

File No. 131126

Committee Item No. 2
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 12/11/2013

Board of Supervisors Meeting

Date: _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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Completed by: Victor Young Date December 6, 2013
Completed by: Victor Young Date _____

1 [Transfer of Real Property - McAllister Street and Ash Alley - \$4,584,000]

2
3 **Resolution approving the jurisdictional transfer of real property comprised of portions**
4 **of Block No. 0785, Lot Nos. 030 and 033, in the City and County of San Francisco, from**
5 **the Real Estate Division to the Mayor's Office of Housing and Community Development**
6 **for \$4,584,000 to commence following Board approval.**

7
8 WHEREAS, In 2001, the City acquired certain real property (the "Central Freeway
9 Parcels") formerly occupied by the Central Freeway sections damaged by the 1989 Loma
10 Prieta earthquake from the State of California, which transfer was authorized by Board
11 Resolution No. 469-00, adopted by the City's Board of Supervisors on May 22, 2000, and
12 signed by the City's Mayor on June 2, 2000, a copy of which is on file with the Clerk of Board
13 of Supervisors in File No. 131126 and incorporated herein by reference; and,

14 WHEREAS, The City's Real Estate Division ("RED") has jurisdiction of the Central
15 Freeway Parcel commonly known as Parcel E, which is located near the intersection of
16 McAllister Street and Ash Alley and depicted on a map ("Project Map") on file with the Clerk of
17 the Board of Supervisors in File No. 131126 and incorporated herein by reference ("City
18 Property"); and,

19 WHEREAS, The City Property is subject to a lease originally between the State of
20 California and the State Bar of California dated June 2, 1975 (the "Lease"), a copy of which is
21 on file with the Clerk of Board of Supervisors in File No. 131126 and incorporated herein by
22 reference, and which has been subsequently assumed by the City as Landlord; and San
23 Francisco Unified School District as Tenant ("SFUSD"); and,

1 WHEREAS, The Director of Property and the Director of the Mayor's Office of Housing
2 and Community Development ("MOHCD") have determined that the City Property can be
3 used more advantageously by MOHCD as part of a possible future multiple property
4 transaction between the City and SFUSD, and in accordance with Section 23.14 of the San
5 Francisco Administrative Code, the Director of Property has determined and reported to the
6 City's Mayor that the estimated fair market value of the City Property subject to the Lease is
7 \$4,584,000 (the "Transfer Price"), and in his opinion, the City Property can be used more
8 advantageously by MOHCD; and

9 WHEREAS, The City's Mayor agrees the City Property can be used more
10 advantageously by MOHCD and recommends that the Board of Supervisors approve the
11 jurisdictional transfer of the City Property to MOHCD in exchange for payment of the Transfer
12 Price; and

13 WHEREAS, The Transfer Price will be deposited in the Octavia Boulevard Special
14 Fund pursuant to Section 10.100-369 of the San Francisco Administrative Code; now,
15 therefore, be it

16 RESOLVED, That the Board of Supervisors hereby authorizes and directs the Director
17 of Property to transfer jurisdiction of the City Property, as encumbered by and including the
18 Lease, to MOHCD in exchange for the Transfer Price.

1 RECOMMENDED:

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Todd Rufo Director, Office of Economic and Workforce Development

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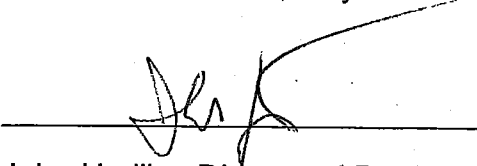


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Olson Lee, Director, Mayor's Office of Housing and Community Development

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John Updike, Director of Real Estate

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Edwin M. Lee, Mayor

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Item 2 File 13-1126	Department: Real Estate Division Mayor's Office of Housing and Community Development (MOHCD)
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EXECUTIVE SUMMARY**Legislative Objectives**

- The proposed resolution would approve the jurisdictional transfer of real property at McAllister Street and Ash Alley, known as Parcel E (portions of Lot 030 and 033, Block 0785) from the Real Estate Division to the Mayor's Office of Housing and Community Development for \$4,584,000.

Key Points

- The 1989 Loma Prieta earthquake significantly damaged the Central Freeway between Market and Fell Streets. In 1998 San Francisco voters approved removing the Central Freeway and replacing it with a ground level Octavia Boulevard between Market and Fell Streets. The State transferred 26 parcels, formerly occupied by the Central Freeway, at no cost to the City on January 16, 2001.
- One of the 26 parcels, Parcel E, is currently leased as a parking lot to the San Francisco Unified School District (SFUSD) for up to 99 years, at current rent of \$5,521 per month. The City's Real Estate Division currently has jurisdiction of Parcel E. All rental revenues are deposited into the Octavia Boulevard Special Fund, to be used for ancillary Octavia Boulevard Project transportation improvements.

Fiscal Impact

- Based on a February 1, 2013 appraisal, the present value of the subject Parcel E with the existing lease is \$4,584,000. However, the market value of Parcel E would be \$7,500,000, if the long-term parking lease was terminated. The \$2,916,000 difference represents the leasehold interest value held by the SFUSD under the terms of the existing lease.
- MOHCD would use General Fund monies appropriated for Low Income Housing-Affordable Family Rental Housing in the MOHCD FY 2013-14 and FY 2014-15 budgets to pay for the subject Parcel E.
- The \$4,584,000 paid by MOHCD to the Real Estate Division for the subject jurisdictional transfer of Parcel E would be deposited into the Octavia Boulevard Special Fund.

Policy Consideration

- The existing 99-year lease with SFUSD began in January 1976, when Parcel E was owned by Caltrans, who negotiated the original lease with the State Bar of California for parking. The State Bar assigned their leasehold interest to the SFUSD in 1998 and Caltrans assigned their landlord interest upon conveyance of the subject property to the City in 2001.

