June 30, 2028.

The leased site at 777 Brannan Street has been vacant since the lease initiation on July 1, 2018. Over the past year, the City has paid \$1,049,340 in base rent and common area maintenance charges for this site but has not yet determined an alternative use for the site. According to Ivan Romero, Department of Public Works (DPW) Project Architect, space planning and

programmatic assessment – including seismic engineering evaluation, cost estimating, and value engineering – began in the summer of 2018. Public Works determined that the security and other requirements for the Police Department’s evidence storage would require extensive work at an estimated cost of approximately \$17 million.

The Real Estate Division determined that purchase of 1828 Egbert Avenue for use by the Police Department’s evidence storage was preferred because the 1828 Egbert Avenue building meets seismic strength requirements⁴, allowing the City to avoid costs associated with constructing a new, or upgrading a comparable facility, up to the same structural integrity. The Real Estate Division estimates that the tenant improvements at 1828 Egbert Avenue are in the range of approximately \$5 million.

According to the Real Estate Division, the Real Estate Division and Public Works are evaluating alternative use for 777 Brannan for departments that still need to be relocated from the Hall of Justice. However, a specific plan has not yet been developed or approved.

The Budget and Legislative Analyst recommends approval of the proposed resolution because the purchase of 1828 Egbert Avenue for use by the Police Department’s evidence storage is consistent with Board of Supervisors policy for the City to own the facilities that house necessary and permanent City functions. If the Board of Supervisors approves the proposed resolution, the Board should request the Director of Real Estate to report back in January 2020 on the plan for the City’s use of 777 Brannan Street.

RECOMMENDATIONS

- Amend the proposed resolution to request the Director of Real Estate to report back in January 2020 on the plan for the City’s use of 777 Brannan Street.
- Approve the proposed resolution as amended.

⁴ Two ratings are generally used to classify the seismic strength of a building: the seismic importance factor and the Occupancy Category rating. The seismic importance factor is either 1 or 1.5. Factor 1.5 is used when additional strength for risk critical facilities is required. All other non-critical facilities have a factor of 1. The Occupancy Category is a rating from 1 – 4 with 4 being the most resilient and best able to withstand seismic/earthquake activity. Examples of uses that require an Occupancy Category 4 are fire rescue, emergency preparedness and hospitals. The building at 1828 Egbert Avenue has a seismic importance factor of 1.5 and an Occupancy Category rating of 4.

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

San Francisco Self Storage III LLC, a Delaware limited liability company,
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the purchase and sale of

1828 Egbert Avenue, San Francisco, California

July __, 2019

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- EXHIBIT I – Memorandum of Agreement
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AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

(1828 Egbert Avenue, San Francisco)

(Block 5453B, Lot 005; Block 5434B, Lot 001C; and Appurtenant Easements)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of July ___, 2019 is by and between San Francisco Self Storage III LLC, a Delaware limited liability company (collectively "Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City").

IN CONSIDERATION of the respective agreements set forth, Seller and City agree as follows:

1. PURCHASE AND SALE

1.1. Property Included in 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, all of Seller's right title and interest (if any) in and to each of the following:

(a) the real property consisting of approximately two (2.188) acres of land, located in the City and County of San Francisco, commonly known as 1828 Egbert Avenue and more particularly described in Exhibit A attached hereto (the "Land");

(b) all improvements and fixtures located on the Land, including, without limitation, that certain 4-story storage building containing approximately one-hundred twenty six thousand, nine-hundred eighty eight (126,988) square feet of net rentable area and known as 1828 Egbert Avenue, San Francisco, as well as all other buildings and structures located on the Land, all apparatus, fixtures, equipment and appliances used in connection with the operation or occupancy of the Land and its improvements such as heating and air conditioning systems and facilities used to provide any utility, refrigeration, ventilation, garbage disposal or other services, and together with all on-site parking (collectively, the "Improvements");

(c) any and all 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, sewers, access, 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");

All of the items referred to in Subsections (a), (b), and (c), above are collectively referred to as the "Property." Seller makes no representations or warranties concerning the square footage of the Improvements and/or the acreage of the Property.

2. PURCHASE PRICE

2.1. Purchase Price

The total purchase price for the Property is Sixty-Seven Million, Three Hundred Thousand Dollars (\$67,300,000.00) (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 Sections 6.3(h) and 6.3(i) [Seller's Delivery of Documents], City may be required to withhold, for delivery to the Internal Revenue Service or the State of California on behalf of Seller, a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code"), or Section 18662 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by City 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 in cash or by wire transfer of immediately available funds to Title Company (as defined in Section 3.2), as escrow agent.

3. TITLE TO THE PROPERTY

3.1. Conveyance of Title to the Property

At the Closing Seller shall convey to City, or its affiliated nominee, 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 C (the "Deed"), subject to the Accepted Conditions of Title (as defined in Section 5.1(a)(iii)).

3.2. Title Insurance

Delivery of title in accordance with the preceding Section shall be evidenced by the commitment of Chicago Title Insurance Company (the "Title Company") to issue to City an 2006 ALTA extended coverage Owner's Policy of title insurance (the "Title Policy") in the amount of the Purchase Price, insuring fee simple title to the Land, the Appurtenances and the Improvements in City free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, 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, and shall contain an affirmative endorsement that there are no violations of restrictive covenants, if any, affecting the Property, and such special endorsements as City may reasonably request before the end of the Due Diligence Period. Notwithstanding the foregoing, City shall be entitled to request that the Title Company provide such reasonable endorsements to the Title Policy as City may, at City's expense, reasonably require during the Due Diligence Period, provided that such endorsements shall be at no cost to, and shall impose no additional liability on Seller. The Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request.

4. BUYER'S DUE DILIGENCE INVESTIGATIONS

4.1. Due Diligence and Time for Satisfaction of Conditions

City has been given or will be given before the end of the Due Diligence Period (as defined below), a full opportunity to investigate the Property, either independently or through Agents of City's own choosing, including, without limitation, the opportunity to conduct such appraisals, inspections, tests, audits, verifications, inventories, investigations and other due diligence regarding the economic, physical, environmental, title and legal conditions of the Property as City deems fit, as well as the suitability of the Property for City's intended uses. Notwithstanding the foregoing, or anything to the contrary contained in this Agreement, any invasive testing at the Property (including, without limitation, any borings, drilling, soil borings, and ground water sampling) shall be subject to the Seller's reasonable approval of all parts of City's work plan, insurance/risk management arrangements and the identity of the contractors performing the work. City and its Agents may commence due diligence investigations on the Property on or after the date this Agreement is executed by the Seller. The period for completion of all such investigations shall expire at 5:00 pm pacific time on September 24, 2019 (the "Due Diligence Period"), subject to the terms and conditions provided hereinbelow. Seller has delivered, and City acknowledges receipt, of all of the Documents and other items described in Sections 5.1(a), (b) and (c) that are in Seller's possession or control.

Notwithstanding anything in this Agreement to the contrary, City shall have the right to terminate this Agreement at any time during the Due Diligence Period upon written notice to Seller. Upon such termination, neither City nor Seller shall have any further rights or obligations hereunder, except as otherwise expressly provided herein. This Section is subject to, and shall not serve to modify or limit, any right or remedy of City arising under Section 5.1 [City's Conditions to Closing], of this Agreement.

4.2. Energy Consumption

City acknowledges and agrees that Seller delivered the Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist, and Facility Summary (all as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Property, copies of which are attached as Schedule 1 to this Agreement, no less than 24 hours prior to City's execution of this Agreement.