Recommendations

- Request the Director of the Real Estate Division to orally report on the December 10, 2013 decision by the SFUSD Governing Board on pending property transactions with the City of San Francisco.
- If the SFUSD Governing Board does not approve related property transactions for affordable housing, continue the proposed resolution.
- If the SFUSD Governing Board approves moving forward with the subject affordable property transactions, amend the proposed resolution to be contingent on the MOHCD entering into an agreement with the SFUSD to exchange comparable alternative properties for the development of affordable housing in the City, subject to future approval by the Board of Supervisors, and approve the proposed resolution as amended.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In 1998, San Francisco voters approved Proposition E, calling for the removal of the Central Freeway north of Market Street and for its replacement with a ground level boulevard along Octavia Street between Market and Fell Streets. In 1999, San Francisco voters approved Proposition I, reaffirming the earlier Proposition E and requiring that the City use any proceeds from the sale or lease of the parcels made available by the demolition of the Central Freeway for the Octavia Boulevard project and ancillary Octavia Boulevard Project transportation improvements.

Section 10-100.369 of the City's Administrative Code established a Category Four Fund¹ entitled the Octavia Boulevard Special Fund to receive the following monies: (a) all revenues accruing to the City from the sale, lease or other uses of real property formerly occupied by the Central Freeway between Market Street and Turk Street, and (b) all monies received by the City or appropriated by the Board of Supervisors for a ground-level boulevard along Octavia Street from Market Street to Fell Street and for ancillary Octavia Boulevard Project transportation improvements. All monies in the Octavia Boulevard Special Fund are subject to appropriation approval by the Mayor and the Board of Supervisors.

Background

The 1989 Loma Prieta earthquake significantly damaged sections of the Central Freeway, resulting in demolition of the portion of the Central Freeway between Market and Fell Streets

¹ Category Four Funds earn interest, carry forward fund balances and are subject to appropriation approval by the Mayor and the Board of Supervisors.

by the State of California's Department of Transportation (Caltrans). Pursuant to Section 72.1 of the California Streets and Highways Code and a Cooperative Agreement between Caltrans and the City and County of San Francisco (City) dated November 29, 2000, the State transferred 26 parcels², formerly occupied by the Central Freeway, at no cost to the City on January 16, 2001. According to Mr. John Updike, Director of Real Estate, since 2001 the City has sold 19 of the 26 parcels, generating \$46,855,664 for the Octavia Boulevard Special Fund. Of the remaining seven City-owned parcels, Mr. Updike advises that three parcels are currently on the market for sale pending responses to City Requests for Proposals (RFP), two parcels are being studied for future marketing potential and two parcels are currently being leased.

One of the two leased parcels remaining, commonly known as Parcel E, as shown in the attached map (Attachment 1), is located on the south side of McAllister Street between Franklin and Gough Streets, at Ash Alley. This 29,255 square foot parcel is located immediately behind the San Francisco Unified School District (SFUSD) headquarters at 555 Franklin Street and is currently leased by the City to the SFUSD for surface employee parking. The existing lease between the City and the SFUSD extends for 50 years from January 1, 1976 through December 31, 2025, with four ten-year options plus one nine-year option, to extend through December 31, 2074, or a total of 99 years. All of the options to extend are at the sole discretion of the SFUSD and the existing lease contains no termination provisions³.

The SFUSD currently pays the City rent of \$5,521 per month, which is \$66,252 annually, or approximately \$2.26 per square foot per year. The rent adjusts every five years in accordance with the cost of living and will next adjust in 2016. Under this lease, the SFUSD is responsible for utilities, insurance and all maintenance expenses.

Parcel E is currently under the jurisdiction of the City's Real Estate Division. All rent revenues received under this lease with the SFUSD are deposited into the Octavia Boulevard Special Fund. As of the writing of this report, the Octavia Boulevard Special Fund has a balance of \$16,419,711.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the jurisdictional transfer of City-owned Parcel E, real property at McAllister Street and Ash Alley (consisting of portions of Lot 030 and 033, Block 0785) from the Real Estate Division to the Mayor's Office of Housing and Community Development (MOHCD). MOHCD would pay the Real Estate Division \$4,584,000, to be

² The number of 26 parcels varies slightly from prior City staff reports, to account for subsequent division of parcels, which subsequently occurred.

³ Mr. Updike advises that termination of the existing lease would only be available through eminent domain, requiring a complicated process be engaged by the City.

deposited into the Octavia Boulevard Special Fund for the proposed jurisdictional transfer of Parcel E.

According to Mr. Kevin Kitchingham, Project Manager in MOHCD, the proposed jurisdictional transfer from the Real Estate Division to MOHCD is being requested in order to leverage this parcel as part of a pending multiple property exchange with the SFUSD of other SFUSD-owned properties. Mr. Kitchingham advises that the ultimate intent is to secure two properties for affordable housing. Mr. Kitchingham and Mr. Updike advise that City staff are currently in discussions with the SFUSD regarding potential surplus SFUSD parcels. On December 10, 2013, the SFUSD Governing Board will discuss a pending transaction of specific SFUSD surplus property and will provide direction to SFUSD staff relative to a pending Purchase and Sale Agreement with the City, for which the SFUSD staff has recommended approval. Any finalized property transaction for the City to sell Parcel E in exchange for purchasing other SFUSD surplus property for affordable housing purposes would be subject to Board of Supervisors approval.

FISCAL IMPACT

Mr. Updike advises that the Real Estate Division retained Clifford Advisory, a private real estate valuation firm, at a cost of \$6,000, for an appraisal of the subject Parcel E. On February 26, 2013, Clifford Advisory submitted their appraisal report to the Real Estate Division.

The Clifford Advisory appraisal determined that as of February 1, 2013 the market value of the subject Parcel E, consisting of 29,255 square feet of vacant land, would be \$7,500,000, if the long-term parking lease was terminated, such that an approximate 5-story mixed use residential structure could be developed, consistent with the City's current zoning. However, given the long-term parking lease agreement on the subject parcel, the development potential of the property is deferred 62 years, minimizing its present value to \$4,584,000. As a result, the \$2,916,000 difference between the \$7,500,000 market value without the existing long-term lease and the \$4,584,000 present value with the existing long-term lease represents the leasehold interest value held by the SFUSD under the terms of the existing lease.