4.3 Natural Hazards.

Each party acknowledges that Seller is required to disclose if the Property lies within the following natural hazard areas or zones: (a) a special flood hazard area (any type Zone "A" or "V") designated by the Federal Emergency Management Agency (Cal. Gov. Code § 8589.3); (b) an area of potential flooding shown on a dam failure inundation map designated pursuant to Cal. Gov. Code § 8589.5 (Cal. Gov. Code § 8589.4); (c) a very high fire hazard severity zone designated pursuant to Cal. Gov. Code § 51178 or 51179 (in which event the owner maintenance obligations of Cal. Gov. Code § 51182 would apply) (Cal. Gov. Code § 51183.5); (d) a wildland area that may contain substantial forest fire risks and hazards designated pursuant to Cal. Pub. Resources Code § 4125 (in which event [i] the property owner would be subject to the maintenance requirements of Cal. Pub. Resources Code § 4291 and [ii] it would not be the state's responsibility to provide fire protection services to any building or structure located within the wildland area except, if applicable, pursuant to Cal. Pub. Resources Code § 4129 or pursuant to a cooperative agreement with a local agency for those purposes pursuant to Cal. Pub. Resources Code § 4142) (Pub. Resources Code § 4136); (e) an earthquake fault zone (Pub. Resources Code § 2621.9); or (f) a seismic hazard zone (and, if applicable, whether a landslide zone or liquefaction zone) (Pub. Resources Code § 2694). The parties acknowledge that they shall employ the services of JCP-LGS Disclosure Reports, 200 Commerce Drive, Irvine, CA 92602, (800) 748-5233 (or such other company as designated by Seller) (which, in such capacity is herein called "Natural Hazard Expert") to examine the maps and other information specifically made available to the public by government agencies for the purpose of enabling the party owning the applicable property to fulfill its disclosure obligations with respect to the natural hazards referred to in California Civil Code Section 1103(c) and to report the result of its examination to the parties in writing. As contemplated in California Civil Code Section 1103.2(b), if an earthquake fault zone, seismic hazard zone, very high fire hazard severity zone or wildland fire area map or accompanying information is not of sufficient accuracy or scale for the Natural Hazard Expert to determine if the applicable property is within the respective natural hazard zone, then for purposes of the disclosure the applicable property shall be considered to lie within such natural hazard zone. The written report (the "Natural Hazard Disclosure") prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges Seller from its disclosure obligations referred to herein, and, for the purpose of this Agreement, the provisions of Civil Code Section 1102.4 regarding the non-liability of Seller for errors or omissions not within its personal knowledge shall be deemed to apply and the Natural Hazard Expert shall be deemed to be an expert, dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above. Without limitation, in no event shall Seller have any responsibility for matters not actually known to Seller. THESE HAZARDS MAY LIMIT BUYER'S ABILITY TO DEVELOP THE PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE

AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT THE PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. BUYER MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

4.4 "AS IS"

BUYER ACKNOWLEDGES AND AGREES THAT BUYER IS EXPERIENCED IN THE OWNERSHIP, DEVELOPMENT, AND OPERATION OF PROPERTIES SIMILAR TO THE PROPERTY AND THAT BUYER IS QUALIFIED TO INSPECT AND EVALUATE THE PROPERTY. BUYER ACKNOWLEDGES THAT BUYER IS FULLY RELYING ON ITS OWN (OR BUYER'S REPRESENTATIVES') INSPECTIONS OF THE PROPERTY AND, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NOT UPON ANY STATEMENTS (ORAL OR WRITTEN) THAT MAY HAVE BEEN MADE OR MAY BE MADE BY SELLER, ANY OF ITS MEMBERS OR AFFILIATES, OR ANY OF ITS OR THEIR RESPECTIVE MEMBERS, MANAGERS, SHAREHOLDERS, PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS, PARTICIPANTS, AGENTS, SUBSIDIARIES, ATTORNEYS, AFFILIATES AND SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "SELLER PARTIES") OR ANY DOCUMENTS PROVIDED BY ANY SELLER PARTIES WHETHER IN ANY DUE DILIGENCE DATA ROOM OR OTHERWISE. BUYER ACKNOWLEDGES THAT BUYER HAS (OR BUYER'S REPRESENTATIVES HAVE) THOROUGHLY INSPECTED AND EXAMINED THE PROPERTY TO THE EXTENT DEEMED NECESSARY BY BUYER TO ENABLE BUYER TO EVALUATE THE PHYSICAL, LEGAL AND FINANCIAL CONDITION OF THE PROPERTY AND ALL OTHER ASPECTS OF THE PROPERTY (INCLUDING THE ENVIRONMENTAL CONDITION OF THE PROPERTY, COMPLIANCE OR NON-COMPLIANCE OF THE PROPERTY WITH ALL LEGAL REQUIREMENTS, INCLUDING ALL ZONING ORDINANCES, BUILDING CODES AND SET-BACK REQUIREMENTS, AND COMPLIANCE OR NON-COMPLIANCE OF THE PROPERTY WITH ALL RESTRICTIVE COVENANTS, EASEMENTS, AND OTHER PRIVATE AGREEMENTS, AND COMPLIANCE OR NON-COMPLIANCE OF THE PROPERTY WITH THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT). AS A MATERIAL PART OF THE CONSIDERATION FOR THIS AGREEMENT AND THE PURCHASE OF THE PROPERTY, BUYER HEREBY AGREES TO ACCEPT THE PROPERTY AT CLOSING IN ITS "AS-IS," "WHERE-IS" CONDITION, WITH ALL FAULTS, AND, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW. WITHOUT IN ANY WAY LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, IN CONNECTION WITH THE SALE OF THE PROPERTY TO BUYER, THE SALE OF THE PROPERTY IS WITHOUT ANY WARRANTY, AND SELLER AND THE SELLER PARTIES HAVE MADE NO, AND EXPRESSLY SPECIFICALLY DISCLAIM ANY AND ALL, AND BUYER ACCEPTS THAT SELLER AND ALL SELLER PARTIES HAVE DISCLAIMED ANY AND ALL, REPRESENTATIONS, GUARANTIES OR WARRANTIES, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW OR OTHERWISE, OF