The proposed resolution would transfer Parcel E from the Real Estate Division to MOHCD for a payment of \$4,584,000 by MOHCD to Real Estate. According to Mr. Kitchingham, MOHCD would use General Fund monies appropriated for Low Income Housing-Affordable Family Rental Housing in the MOHCD FY 2013-14 budget to pay for the subject parcel. However, a review of the Mayor's approved budget reflects \$3,150,000 appropriated in this funding source in FY 2013-14 and an additional \$1,400,000 appropriated for FY 2014-15, or a total of \$4,550,000, which is \$34,000 less than the present value \$4,584,000 needed for the Parcel E property. Mr. Kitchingham advises that if additional funds are not appropriated as part of the

FY 2014-15 budget, the MOHCD will obtain the \$34,000 from another affordable housing funding source.

Mr. Kitchingham advises that if the proposed resolution is approved, after the transfer of Parcel E from the Real Estate Division to MOHCD, MOHCD will receive the current \$5,521 monthly rental revenues from the SFUSD. Such SFUSD rental revenues would be used to offset the additional costs to purchase and close on this property and subsequent SFUSD transactions.

The \$4,584,000 to be paid by the MOHCD to the Real Estate Division for the subject jurisdictional transfer of Parcel E would be deposited into the Octavia Boulevard Special Fund. The monies in the Octavia Boulevard Special Fund would be used, as required by the City's Administrative Code, for ancillary Octavia Boulevard Project transportation improvement projects, subject to appropriation approval by the Board of Supervisors. On July 25, 2013, the San Francisco County Transportation Authority approved an amended Central Freeway Replacement Project ancillary project list, which is included as Attachment 2 to this report.

POLICY CONSIDERATION

Why a 99-Year Lease with SFUSD for Parking

As noted above, the existing lease of Parcel E between the City and the SFUSD extends for 50 years from January 1, 1976 through December 31, 2025, with four ten-year options plus one nine-year option, to extend through December 31, 2074, or a total of 99 years. All of the options to extend are at the sole discretion of the SFUSD and the existing lease contains no termination provisions. Currently, the City receives \$5,521 per month, which is \$66,252 annually, or approximately \$2.26 per square foot per year from the SFUSD for this parcel.

When queried regarding why a 99-year lease at such favorable rates and terms would have been agreed to, Mr. Updike responded that the original lease for this parcel dates back to January 1976. In 1976, the subject Parcel E was owned by Caltrans, which negotiated the original lease with the State Bar of California for parking. The State Bar subsequently assigned their leasehold interest to the SFUSD in 1998. The City was assigned the landlord interest upon conveyance of the subject property from Caltrans in 2001.

As noted in the recent 2013 appraisal, the value of the existing lease to the SFUSD is \$2,916,000, or the difference between the \$7,500,000 market value without the existing long-term lease and the \$4,584,000 present value with the existing long-term lease. Mr. Updike notes that the existing up to 99-year lease, even with a CPI inflator, highlights the risk of entering into long-term leases that do not keep pace with real estate pricing, to the significant benefit of the tenant, in this case the SFUSD.

Pending Property Transactions with the SFUSD

Instead of continuing to lease Parcel E to the SFUSD, the Real Estate Division could attempt to directly sell the subject Parcel E to the SFUSD. However, Mr. Kitchingham and Mr. Updike advise that the need to secure the proposed jurisdictional transfer of Parcel E from Real Estate to MOHCD at this time, prior to the specifics on the other potential SFUSD-owned surplus parcels, is to improve the City's negotiating position relative to the pending affordable housing property transaction with the SFUSD. Mr. Updike advises that if the Real Estate Division and MOHCD are not successful in securing other SFUSD surplus parcels that can be used for developing affordable housing projects, in an exchange with the SFUSD, then MOHCD would continue to receive the rental revenues paid by the SFUSD for employee parking, which would be applied toward affordable housing efforts or leverage ownership of Parcel E into a different transaction that would yield affordable housing for the City.

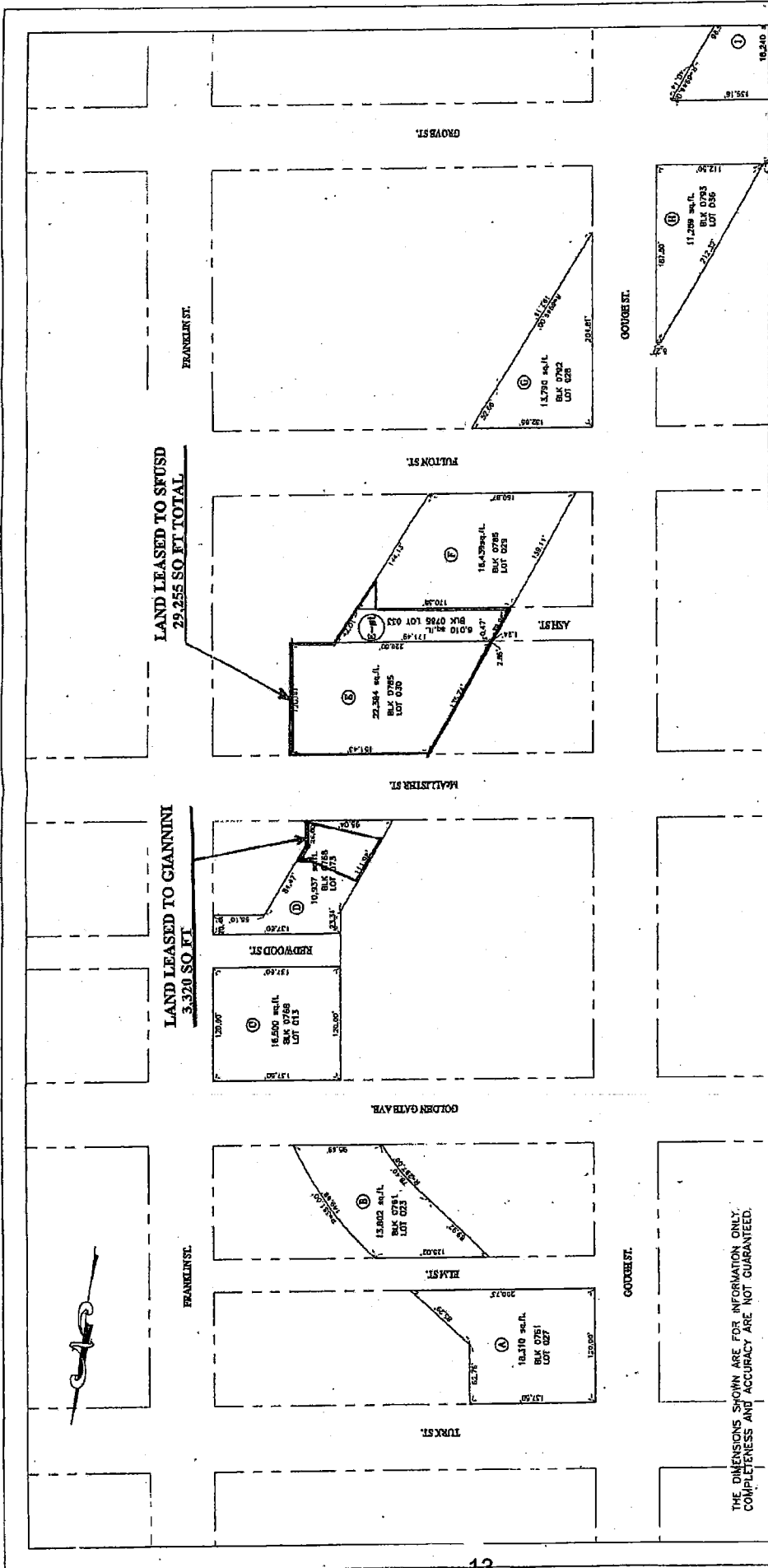
As noted above, on December 10, 2013, the SFUSD Governing Board will discuss a pending transaction of specific SFUSD surplus property and provide direction to SFUSD staff relative to a pending Purchase and Sale Agreement with the City, for which the SFUSD staff has recommended approval. Given that the Budget and Finance Committee will consider the proposed resolution on December 11, 2013, one day after the SFUSD Governing Board provides direction to SFUSD staff relative to such pending Purchase and Sale Agreement, the Budget and Legislative Analyst recommends that the Director of the Real Estate Division orally report to the Budget and Finance Committee regarding the decision made by the SFUSD Governing Board on December 10, 2013.

If the SFUSD Governing Board does not approve moving forward with selling SFUSD surplus property to the City for affordable housing, the Budget and Legislative Analyst recommends a continuance of the proposed resolution to the Call of the Chair. If the SFUSD Governing Board approves moving forward with selling SFUSD surplus property to the City which is recommended by the Real Estate Division, then approval of the proposed resolution to authorize a jurisdictional transfer of the City-owned Parcel E to MOHCD should be contingent on the City securing a finalized agreement from SFUSD to exchange other SFUSD-owned surplus parcels with the City for affordable housing. Any subsequent property transaction to sell or purchase property for affordable housing purposes would be subject to Board of Supervisors approval.

RECOMMENDATIONS

1. Request the Director of the Real Estate Division to orally report on the December 10, 2013 decision by the SFUSD Governing Board on the sale of Parcel E and the purchase of SFUSD-owned surplus property to the City for affordable housing.

2. If the SFUSD Governing Board does not approve related property transactions for affordable housing for the City, continue the proposed resolution to the Call of the Chair.
3. If the SFUSD Governing Board approves moving forward with affordable property transactions, amend the proposed resolution to be contingent on the MOHCD entering into a finalized agreement with the SFUSD to exchange comparable alternative properties for the development of affordable housing in the City, subject to future approval by the Board of Supervisors, and approve the proposed resolution as amended.



**CENTRAL FREEWAY REPLACEMENT PROJECT
PARCELS TO BE RECEIVED FROM CALTRANS**

**PHASE I
Parcels A through G**

**Central Freeway Replacement Project
Proposed Amended Ancillary Projects List**

Project	Estimated Cost
Short-Term – 18 months	
Market and Octavia Safety Improvements	\$550,000
Red light camera for eastbound traffic as a short-term improvement	\$300,000
Design costs associated with intersection improvements including traffic calming, pedestrian enhancements, and bicycle enhancements.	\$250,000
Octavia and Oak Safety Intersection Improvements: Implement soft hit posts on Oak Street to separate turn lanes.	\$250,000
Pedestrian Safety Spot Improvements	\$250,000
20 intersections within a block radius of Octavia Add red zones for all approaches Convert all standard crosswalks to continental crosswalks Upgrade Signal Timing to accommodate walking speed standards	
Gough – Pedestrian Countdown Signals: Install signals at Fulton, Grove and Page	\$750,000
Re-Opening Fell/Gough Crosswalk: Including adding a pedestrian bulb	\$400,000
Bicycle Safety Spot Improvements	\$100,000
Market and Buchanan updated bicycle crossing	
Page Street at Octavia, short term interventions	
TOTAL	\$2,300,000
Long Term Projects (Scopes to be further refined through the annual Interagency Plan Implementation Committee process):	
Pedestrian/Bicycle Safety Improvements that include:	TBD
Market and Octavia Intersection Improvements	
Oak and Octavia Safety Improvements (Long Term Permanent)	
Fell and Octavia Safety Improvements	
Other pedestrian improvements	
Market Street Pedestrian Improvements	
5-Fulton Transit Improvements: Street improvements to reduce travel time	TBD
Octavia Corridor Transit Improvements	TBD
Other Fixed Guideway improvements	

Source: Planning Department and San Francisco Municipal Transportation Agency.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *pm* Mayor Edwin M. Lee *EL*
RE: Jurisdictional Transfer of City Property at McAllister Street and Ash Alley
for \$4,584,000
DATE: November 19, 2013

Attached for introduction to the Board of Supervisors is the resolution approving the jurisdictional transfer of real property comprised of portions of Lot 030 and Lot 033, Block 0785, in the City and County of San Francisco, from the Real Estate Division to the Mayor's Office of Housing and Community Development for \$4,584,000.