OR RELATING TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION: (1) THE USE, INCOME POTENTIAL, EXPENSES, OPERATION, DEVELOPMENT POTENTIAL, CHARACTERISTICS OR CONDITION OF THE PROPERTY OR ANY PORTION THEREOF, INCLUDING WARRANTIES OF SUITABILITY, HABITABILITY, MERCHANTABILITY, DESIGN OR FITNESS FOR ANY SPECIFIC PURPOSE OR A PARTICULAR PURPOSE, OR GOOD AND WORKMANLIKE CONSTRUCTION; (2) THE NATURE, MANNER, CONSTRUCTION, CONDITION, STATE OF REPAIR OR LACK OF REPAIR OF ANY IMPROVEMENTS LOCATED ON THE PROPERTY, ON THE SURFACE OR SUBSURFACE THEREOF, WHETHER OR NOT OBVIOUS, VISIBLE OR APPARENT; (3) THE NATURE OR QUALITY OF CONSTRUCTION, STRUCTURAL DESIGN OR ENGINEERING OF THE PROPERTY; (4) THE ENVIRONMENTAL CONDITION OF THE PROPERTY AND THE PRESENCE OR ABSENCE OF OR CONTAMINATION BY HAZARDOUS MATERIALS, OR THE COMPLIANCE OF THE PROPERTY WITH ALL REGULATIONS OR LAWS PERTAINING TO HEALTH OR THE ENVIRONMENT, INCLUDING BUT NOT LIMITED TO, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, THE RESOURCE CONSERVATION AND RECOVERY ACT, THE CLEAN WATER ACT, APPLICABLE CALIFORNIA AND CITY OF SAN FRANCISCO STATUTES AND THE RULES AND REGULATIONS PROMULGATED PURSUANT THERETO REGULATING THE STORAGE, USE AND DISPOSAL OF HAZARDOUS MATERIALS, THE CITY OF SAN FRANCISCO DEPARTMENT OF HEALTH GUIDELINES ON ASSESSMENT AND REMEDIATION OF FUNGI IN INDOOR ENVIRONMENTS, AND ALL STATE AND LOCAL ENVIRONMENTAL LAWS AND ANY SIMILAR LAWS, EACH AS MAY BE AMENDED FROM TIME-TO-TIME, AND INCLUDING ANY AND ALL REGULATIONS, RULES OR POLICIES PROMULGATED THEREUNDER (COLLECTIVELY, "ENVIRONMENTAL LAWS"); (5) THE QUALITY OF THE LABOR AND MATERIALS INCLUDED IN THE PROPERTY; (6) THE SOIL CONDITIONS, DRAINAGE, FLOODING CHARACTERISTICS, UTILITIES OR OTHER CONDITIONS EXISTING IN, ON, OR UNDER THE PROPERTY; AND (7) COMPLIANCE OR NON-COMPLIANCE OF THE PROPERTY WITH ANY LEGAL REQUIREMENTS OR PRIVATE AGREEMENTS, BUSINESS LICENSES OR PERMITS. THE PROVISIONS OF THIS SECTION SHALL SURVIVE CLOSING, THE TERMINATION OF THIS AGREEMENT PRIOR TO CLOSING, AND THE CONVEYANCE OF THE PROPERTY AS CONTEMPLATED HEREUNDER.

TO THE EXTENT PERMITTED BY LAW, BUYER HEREBY AGREES, REPRESENTS AND WARRANTS THAT BUYER REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW UNKNOWN TO BUYER MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS, DEBTS, CONTROVERSIES, DAMAGES, COSTS, LOSSES AND EXPENSES WHICH ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND BUYER FURTHER AGREES, REPRESENTS AND WARRANTS THAT THE WAIVERS AND RELEASES CONTAINED HEREIN HAVE BEEN NEGOTIATED AND AGREED UPON BY BUYER IN LIGHT OF THAT REALIZATION AND THAT BUYER NEVERTHELESS HEREBY INTENDS TO RELEASE, DISCHARGE AND ACQUIT SELLER AND ALL SELLER PARTIES FROM ANY SUCH UNKNOWN CAUSES OF ACTION, CLAIMS, DEMANDS, DEBTS, CONTROVERSIES, DAMAGES, COSTS, LOSSES AND EXPENSES.

5. ENTRY

Subject to the rights of self-storage customers at the Property, during the Due Diligence Period and at all times prior to the Closing Date, Seller shall afford City and its Agents reasonable access to the Property at reasonable times and on reasonable prior notice to Seller for the purposes of satisfying City with respect to the condition of the Property. Seller shall have the right to have a representative present during all such periods of access by City. City hereby agrees to indemnify, defend and hold Seller harmless from any loss, claim, suit, action, cost (including, without limitation, reasonable attorneys' fees), expense, damage or injury to persons or property caused by the negligence or willful misconduct of City or its Agents during any such entries onto the Property prior to the Closing, except to the extent such damage or injury is caused by the acts or omissions of Seller or any of its Agents. The foregoing indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions or the non-negligent aggravation of pre-existing environmental conditions on, in, under or about the Property, including the Improvements. In the event this Agreement is terminated for any reason other than Seller's default hereunder, City shall restore the Property to substantially the condition it was found subject to applicable laws. The provisions of this Section 5 shall survive the termination of this Agreement.

5.1. City's Conditions to Closing

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

(a) City shall have reviewed and approved title to the Property, as follows:

(i) City acknowledges receipt of that certain commitment for title insurance issued by the Title Company dated as of May 30, 2019 and bearing title number 15606573-TJK-JM with respect to the Property (collectively, the "Preliminary Report");

(ii) City acknowledges receipt of copies of any existing or proposed easements, covenants, restrictions, agreements or other documents that affect the Property, and are disclosed by the Preliminary Report; and

(iii) City acknowledges receipt of a survey of the Property prepared by Martin M. Ron Associates dated February 7, 2012 and recertified on October 16, 2018, job number S-7950A (the "Survey"). City may at its option arrange for an update of the Survey or a new "as-built" survey of the Real Property and Improvements prepared by a licensed surveyor. Such survey shall be acceptable to, and certified to, City and Title Company and in sufficient detail to provide the basis for and the Title Policy without boundary, encroachment or survey exceptions, except as accepted by City before the end of the Due Diligence Period.

City shall advise Seller, before the end of the Due Diligence Period, what exceptions to title, if any, City is not willing to accept (all other matters set forth in the Preliminary Report being the "Accepted Conditions of Title"). City's failure to so advise Seller within such period of any matters set forth in the Preliminary Report which City is not willing to accept shall be deemed approval of title by City and City's agreement to accept title subject to all matters set

forth in the Preliminary Report. Any new exceptions in a subsequent title report or survey, not previously disclosed to Buyer, will be subject to Buyer's review and approval within ten (10) days following notification. Buyer's failure to object within this ten (10) day period will be deemed approval of the new item. Seller shall have thirty (30) days after receipt of the City's notice of any objections to title to give City: (A) evidence satisfactory to City of the removal of all objectionable exceptions from title or that such exceptions will be removed or cured on or before the Closing (subject to extension of such thirty (30) day period if reasonably requested by Seller to remove same and Seller continues to diligently act to cause the removal, but not longer than a sixty (60) day extension without Buyer's approval, which may be given or withheld in Buyer's sole discretion); or (B) notice that Seller elects not to cause such exceptions to be removed. If Seller gives notice under clause (B), City shall have ten (10) business days to elect to proceed with the purchase or terminate this Agreement. If City shall fail to give Seller notice of its election within such ten (10) business days, City shall be deemed to have elected to terminate this Agreement. If Seller gives notice pursuant to clause (A) and fails to remove any such objectionable exceptions from title prior to the Closing Date, and City is unwilling to take title subject thereto, Seller shall be in default hereunder and City's sole remedy will be: (i) to terminate this Agreement, and (ii) damages in the amount of \$ _____ for reimbursement of a portion of Buyer's due diligence costs.

(b) City's review and approval, within the Due Diligence Period, of the physical and environmental conditions of the Property, including, without limitation, structural, mechanical, electrical and other physical conditions of the Property. Such review may include an examination for the presence or absence of any Hazardous Material (as defined in Section 8.1(j)).

(c) City's review and approval, within the Due Diligence Period, of (i) the compliance of the Property with all applicable laws, regulations, permits and approvals, and (ii) the form of the Seller Lease and the Joint Escrow Instructions (which also must be approved by Seller and, for the Joint Escrow Instructions, the Title Company).

(d) City's review and approval, within the Due Diligence Period, of the following documents, all to the extent such documents exist and are either in the possession or control of Seller or any affiliate of Seller: (i) structural calculations for the Improvements; site plans; certified copies of the as-built plans and specifications for the Improvements; seismic and related structural studies; inspection reports by Seller's engineers prepared within the prior three (3) years; service contracts; utility contracts; maintenance contracts; employment contracts, management contracts; brokerage and leasing commission agreements which may continue after Closing; certificates of occupancy; presently effective warranties or guaranties received by Seller from any contractors, subcontractors, suppliers or materialmen in connection with any construction; current year's insurance policies, and claims history for the past three years; ALTA Survey; environmental reports, studies, surveys, tests and assessments; soils, groundwater, and geotechnical reports, and such other contracts or documents of significance to the Property or its valuation; such other documents that a commercially reasonable seller or buyer would determine have a material impact on the fair market value or operation of the Property (collectively, the "Documents").

(e) Seller shall not be in default in the performance of any covenant or agreement to be performed by Seller under this Agreement, and all of Seller's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct as of the Closing Date. At the Closing Seller shall deliver to City a certificate certifying that each of Seller's representations and warranties contained in Section 8.1 [Representations and Warranties of Seller] below remain true and correct as of the Closing Date, or providing a statement of the changes or circumstance that cause Seller not to be able to give the certificate (with the edits that Seller must make to give the certificate at Closing). Upon receipt of a change in the certificate, City shall decide whether to proceed to the Closing and, if City consummates the Closing notwithstanding the disclosure or change, City shall have no claim for item disclosed or changed or the fact the closing certificate varies from the representations and warranties made in this Agreement.

(f) The physical condition of the Property shall be substantially the same on the Closing Date as on the date of City's execution of this Agreement, subject to: (i) any minor damage related to the removal of the storage lockers if such damage could be restored by reasonable painting, plastering, concrete repair for screw holes and similar work, (ii) reasonable wear and tear, and (iii) casualty loss, which will be governed by the provisions of Section 9.1 [Risk of Loss]; and, as of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding, pending which after the Closing would materially adversely affect the value of the Property to City or the ability of the City to use the Property for storage.

(g) Title Company shall be committed at the Closing to issue to (i) City the Title Policy as provided in Section 3.2 [Title Insurance], and (ii) an ALTA extend coverage policy of leasehold title insurance in the amount of the Purchase Price insuring City's leasehold estate under the facilities lease with the Nominee (as defined below) in the total amount of the certificates of participation, subject only to the Accepted Conditions of Title (excluding the facilities lease) together with the same endorsements as the Title Policy.

(h) Under City's current plans, City intends to finance the acquisition of the Property with proceeds from the issuance, sale and delivery of certificates of participation, a financing mechanism that will require fee simple title to be taken in the name of a nominee of City (the "Nominee") which, as landlord, will lease the Property to City. The Nominee, which will be a bank or other fiduciary, will act as trustee for holders of the Certificates of Participation. Seller hereby consents to the use of a nominee to take title, and further consents to City's assignment to the Nominee of City's rights under this Agreement. City's obligations under this Agreement are contingent upon, and subject to, the successful issuance, sale and delivery before the Closing of certificates of participation, the proceeds from which will be used to finance acquisition of the Property. Such date may be extended by the mutual agreement of the parties in writing, provided that neither party shall unreasonably withhold its consent to any such extension. City will use reasonable efforts to pursue the sale of the certificates of participation and all other action that is necessary in connection therewith, provided that the terms and conditions of the issuance of such certificates must be acceptable to City, the Board of Supervisors and the Mayor of the City and County of San Francisco, in their sole discretion. City makes no representation,

warranty or assurance such certificates will be issued, delivered or sold. Seller agrees to execute and deliver to City upon request any and all certificates, agreements, authorizations or other documents as City may deem necessary or appropriate in connection with the issuance, delivery and sale of the certificates of participation. Subject to the foregoing and the other terms and conditions hereof, City may, at its option, initiate a validation proceeding in superior court with respect to such certificates.

(i) The transactions contemplated herein shall have been approved by all applicable City departments and agencies, including, without limitation, the Director of Property, the Real Estate Division of the Office of the City Administrator and the San Francisco Police Department, in their respective sole discretion.

(j) The Director of Property shall present this Agreement to the City's Mayor and the Board of Supervisors, as soon as possible after receipt of an executed copy of this Agreement by Seller, who in their respective sole discretion, so that they may hear and enact a resolution approving, adopting and authorizing this Agreement, and thereafter approving the financing by certificates of occupancy or other debt on or before January 15, 2020.

(k) Seller shall have delivered the items described in Section 6.3 below [Seller's Delivery of Documents] on or before the Closing.

(l) The parties shall have agreed upon the final Seller's Lease and Joint Escrow Instructions as set forth in Section 6.7 below on or before the Outside Date.

(m) Title Company shall have agreed to be the real estate reporting person for the Closing in compliance with the Reporting Requirements (as defined in Section 6.6 below).

The Conditions Precedent contained in the foregoing Subsections (a) through (m) are solely for the benefit of City. If any Condition Precedent is not satisfied, City shall have the right in its sole discretion either to waive in writing the Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement, provided that the Conditions Precedent described in items **h and j** above may not be waived. The waiver of any Condition Precedent shall not relieve Seller of any liability or obligation with respect to any representation, warranty, covenant or agreement of Seller expressly set forth in this Agreement. If City shall not have approved or waived in writing all of the Conditions Precedent in items a through j by the end of the Due Diligence Period, then this Agreement shall terminate. In addition, the Closing Date may be extended, subject to the agreement of both City and Seller, to allow for Conditions Precedents to be satisfied or potentially waived.

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 by the Closing Date because Seller frustrated such fulfillment by some affirmative act or negligent omission, City may, following written notice and a thirty (30) day cure period, at its sole election and as its sole and exclusive remedy, either (1) terminate this Agreement by delivery of notice of termination to Seller and neither party shall have any further rights or obligations hereunder, or

(2) extend the Closing Date for up to sixty (60) days in the aggregate to permit Seller to resolve same. [*open: City should get costs back if we can't close because of some Seller's affirmative or negligent acts*]

5.2. Cooperation with City

Seller shall cooperate with City and do all acts as may be reasonably requested by City (but at no cost to Seller except as needed to cure any Seller default or to remove any title condition caused by Seller that is not shown on the Preliminary Report) 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

On or before the Effective Date (as defined in Article 11 [General Provisions]), 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 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 455 Market Street, Suite 2100, San Francisco, California 94015, on **January 15, 2020**, or on such earlier or later date as City and Seller may mutually agree (the "Closing Date"), subject to the provisions of Article 5 [Conditions Precedent]. In addition to any extension under Section 5.1, the City and the Seller shall each have a right to extend the Closing Date one or more times up to fourteen (14) days in the aggregate. The Closing shall occur no later than 10:00 A.M. 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

At or before the Closing, Seller shall deliver to City (or Nominee) through escrow, the following:

(a) A duly executed and acknowledged Deed in the form attached to this Agreement as Exhibit C;

(b) Originals (or copies which are true and accurate to the best of the knowledge of Seller) of the Documents and any other items reasonably requested by the City relating to the ownership or operation of the Property not previously delivered to City;

(c) A properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit H, 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;

(d) A properly executed California Franchise Tax Board Form 590 certifying that Seller is a California resident if Seller is an individual or 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 Section 18662 of the State Tax Code;

(e) Such resolutions, authorizations, or other partnership documents or agreements relating to Seller and its partners as 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;

(f) Closing statement in form and content reasonably satisfactory to City and Seller;

(g) The duly executed certificate regarding the continued accuracy of Seller's representations and warranties as required by Section 5.1(e) hereof (the "Closing Certificate");

(h) The Seller Lease and Joint Escrow Instructions as required by Section 6.7 hereof; and

(i) Such other instruments and funds as are reasonably required by Seller or are otherwise required to close the escrow and consummate the purchase of the Property pursuant to this Agreement.