Please note this item is cosponsored by Supervisor Breed.

I request that this item be calendared in Budget and Finance on December 11th.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

RECEIVED
BOARD OF SUPERVISORS
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cc. Supervisor London Breed

1 [Real Property Acquisition]

2 APPROVING AND AUTHORIZING THE MAYOR TO ENTER INTO AN AGREEMENT
3 WITH THE STATE OF CALIFORNIA FOR THE ACQUISITION OF RIGHT OF WAYS TO
4 CERTAIN PORTIONS OF ROUTE 101 (THE FORMER CENTRAL FREEWAY),
5 LOCATED GENERALLY BETWEEN MARKET STREET AND TURK STREET
6 PURSUANT TO AND CONSISTENT WITH THE INTENT OF SB798; ADOPTING
7 FINDINGS THAT SUCH ACQUISITION IS CONSISTENT WITH THE CITY'S GENERAL
8 PLAN AND EIGHT PRIORITY POLICIES OF THE CITY PLANNING CODE SECTION
9 101.1; AND PLACING THE PROPERTY UNDER THE DEPARTMENT OF PUBLIC
10 WORKS' JURISDICTION.
11

12
13 WHEREAS, Senate Bill No. 798 added Section 72.1 to the California Streets and Highway
14 Code and requires the State of California, acting by and through its Department of Transportation
15 ("Caltrans") to relinquish to the City and County of San Francisco ("City"), those portions of Route
16 101 no longer required for right-of-way purposes; and,
17

18 WHEREAS, Section 72.1 declares that those portions of the Route 101 right-of-way
19 (commonly known as the Central Freeway) between Market and Turk Streets are no longer a state
20 highway; and,
21

22 WHEREAS, Caltrans has not completed the demolition and removal of the old Central
23 Freeway structure from those portions of Route 101 to be relinquished and is agreeable to
24 relinquishing the right of ways in two separate phases; and,
25

(Real Estate)

Supervisor Leno

1 WHEREAS, City and Caltrans have discussed entering an Agreement which would require
2 Caltrans to relinquish those portions of the Central Freeway where demolition has been completed
3 within 30 days following approval of the transfer by the California Transportation Commission and
4 the remainder of the Central Freeway upon completion of demolition; and,

5 WHEREAS, By letter dated March 28, 2000, a copy of which is on file with the Clerk of the
6 Board of Supervisors in File No. 000667, the Department of City Planning reported its findings that
7 the proposed acquisition of the Caltrans Property and any other portions of Route 101 from the State
8 of California is consistent with the City's General Plan and with the Eight Priority Policies of City
9 Planning Code Section 101.1; now, therefore, be it
10

11 RESOLVED, That the Board of Supervisors adopts as its own and incorporates by reference
12 herein as though fully set forth, the findings in the Department of City Planning's letter dated March
13 28, 2000 that the acquisition of the Caltrans Property and any other portions of Route 101 from the
14 State of California are (i) in conformity with General Plan, (ii) categorically exempt from
15 Environmental Review under the California Environmental Quality Act (CEQA) because such an
16 action does not constitute a "project" under CEQA Guidelines Section 15379 and would not result in
17 physical environmental impacts, and (iii) consistent with the Eight Priority Policies of City Planning
18 Code Section 101.1; and, be it
19

20 FURTHER RESOLVED, That in accordance with the recommendation of the Director of
21 Public Works and the Director of Property, the Board of Supervisors hereby authorizes the Mayor to
22 enter into an Agreement with the State of California for the acquisition of right of ways for certain
23 portions of Route 101 (including any waivers and indemnities of the State that are determined to be
24
25

1 appropriate by the Real Estate Division in consultation with the City Attorney's Office in a form
2 approved by the City Attorney's Office); and, be it

3 FURTHER RESOLVED, That all actions heretofore taken by offices of the City with respect
4 to the acquisition of the Caltrans Property are hereby approved, confirmed and ratified by this Board
5 of Supervisors; and, be it

6 FURTHER RESOLVED, That upon approval of the Agreement by the California
7 Transportation Commission, the Director of Property is hereby authorized and urged in the name and
8 on behalf of the City to accept and have recorded by the County Clerk one or more relinquishment
9 maps for the relinquishment of portions of the Central Freeway to the City in accordance with the
10 terms and conditions of the Agreement, and to take any and all steps (including, but not limited to,
11 the execution and delivery of Assignments of Leases and any and all other certificates, notices,
12 consents, instructions and documents) as the Director of Property deems necessary or appropriate in
13 order to consummate the relinquishment of such portions of the Central Freeway to the City pursuant
14 to SB798; and, be it

15 FURTHER RESOLVED, That City shall use any proceeds from the disposition of such
16 portions of the Central Freeway first for designing, constructing, developing, and maintaining the
17 Octavia Street Project and thereafter for transportation and related purposes, all as set forth in Section
18 72.1 (f)(1) of the California Streets and Highways Code.

19 RECOMMENDED:

20 (See File)

21

Director of Public Works

22 (See File)

23

Director of Property



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails

Resolution

File Number: 000667

Date Passed:

Resolution approving and authorizing the Mayor to enter into an agreement with the State of California for the acquisition of right of ways to certain portions of Route 101 (the former Central Freeway), located generally between Market Street and Turk Street pursuant to and consistent with the intent of SB798; adopting findings that such acquisition is consistent with the City's General Plan and Eight Priority Policies of the Planning Code Section 101.1; and placing the property under the Department of Public Works' jurisdiction.