(j) A Real Estate Transfer Disclosure Statement in the form of Exhibit J.

6.4. City's Delivery of Documents and Funds

At or before the Closing, City shall deliver to Seller through escrow the following:

- (a) A preliminary change of ownership report and transfer tax affidavit;
- (b) An acceptance of the Grant Deed executed by City's Director of Property;
- (c) An executed closing statement in form and content reasonably satisfactory to City and Seller;
- (d) The Purchase Price, as provided in Article 2 hereof;
- (e) The Seller Lease and Joint Escrow Instructions as required by Section 6.7 hereof; and
- (f) Such other instruments and funds as are reasonably required by City, the Title Company or otherwise required to close the escrow and consummate the purchase of the Property pursuant to this Agreement.
- (g) A Real Estate Transfer Disclosure Statement in the form of Exhibit J.

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 by applicable City ordinances to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.

6.6. Title Company as Real Estate Reporting Person

Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the "Reporting Requirements") require that certain information be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Closing. Seller and City agree that if the Closing occurs, Title Company will be the party responsible for closing the transaction contemplated in this Agreement and is hereby designated as the real estate reporting person (as defined in the Reporting Requirements) for such transaction. Title Company shall perform all duties required of the real estate reporting person for the Closing under the Reporting Requirements, and Seller and City shall each timely furnish Title Company with any information reasonably requested by Title Company and necessary for the performance of its duties under the Reporting Requirements with respect to the Closing.

6.7. Seller Lease and Joint Escrow Instructions

(a) At the Closing, City, as landlord, and Seller, as tenant, shall execute a lease for the entire Property effective upon the consummation of the closing (the "Seller Lease"). The Seller Lease shall be in form and substance reasonably satisfactory to Seller and City, as agreed upon before the end of the Due Diligence Period. The Seller Lease shall include the following terms and conditions:

(i) The Seller Lease shall expires six (6) months after the date of the Closing.

(ii) The Seller Lease shall be subject to all storage agreements with respect to the Property in effect on the Closing Date and Seller shall have the obligation to fulfill all obligations thereunder during the term of the Seller Lease.

(iii) During the term of the Seller Lease, Seller shall terminate all of the storage agreements in effect with respect to the Property on the Closing Date and Seller shall deliver vacant possession of the Property to City at the expiration or termination of the Seller Lease.

(iv) Seller shall have the right to terminate the Seller Lease at any time on not less than two (2) business days' notice to City if Seller has obtained vacant possession of the Property. Such notice shall be accompanied by a Certification by Seller that: (A) all storage agreements at the Property have been terminated, have expired or have been surrendered; (B) the Property is vacant of all storage customers; and (C) all storage lockers have been removed from the Property. Seller shall also provide copies of any waivers, releases or termination agreements executed by storage customers documenting the termination of their storage agreements.

(v) Upon the expiration or termination of the Seller Lease, the Property shall be delivered by Seller to City broom clean and in substantially the same physical condition as existed on the Closing Date, subject to the items listed in Section 5.1(f).

(vi) The rent under the Seller Lease shall be \$1,000.00 per month prorated through the expiration or termination of the Seller Lease, and Seller shall pay all expenses of operating and maintaining the Property during the term of the Seller Lease.

(vii) During the term of the Seller Lease, Seller shall maintain substantially the same insurance as it has in effect on the date hereof and shall name City as an additional insured thereunder.

(viii) Seller shall indemnify, defend and hold City harmless from any loss, cost, damage or claims made by any storage customers arising prior to or during the term of the Seller Lease, including but not limited to any damages claimed by storage customers under the California Relocation Act, and/or any federal or local relocation laws, if any, that may apply.

(b) At the Closing, Five Million Dollars (\$5,000,000.00) of the Purchase Price (the "Holdback Funds") shall be retained by the Title Company and held in escrow pursuant to an escrow agreement or joint escrow instructions in form reasonably satisfactory to Seller, the City and the Title Company (the "Joint Escrow Instructions") pending Seller's removal of all tenants, occupants, and personal property from the Property as required by this Agreement and the Seller Lease. Upon satisfaction of Seller's obligations, including delivery of the documentation listed in Section 6.7(a)(iv) above, City shall immediately authorize the Title Company to release the Holdback Funds to Seller, less any fees or costs

owing to City under the Seller Lease. If Seller fails to fulfill its obligations under the Seller Lease and return possession of the Property to City free of occupants (and otherwise in the condition set forth in the Seller Lease and this Agreement) on or before the expiration of the Seller Lease, including delivery of the documentation listed in Section 6.7(a)(iv) above, then City shall have the right, as its sole and exclusive remedy for such failure, to retain all of the Holdback Funds as liquidated damages. THE PARTIES HAVE AGREED THAT CITY'S ACTUAL DAMAGES IN THE EVENT OF SUCH FAILURE WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THEY HAVE AGREED UPON THE HOLDBACK FUNDS AMOUNT SPECIFIED ABOVE, AFTER NEGOTIATION, AS THEIR REASONABLE ESTIMATE OF CITY'S DAMAGES IN SUCH EVENT.

Initials: Seller _____ City _____

Nothing in the foregoing shall limit City's rights against Seller for Seller's failure to maintain insurance as required by the Seller Lease, or for any casualty claims against Seller's insurance. The parties agree to cooperate in good faith on any insurance claims, and Seller agrees to immediately transfer and assign to City all rights under its insurance policies, including the right to all property insurance proceeds from any loss, incident or claim that arises during the Seller Lease.

7. EXPENSES AND TAXES

7.1. Apportionments

Amounts payable under any contracts assumed pursuant hereto, annual or periodic permit or inspection fees (calculated on the basis of the period covered), and liability for other normal Property operation and maintenance expenses and other recurring costs shall be apportioned as of the Closing Date.

7.2. Closing Costs

City shall pay the cost of the premium for the Title Policy and the cost of the endorsements thereto, and recording fees. City shall pay the cost of any update to the Survey. Seller shall pay fees of the Title Company under the Joint Escrow Instructions, and any transfer taxes applicable to the sale. Seller shall be responsible for all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section or elsewhere in this Agreement shall be allocated in accordance with the closing customs for San Francisco County, as determined by Title Company.

7.3. Real Estate Taxes and Special Assessments

General real estate taxes and special assessments payable for the tax year of Closing shall be adjusted with Seller paying for the period prior to Closing and City paying for the period after the Closing and with Seller paying for all prior years, including without limitation, interest and

penalties payable thereon. Under the Seller Lease, Seller shall pay all real estate taxes and special assessments due for the period of the Seller Lease.

7.4. Post-Closing Reconciliation

If any of the foregoing prorations cannot be calculated accurately on the Closing Date, then they shall be calculated as soon after the Closing Date as feasible (or, as applicable, upon termination of the Seller Lease under the Joint Escrow Instructions). Either party owing the other party a sum of money based on such subsequent prorations shall promptly pay such sum to the other party.

7.5. Survival

The provisions of this Section shall survive for one (1) year after the end of the later of this Agreement or the Seller Lease.

8. REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties of Seller

Seller represents and warrants to and covenants with City as follows as of the date of this Agreement (and, in the Closing Certificate, as of the date of the Closing):

(a) To the best of Seller's knowledge, except as disclosed in the Documents or otherwise discoverable upon an inspection of the Property by a qualified consultant, there are no material physical or mechanical defects of the Property that adversely impact the current operation of the Property.

(b) To the best of Seller's knowledge, the Documents furnished to City are true, correct and complete copies of such documents. Seller is not responsible for the truth or accuracy of the information in the Documents, but Seller shall inform City if it knows that any of such information is false or materially misleading.

(c) 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 or an agency thereof, which could detrimentally affect the use, operation or value of the Property.

(d) To Seller's knowledge, the following utilities are on the date hereof available at the Property: water, sewer, electricity and telephone.

(e) To Seller's knowledge, except as shown in the Preliminary Report or the Survey of the Property delivered by Seller to City prior to the date hereof [*note: City expects the stairway encroachment to be removed before Closing*], and except as disclosed in the Documents: (1) 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; (2) there are no easements, encroachments, 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; and (3) 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.

(f) There is no litigation pending which has been served on Seller, or, to the best of Seller's knowledge, threatened in writing to Seller within the prior six (6) months, against Seller that arises out of the ownership of the Property or that might materially and 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. Seller is not aware of any reason why the existing Improvements may not be used by the City for storage purposes.

(g) Seller is the legal owner of the Property, with the right to convey the same in accordance with this Agreement. 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 that remains in force and effect.

(h) Seller is a limited liability company duly organized and validly existing under the laws of the State of Delaware, doing business as 1828 Egbert Avenue LLC, 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, subject to applicable laws and principles of equity, 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.

(i) Seller represents and warrants to City that Seller has not received any written notice from a governmental agency that it has 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.

(j) To Seller's knowledge, there are no material uncured violations of any laws applicable to the ownership of the Property that have been issued by any governmental agency.

(k) To Seller's knowledge, except as disclosed in the Documents and except as disclosed in any environmental report obtained by the City: (i) there has been no release by Seller of any Hazardous Material in, on, under or about the Property; (ii) Seller has not used the Property for the manufacture, use, discharge or disposal of Hazardous Materials; (iii) there are no tanks on the Property that are or were used for the storage of Hazardous Materials, and no building materials that contain Hazardous Materials; and (iv) the Property is not subject to any claim by any governmental regulatory agency or third

party related to the release or threatened release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from or to other property. As used herein, the following terms shall have the meanings below:

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

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

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

(l) At the time of Closing there will be no outstanding written or oral contracts made by Seller for any of the Improvements that have not been fully paid for and that would be binding on the City after the Closing and Seller shall cause to be discharged all mechanics' or materialmen's liens arising from any labor or materials furnished to the Property prior to the time of Closing. There are no contractual obligations in connection with the Property which will be binding upon City after Closing, except for the Seller Lease, the Joint Escrow Instructions, and matters set forth in the Preliminary Report and for which City accepts as an exception to Title.

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

The phrase "to Seller's knowledge" or "to the best of Seller's knowledge" or similar language used in this Agreement shall mean the current, actual knowledge of John Mason or Shane Mason, without any duty of investigation or review of files. Seller represents that these are the persons within Seller's organization that have the most knowledge about the matters contained in this section. Such persons shall have no personal liability for these representations and warranties.

8.2. Survival of Representations and Warranties Indemnity

Subject to the provisions of Section 5.1(e), 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, to the extent resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in Section 8.1 of this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in connection with this Agreement. The indemnification provisions of this Section shall survive beyond the Closing, for any loss or claim first discovered after the Closing, for twelve months following the expiration or termination of the Seller Lease. For any breach discovered before the Closing, the City shall have the right to not close, and obtain reimbursement of its due diligence costs as set forth in Section 5.1(a), or to close and waive any claim for the known breach. Notwithstanding anything to the contrary contained in this Agreement, Seller's liability with respect to any and all representations, warranties or covenants contained in this Agreement which survive the Closing (a) shall not exceed \$2,000,000 in the aggregate, and (b) Seller shall have no liability with respect to any such matter unless same exceeds \$1,000 in the aggregate.

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, 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 ten percent (10%) of the Purchase Price (the "Threshold Damage Amount") to repair or restore, and the parties expect that the repairs can be made in less than one hundred eighty (180) days, 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 and Seller shall receive and retain the entire proceeds of such insurance.

(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 (other than by City or any agency thereof), 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, subject to any extension mutually agreed to by Seller and City, and the Closing shall be extended until the repairs are substantially completed.

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, insuring against all insurable risks, including, without limitation, fire, vandalism, malicious mischief, lightning, windstorm, water, [earthquake, flood] 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 subject to the terms of the Seller Lease.

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 maintain the Property in good order, condition and repair, reasonable wear and tear excepted, and shall make all repairs and perform all maintenance of the Improvements (other than the storage unit removal damage permitted under Section 5.1(f)) and otherwise operate the Property in substantially the same manner as before the making of this Agreement, as if Seller were retaining the Property. Seller shall have no obligation to make any capital repairs or capital improvements.

10.2. 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. Seller shall terminate prior to the expiration of the Seller Lease, at no cost or expense to City, any and all contracts and management agreements affecting the Property.

11. GENERAL PROVISIONS

11.1. Notices

Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, against receipt, (ii) one (1) day after being deposited with a reliable overnight courier service, or (iii) five (5) days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

City:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: 1828 Egbert Avenue
415.554.9050

with copy to:

Deputy City Attorney
Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place

San Francisco, CA 94102-4682
Re: 1828 Egbert Avenue

Seller:

San Francisco Self Storage III, LLC

1550 The Alameda, Suite 160
San Jose, CA 95126
Attn: John Mason

with a copy to:

Mintz, Levin, Cohn, Ferris, Glovsky and
Popeo, P.C.
666 Third Avenue
New York, NY 10017
Attn: Jeffrey A. Moerdler, Esq.

And

Reubens, Junius & Rose LLP
One Bush Street
Suite 600
San Francisco, CA 94104
Attn: Kevin Rose, Esq.

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 email should the parties agree that said specific notice may be served via established and known email addresses of the parties' respective representatives. However, neither party may give official or binding notice by email. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original.

11.2. 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 Mr. John Jensen, License #01102014, Executive Vice President, Colliers International CA, 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.

11.3. 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 affiliated nominees or assignees at any time before the Closing Date.

11.4. Amendments

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

11.5. Continuation and Survival of Representations and Warranties

Subject to the provisions of Section 5.1(e) and 8.1 of this Agreement, 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 representations 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 and shall be subject to the provisions of Section 5.1(e) and 8.1 of this Agreement.

11.6. Governing Law

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

11.7. 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.

11.8. 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 City's Director of Property unless otherwise provided herein, subject to applicable law.

11.9. 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.

11.10. 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.

11.11. 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.

11.12. Conflicts of Interest

Through its execution of this Agreement, Seller acknowledges that it is familiar with the provisions of 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 promptly notify the City.

11.13. 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.

11.14. 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.

11.15. 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.

11.16. Effective Date

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

11.17. 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.

11.18. 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.

11.19. Acceptance of Agreement by Seller

This Agreement shall be null and void unless Seller accepts it and returns to City and City accepts it and returns to Seller four (4) fully executed counterparts hereof on or before 5:00 p.m. San Francisco Time on July 8 , 2019.