May 3, 2000 Board of Supervisors — SUBSTITUTED

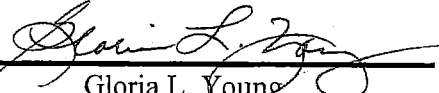
May 22, 2000 Board of Supervisors — ADOPTED

Ayes: 10 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Teng,
Yaki, Yee

Absent: 1 - Newsom

File No. 000667

I hereby certify that the foregoing Resolution
was ADOPTED on May 22, 2000 by the
Board of Supervisors of the City and County
of San Francisco.



Gloria L. Young
Clerk of the Board

JUN - 2 2000
Date Approved



Mayor Willie L. Brown Jr.

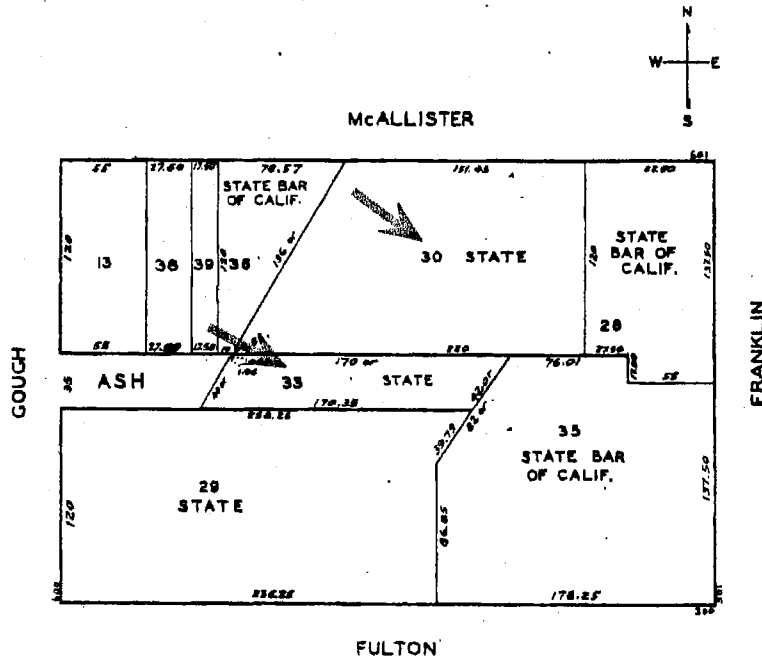
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CITY & COUNTY ASSESSOR 1986

LOTS MERGED

Lot	Area	Day
32	-	21-1933
33	-	2-1933
34	-	12-1944

785

WA BLK 137
REVISED 1957
" 1958
" 1959
" 1961
REVISED 1976
" 1977
" 1982



RECORDED AT REQUEST OF
STATE BAR OF CALIF
At 55 Min Past 11 AM
NOV 8 1975 7041218

Lease Area No. 04-SF-101-3, 4, 53, 54
Account No. 15753-002-01 (FLA)

City & County of San Francisco, Calif. STATE OF CALIFORNIA
RECORDED DEPARTMENT OF TRANSPORTATION

THIS LEASE is made and entered into this 2nd day of
June, 1975, by and between the STATE OF CALIFORNIA,
acting by and through its Department of Transportation, herein-
after called LESSOR, and State Bar of California, a Public
Corporation, hereinafter called LESSEE.

W I T N E S S E T H

LESSOR, for and in consideration of the covenants, conditions,
and agreements, hereinafter to be performed by LESSEE, does hereby
lease unto the said LESSEE those certain premises known as AIR-
SPACE LEASE AREA NO. 04-SF-101-3, 4, 53, 54, situate in City of
San Francisco, County of San Francisco, said land or
interests therein being shown on the map or plat attached hereto
marked, "EXHIBIT A", and by this reference made a part hereof,
and more particularly described as follows:

04-SF-101-3

COMMENCING at a point on the southerly line of McAllister Street,
distant thereon 165 feet westerly from the westerly line of
Franklin Street; thence easterly 82 feet; thence at a right angle
southerly 120 feet to the northerly line of Ash Street; thence
westerly along said line of Ash Street 82 feet; thence at a right

angle northerly 120 feet to the point of commencement.

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04-SF-101-4

COMMENCING at a point on the southerly line of McAllister Street, distant thereon 165 feet westerly from the westerly line of Franklin Street; thence westerly along said line of McAllister Street 68 feet; thence southwesterly 136 feet and 3 feet to the northerly line of Ash Street; thence easterly along said line of Ash Street 137 feet; thence at a right angle northerly 120 feet to the point of commencement.

04-SF-101-53

COMMENCING at a point on the southerly line of Ash Street, distant thereon 88 feet easterly from the easterly line of Gough Street; thence easterly along said line of Ash Street 170 feet; thence northeasterly 42 feet to a point on the northerly line of Ash Street, distant thereon 281 feet from the easterly line of Gough Street; thence westerly along last said line of Ash Street 171 feet; thence at a right angle southerly 0.5 of a foot; thence at a right angle westerly 2 feet; thence southwesterly 40 feet to the point of commencement.

04-SF-101-54

COMMENCING at a point on the southerly line of Ash Street, distant thereon 258 feet easterly from the easterly line of Gough Street; thence westerly along said line of Ash Street 22 feet; thence at a right angle southerly 33 feet; thence northeasterly 40 feet to the point of commencement.

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1 EXCEPTING THEREFROM all those portions of the above-described
2 property needed for highway purposes, more particularly that prop-
3 erty occupied or to be occupied by the supports and foundations of
4 the viaduct, if any, including possible future expansion of the
5 viaduct during the term of this Lease. ALSO EXCEPTING THEREFROM
6 all that portion of said property above a horizontal plane 8
7 feet below the underside or soffit, whichever is lowest, of the
8 viaduct which plane extends to the vertical boundaries of the
9 above-described property.