11.20. 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 SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON THE DUE ENACTMENT OF SUCH LEGISLATION, AND THIS AGREEMENT SHALL BE NULL AND VOID IF CITY'S BOARD OF SUPERVISORS AND MAYOR DO NOT APPROVE THIS AGREEMENT, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO

IMPLY THAT SUCH LEGISLATION WILL BE ENACTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[SIGNATURES ON FOLLOWING PAGES]

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

SELLER:

SAN FRANCISCO SELF STORAGE III LLC,
a Delaware limited liability company

By: _____

Its: _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

ANDRICO PENICK
Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

CHARLES SULLIVAN
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

[LEGAL DESCRIPTION TO COME FROM PRELIMINARY REPORT]

EXHIBIT B

PERSONAL PROPERTY DESCRIPTION

EXHIBIT C

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
(CA Govt. Code § 27383) and Documentary
Transfer Tax (CA Rev. & Tax Code § 11922
and S.F. Bus. & Tax Reg. Code § 1105)

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

GRANT DEED

(Assessor's Parcel Nos. 5434B-005 and 5434B-001C)

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

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

[SIGNATURES ON FOLLOWING PAGE]

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

_____, a _____

_____, By: _____

San Francisco Self Storage III LLC

a Delaware limited liability company

Its: _____

—

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

State of California)
) ss
County of 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. TBD , and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

Andrico Penick
Director of Property

EXHIBIT D

BILL OF SALE

EXHIBIT E

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

THIS ASSIGNMENT is made and entered into as of this ___ day of _____, 20___, by and between San Francisco Self Storage III LLC, a Delaware limited liability company ("Assignor"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Assignee").

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

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

B. any other Intangible Property (as defined in that certain Agreement of Purchase and Sale of Real Estate dated as of _____, 20___, between Assignor and Assignee (or Assignee's predecessor in interest) (the "Purchase Agreement").

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Assignor hereby agrees to indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the Effective Date (as defined below) and arising out of the owner's obligations under the Service Contracts.

2. Except as otherwise set forth in the Purchase Agreement, effective as of the Effective Date (as defined below), Assignee hereby assumes all of the owner's obligations under the Service Contracts and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the Effective Date (as defined below) and arising out of the owner's obligations under the Service Contracts.

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

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

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

6. For purposes of this Assignment, the "Effective Date" shall be the date of the Closing (as defined in the Purchase Agreement).

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

[SIGNATURES ON FOLLOWING PAGE]

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

ASSIGNOR:

a _____

By: _____
[NAME]

Its: _____

By: _____
[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Penick
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
CHARLES SULLIVAN
Deputy City Attorney

EXHIBIT F

ASSIGNMENT OF LEASES

EXHIBIT G

TENANT'S ESTOPPEL CERTIFICATE

EXHIBIT H

**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 and County of San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by _____

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

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

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

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

Dated: _____, 20__.

On behalf of:

[NAME]

a _____

By: _____

[NAME]

Its: _____

EXHIBIT I

MEMORANDUM OF AGREEMENT

RECORDING REQUESTED BY,
AND WHEN RECORDED RETURN TO:

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

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

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

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT dated as of _____, 20____, is by and between San Francisco Self Storage III LLC, a Delaware limited liability company ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

1. Seller is the owner of certain real property located in the City and County of San Francisco, California, commonly known as 1828 Egbert Avenue, San Francisco, CA, more particularly described in Exhibit A attached to and incorporated by this reference in this Memorandum of Agreement (the "Real Property").

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

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

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

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

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

SELLER:

San Francisco Self Storage III LLC, a Delaware limited liability company

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

Andrico Penick
Director of Property

Date: _____

[SIGNATURES ON FOLLOWING PAGE]

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

SCHEDULE 1

ENERGY DISCLOSURE DOCUMENTS

EXHIBIT J

REAL ESTATE TRANSFER DISCLOSURE STATEMENT

THIS DISCLOSURE STATEMENT CONCERNS THE REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS BLOCK ____, LOT ____, AT THE FOLLOWING STREET ADDRESS: _____ . THIS STATEMENT IS A DISCLOSURE OF THE CONDITION OF THE ABOVE-DESCRIBED PROPERTY IN COMPLIANCE WITH ORDINANCE NO. ____, CODIFIED AS ARTICLE 51 OF THE SAN FRANCISCO POLICE CODE. IT IS NOT A WARRANTY OF ANY KIND BY THE TRANSFEROR(S) OR ANY AGENT(S) REPRESENTING ANY PRINCIPAL(S) IN THIS TRANSACTION, AND IS NOT A SUBSTITUTE FOR ANY INSPECTIONS OR WARRANTIES THE PRINCIPAL(S) MAY WISH TO OBTAIN.

I.

TRANSFEROR'S INFORMATION

The Transferor discloses the following information with the knowledge that even though this is not a warranty, prospective Transferees may rely on this information in deciding whether and on what terms to purchase, rent, or lease the subject property. Transferor hereby authorizes any agent(s) representing any principal(s) in this transaction to provide a copy of this statement to any person or entity in connection with any actual or anticipated transfer (including any sale or lease) of the property.

THE FOLLOWING ARE REPRESENTATIONS MADE BY THE TRANSFEROR(S) AS REQUIRED BY THE CITY AND COUNTY OF SAN FRANCISCO AND ARE NOT THE REPRESENTATIONS OF THE AGENT(S), IF ANY. THIS INFORMATION IS A DISCLOSURE AND IS NOT INTENDED TO BE PART OF ANY CONTRACT BETWEEN THE TRANSFEROR AND TRANSFEREE.

The City and County of San Francisco recognizes that it is in the public interest to ensure that persons who own properties at risk of flooding have information about their flood risk so they can take steps to mitigate the risk, such as flood-proofing their property or purchasing flood insurance. It is also in the public interest to ensure that before persons purchase, rent, or lease real property they have notice regarding the stormwater flood risk to their property. Mandatory disclosure before sale, rent, or, lease is an effective tool for ensuring that buyers and tenants of real property in San Francisco have access to this important information.

Accordingly, the San Francisco Public Utilities Commission has adopted the 100-Year Storm Flood Risk Map. **Your property is located in a "100-year storm flood risk zone" as shown on the 100-Year Storm Flood Risk Map. Accordingly, your property may be subject to deep and contiguous flooding during a 100-year storm event due to stormwater flow and drainage, and you may experience inconveniences, costs, and governmental requirements related to that flooding.**

A 100-year storm event means a storm that has a 1% probability of occurring at a particular location in a given year.

If your property is in a "100-year storm flood risk zone" as shown on the 100-Year Storm Flood Risk Map, that does not mean your property is subject to flooding only during a 100-year storm event. Your property may also flood at other times and from other causes.

The 100-Year Storm Flood Risk Map shows only areas subject to flood risk in a 100-year storm event due to precipitation and related stormwater runoff. It does not show all areas of San Francisco that are subject to flood risk due to inundation, storm surge, high tides, stormwater systems blockages, or other causes of flooding, and should not be relied upon to provide a complete assessment of a property's risk of flooding.

The 100-Year Storm Flood Risk Map may be found at <https://www.sfwater.org/index.aspx?page=1229> and is on file with the San Francisco Public Utilities Commission at 525 Golden Gate Avenue, San Francisco, CA 94102. For additional information pertaining to this disclosure and the 100-Year Storm Flood Risk Map, please contact the San Francisco Public Utilities Commission at RainReadySF@sfwater.org or (415) 695-7326.

Transferor certifies that the information herein is true and correct to the best of the Transferor's knowledge as of the date signed by the Transferor.

Transferor: _____ Date: _____
Transferor: _____ Date: _____

II.

TRANSFeree(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE AND/OR INSPECTIONS OF THE PROPERTY AND TO PROVIDE FOR APPROPRIATE PROVISIONS IN A CONTRACT BETWEEN TRANSFeree(S) AND TRANSFEROR(S) WITH RESPECT TO ANY ADVICE/INSPECTIONS/DEFECTS.

I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT.