10
11 THE PARTIES HERETO COVENANT AND AGREE AS FOLLOWS:

12
13 1. TERM

14 The term for parcels 04-SF-101-3 and 53, 54 of this Lease
15 shall be for a primary term of fifty (50) years beginning
16 January 1, 1976, and ending December 31, 2025,
17 plus options for four (4) extended terms of ten (10) years each,
18 and one (1) extended term of nine (9) years; terms to begin on the
19 expiration of the initial term and each successive extended term
20 to begin on the expiration of the term immediately preceding. The
21 term for parcel 04-SF-101-4 will coincide with parcels 04-SF-101-
22 3 and 53, 54, except that it will not commence until March 1, 1976.

23 LESSEE'S option of renewing this Lease shall be exercised
24 in writing by certified or registered mail to LESSOR at least one-
25 hundred eighty (180) days prior to the commencement of the renewal
26 period. In the event LESSEE does not exercise his option of
27 renewal, LESSOR shall have the right to post the leased premises

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2 with "For Rent" signs and to show the leased premises to prospec-
3 tive tenants during the terminal six (6) months.
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9 2. RENTAL

10 A. Initial Term

11 LESSEE agrees to pay LESSOR rent for the leased
12 premises according to the schedule as shown below.

13 Parcel No. 04-SF-101-3 & 54 \$ 652.50 per month

14 Parcel No. 04-SF-101-4 \$ 797.50 per month to
15 commence March 1, 1976

16 Parcel No. 04-SF-101-53 No rent for the first
17 50-years. On _____

18 January 1, 2026 _____, rent for this parcel would
19 commence in an amount based on the rate charged per
20 net square foot of area for Parcel No. 04-SF-101-3-4
21 & 54. *John*

22 First and last month's payable in advance, there-
23 after, each month's rent is due and payable on the
24 first day of each month and will be delivered to
25 LESSOR at the office of the State of California,
26 Department of Transportation, P.O. Box 3366, Rincon
27 Annex, San Francisco, CA 94119. Rent for Parcel
28 No. 04-SF-101-3 & 54, shall commence on the 1st
day of January, 1976.

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B. Adjustments

The rental rate shall be adjusted on January 1, 1981, and thereafter at five (5) year intervals on January 1st for the remainder of any term, upwards or downwards, in proportion to the then current United States Department of Labor, Consumer Price Index (all items) in the San Francisco Bay Area as it differs from the quarter immediately

preceding the commencement of this Lease, designated herein as the 4th quarter of 1975.

The base index number upon which said formula for adjustment shall be calculated is the base number of said index as the same stands on December 31, 1975, TO WIT: 164.2.

The variation shall be determined by subtraction of the base index number as herein fixed from the current annual average index number at the date of rental adjustment.

The percentage of the variation shall be determined by a division of the variation figure as above established by the base index number in effect at the date of the Lease.

In the event the method of computing the afore-said index is changed, or should it be discontinued, the parties shall mutually agree to the use of a similar consumer price index. In the event the

FOUNTAIN COUNTY
STATE OF CALIFORNIA
SUPERIOR COURT
FOUNTAIN COUNTY

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parties fail to agree on a price index, the selection of the same shall be submitted to the Presiding Judge of the Superior Court of the State of California in San Francisco County and his decision shall be final and conclusive upon the parties.

3. IMPROVEMENTS, REPAIRS, MAINTENANCE AND USE OF THE PROPERTY

The premises will be used exclusively for the construction of a building and parking of cars purpose.

LESSEE agrees to provide access over the subject parcels for fire trucks as required by the San Francisco Fire Department. The location of said areas are shown on "Exhibit A" and by this reference made a part hereof.

LESSEE agrees to conform to the above-described use. Any change in use must be mutually agreed to by LESSOR and LESSEE.

LESSEE, prior to the construction of any improvements on the leased premises, shall furnish a description on the proposed facility including:

- A. 5 each - Preliminary site plans and one duplicate tracing.

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- B. 5 each - Architectural elevations and one duplicate tracing. (This should include a profile of the proposed building relating to the profile of the highway facility).
- C. Brief outline specifications, including structural system, types of materials, exterior finishing, and landscaping.

All plans and specifications submitted by LESSEE to LESSOR shall be subject to LESSOR'S review and approval, including but not limited to lighting facilities, location of test borings, means of ingress and egress to the property. Any improvements or construction upon the premises shall be of one hour fire-resistant construction and shall in every respect comply with the laws, ordinances and regulations, municipal or otherwise, that may govern the construction of the same, and LESSEE shall save the LESSOR harmless of and from any loss or damage by reason of the construction of said new improvements, and by reason of any mechanics' liens or encumbrances of any kind or nature.

LESSEE shall not construct or erect any sign without the prior approval of LESSOR.

LESSEE, at his sole cost and expense, shall comply with and faithfully observe in the use of the premises all the requirements of all Municipal, State and Federal authorities now in force or which may hereinafter be in force pertaining to the leased premises.

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Any improvements or construction on the subject parcels shall be sprinklered if said improvements are within fifteen (15) feet of the highway structure.

LESSEE shall not install facilities for, nor operate on the land below a viaduct structure, a gasoline supply station, nor shall the transportation of gasoline or petroleum products be permitted under the viaduct structures.

The premises will not be used for the manufacture of inflammable materials or explosives, or for any storage of inflammable materials, explosives, or other materials or other purposes deemed by LESSOR to be a potential fire or other hazard to the transportation facilities. The operation and maintenance of the lease premises shall be subject to regulations of LESSOR so as to protect against fire or other hazard impairing the use, safety and appearance of the transportation facility. The occupancy and use of the area shall not be such as will permit hazardous or unreasonably objectionable smoke, fumes, vapors or odors to rise above the grade line of the transportation facility.

Prior to the commencement of any construction, LESSEE shall furnish separate performance and labor and material bonds executed by an admitted surety insurer, subject to approval of LESSOR. The labor and material bonds shall be in a sum equal to at least one-half of the performance bond.

LESSOR or its agent shall at all times have the right to go upon and inspect the leased premises and to serve or to post thereon any notice required or permitted by law for protection of any right or interest of LESSOR.