Transferor: _____ Date: _____
Transferor: _____ Date: _____
Transferee: _____ Date: _____
Transferee: _____ Date: _____

Agent (Broker Representing Seller): _____ (Please Print)

By: (Associate Licensee or Broker-Signature)

Date:

Agent (Broker Obtaining the Offer): (Please Print)

By: (Associate Licensee or Broker-Signature)

Date: _____

A REAL ESTATE BROKER IS QUALIFIED TO ADVISE ON REAL ESTATE. IF YOU DESIRE LEGAL ADVICE, CONSULT YOUR ATTORNEY.



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: May 17, 2019

Case No. Case No. 2019-004587GPR
Acquisition of 1828 Egbert Avenue


Block/Lot No.: 5434B/005

Applicant: Elsa Lamb
Real Estate Division of San Francisco
25 Van Ness, Suite 400
San Francisco, CA 94102

Staff Contact: Ilaria Salvadori – (415) 575-9086
Ilaria.salvadori@sfgov.org

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

*Recommended
By:*


John Rahaim, Director of Planning

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROJECT DESCRIPTION

This GPR is for the acquisition (or 20-year long lease) of 1828 Egbert Avenue (5434B/005), by the City and County of San Francisco from the private owner San Francisco Self Storage III LLC. The property consists of 126,988 square foot building on 2 acres of land.

The site will host a San Francisco Police Department (SFPD) warehouse for its property and evidence storage. SFPD needs to relocate from its two current facilities: from its Hunters Point Shipyard location due to environmental reasons, and from the Hall of Justice due to its closure as a facility.

The property, privately owned by San Francisco Self Storage III LLC, will be acquired through a fee title purchase or a 20-year lease.

The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.52 and 2A.53 of the Administrative Code.

ENVIRONMENTAL REVIEW

On May 15, 2019, the Environmental Planning Division of the Planning Department determined that the acquisition is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment. The ordinance is changing tenant in a building used as storage, with no change of use. If future physical changes are proposed, the project would be reviewed in accordance with CEQA.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is the proposed purchase or 20-year lease from a private property owner to the City and County of San Francisco for a SFPD warehouse. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

COMMUNITY FACILITIES ELEMENT

OBJECTIVE 1.

DISTRIBUTE, LOCATE, AND DESIGN POLICE FACILITIES IN A MANNER THAT WILL ENHANCE THE EFFECTIVE, EFFICIENT, AND RESPONSIVE PERFORMANCE OF POLICE FUNCTIONS.

POLICY 1.1

Locate police functions that are best conducted on a centralized basis in a police headquarters building.

The site provides an appropriately-sized area for current storage of its property and evidence.

POLICY 1.4

Distribute, locate, and design police support facilities to maximize their effectiveness, use, and accessibility for police personnel.

POLICY 1.5

As they require replacement, relocate existing nonconforming facilities consistent with community desires for neighborhood police facilities.

The proposal is to move the warehouse function to an appropriately located industrial neighborhood where it could potentially expand in the future, and away from locations that are no longer suitable for the use, thereby meeting Policies 1.4 and 1.5 above.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

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

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

The Project would have no adverse effect on existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. No sites proposed for transfer contain existing neighborhood-serving retail uses.

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

The Project would have no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not be negatively affected.

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

The Project would have no adverse effect on the City's affordable housing stock. The existing affordable housing stock will not be negatively affected.

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

The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.

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

The Project would not affect the existing economic base in this area. No parcels contain existing industrial or service sector uses.

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

The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake.

7. That landmarks and historic buildings be preserved.

The Project will have no effect on landmarks or historic buildings. No parcels proposed for transfer contain historic landmarks or buildings.

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

The Project would have no adverse effect on parks and open space or their access to sunlight and vista.

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



London N. Breed, Mayor
Naomi M. Kelly, City Administrator



Andrico Q. Penick
Director of Real Estate

July 9, 2019

Through Naomi Kelly
City Administrator

Honorable Board of Supervisor
City and County of San Francisco
City Hall, Room 224
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: Real Property Acquisition of 1828 Egbert Avenue

Dear Board of Supervisors:

On behalf of the San Francisco Police Department ("SFPD") and the City's Real Estate Division, attached for your consideration is a resolution approving and authorizing the Director of Property to purchase the real property located at 1828 Egbert Avenue in San Francisco (subject to future authorization of funding to be considered by this Board). The primary purpose of this acquisition is for the City's use as a secure storage facility. The facility will be used primarily to store SFPD Evidence and Property.

The SFPD Evidence storage facility is currently located at the Hall of Justice ("HOJ"). The SFPD Property storage is in a leased facility at 606 Manseau Street, in the Hunters Point Naval Shipyard ("Bldg. 606"). As is well-documented, City Departments are moving out of the HOJ as part of the demolition and reconstruction of the HOJ. In addition, SFPD must move out of Bldg. 606 due to environmental factors. This proposed purchase is a permanent, cost-effective replacement to house *all* SFPD evidence and property under one roof.

The site includes an existing four-story building, with a reinforced concrete frame totaling approximately 126,988 square feet and a paved surface lot consisting of approximately 63,300 square feet which can be used for secured parking of public safety vehicles and cars seized by the police. The structure of the existing building has a seismic importance factor of 1.5, which means the building is in essence a vault, allowing the City to avoid the exorbitant costs associated with constructing a new, or upgrading a comparable facility, up to the same structural integrity. Enhanced structural performance is particularly important as the SFPD must store and maintain evidence and property while adhering to a clean chain of custody.

The City has negotiated an acquisition price of \$67,300,000, a price that an MAI appraisal and appraisal review have each confirmed as below Fair Market Value. The proposed legislation before

you approves the purchase subject to future legislation (anticipated in fall of this year) authorizing the issuance of certificates of participation or another form of indebtedness.

Should you have any questions or need additional information, do not hesitate to call me.

Respectfully,

A handwritten signature in black ink, appearing to read 'Andrico Penick', written in a cursive style.

Andrico Penick
Director of Property

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
 BOARD OF SUPERVISORS
 SAN FRANCISCO
 2019 JUN 29 PM 1:32
 Time stamp or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [redacted] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [redacted] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [redacted]
- 9. Reactivate File No. [redacted]
- 10. Topic submitted for Mayoral Appearance before the BOS on [redacted]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Supervisor Walton

Subject:

[Real Property Acquisition – 1828 Egbert Avenue – San Francisco Self Storage III, LLC dba 1828 Egbert Avenue LLC for \$67,300,000]

The text is listed:

Resolution approving and authorizing the Real Estate Division to acquire Real Property located at 1828 Egbert Avenue, San Francisco for a purchase price of \$67,300,000, subject to future authorization of Certificates of Participation; placing the real property under the jurisdiction of City Real Estate Division for use of storing evidence and moving property from the Hall of Justice and other locations; adopting findings that the acquisition is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and authorizing the Director of Property to execute documents, enter into the Leaseback, and make certain modifications and take certain actions in furtherance of the Purchase Agreement and this Resolution, as defined herein.

Signature of Sponsoring Supervisor:

[Handwritten Signature]

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: San Francisco Self Storage III, LLC, a Delaware limited liability company | |
| <i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i> | |
| Contractor address: 1550 The Alameda, Suite 160, San Jose, CA 95126 | |
| Date that contract was approved: <i>(By the SF Board of Supervisors)</i> | Amount of contract: \$67,300,000 |
| Describe the nature of the contract that was approved: Sale of 1828 Egbert Avenue, San Francisco | |
| 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 Pl., 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