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It is mutually agreed that LESSEE shall commence construction of the approved facilities on the leased premises within one hundred fifty (150) calendar days after the commencement of the lease and shall be completed consistent with the plans and specifications within seven hundred thirty (730) days after commencement of the construction. In the event construction is not commenced or completed in the time set forth above, or if not prosecuted with reasonable diligence to completion, acts of God or labor disputes excepted, this Lease may be terminated, at LESSOR'S option, and be of no further force and effect.

Within ninety (90) days after completion of construction of the facilities, LESSEE shall furnish to LESSOR two sets of the construction plans showing said facility as constructed in detail, including the location of all underground and aboveground utility lines.

LESSEE, at his own cost and expense, shall maintain the leased premises and improvements thereon, including fences, and guardrails heretofore, or hereafter erected, in good repair and in compliance with all requirements of law. LESSEE shall take all steps necessary to effectively protect the fences, guardrails, and the piers and columns, if any, of the viaduct from damage incident to LESSEE'S use of said premises and improvements, all without expense to LESSOR. LESSEE shall be liable to and shall reimburse LESSOR within thirty (30) days after billing for any maintenance obligations of LESSEE performed by LESSOR or for any

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damage to said fences, guardrails, piers, or columns in any way resulting from or attributable to the use and occupancy of said premises by LESSEE or any person entering upon the same with the consent of LESSEE, expressed or implied, plus penalty as provided in Clause 9.

4. LIABILITY INSURANCE

This Lease is made upon the express condition that LESSOR is to be free from all liability and claims for damages by reason of any injury to any person or persons, including LESSEE, or property of any kind whatsoever and to whomsoever belonging, including LESSEE, from any cause or causes resulting from the operations and/or use of the premises by LESSEE, his agents, customers and/or business invitees. LESSEE hereby covenants and agrees to indemnify and save harmless LESSOR from all liability, loss, cost and obligation on account of any such injuries or losses.

LESSEE shall, at his own expense, provide and keep in force during the within tenancy (a) public liability insurance in a company or companies to be approved by LESSOR, to protect against any liability to the public incident to the use of, or resulting from injury to, or death of, any person occurring in, or about, the leased premises, in the amount of not less than \$500,000.00, to indemnify against the claim of one person, and in the amount of not less than \$2,000,000.00 against the claims of two or more

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1 persons resulting from any one accident; and (b) property damage
2 or other insurance, in a company or companies to be approved by
3 the LESSOR, to protect LESSOR, its officers, agents and employees,
4 against any and every liability incident to the use of or result-
5 ing from any and every cause occurring in, or about the leased
6 premises, including any and all liability of LESSOR for damage to
7 vehicles parked on the leased premises, in the amount of not less
8 than \$100,000.00. Said policies shall name the State as co-insured
9 and shall inure to the contingent liabilities, if any, of LESSOR
10 and the officers, agents, and employees of LESSOR and shall obli-
11 gate the insurance carriers to notify LESSOR, in writing, not less
12 than fifteen (15) days prior to the cancellation thereof, or any
13 other change affecting the coverage of the policies. If said
14 policies contain any exclusion concerning property in the care,
15 custody or control of the insured, an endorsement shall be attached
16 thereto stating that such exclusion shall not apply with regard to
17 any liability of the State of California, its officers, agents, or
18 employees. LESSEE shall furnish to LESSOR a certified copy of
19 each and every such policy or a Certificate of Insurance acceptable
20 to the LESSOR within not more than ten (10) days after execution
21 thereof.

22 LESSEE agrees that, if LESSEE does not keep such insur-
23 ance in full force and effect, LESSOR may take out insurance and
24 pay the premiums thereon, and the repayment thereof, plus penalty
25 as shown in Clause 9, shall be deemed to be additional rental and
26 payable as such on the next day upon which rent becomes due here-
27 under.

1 5. FIRE INSURANCE

2 LESSEE shall obtain and keep in effect at all times
3 during the term of this Lease fire and extended coverage insurance;
4 upon all buildings, structures, and improvements constructed on
5 said premises. Such policy or policies of insurance shall be for
6 not less than eighty (80) percent of the insurable value of the
7 property covered and shall provide for payment of losses to
8 LESSEE. LESSOR shall be named as an additional insured on all
9 fire and extended coverage insurance policies placed on the build-
10 ings and improvements on said premises.

11 If during the primary or any extended renewal terms,
12 the building or improvements on, in or appurtenant to the land at
13 the commencement of the term or thereafter erected thereon shall
14 be destroyed or damaged in whole or in part by fire or other cause,
15 LESSEE shall give to LESSOR immediate notice thereof, and LESSEE
16 shall promptly repair, replace and rebuild the same, at least to
17 the extent of the value and as nearly as possible to the character
18 of the buildings and improvements existing immediately prior to
19 such occurrence; and LESSOR shall in no event be called upon to
20 repair, replace or rebuild any such buildings or improvements.
21 LESSEE shall continue to pay rent hereunder during the period said
22 improvements shall be damaged or destroyed.

23 LESSEE agrees that, if LESSEE does not keep such insur-
24 ance in full force and effect, LESSOR may take out insurance and
25 pay the premiums thereon, and the repayment thereof, plus penalty
26 as shown in Clause 9, shall be deemed to be additional rental
27 and payable as such on the next day upon which rent becomes due
28 hereunder.

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1 6. PAYMENT OF TAXES

2 LESSEE agrees to pay and discharge, or cause to be
3 paid and discharged when due, before the same become delinquent,
4 all taxes, assessments, impositions, levies and charges of every
5 kind, nature and description, whether general or special, ordinary,
6 or extraordinary, which may at any time or from time-to-time during
7 the term of this Lease by or according to any law or governmental,
8 legal, political, or other authority whatsoever, directly or
9 indirectly, taxed, levied, charged, assessed or imposed upon or
10 against, or which shall be or may be or become a lien upon said
11 premises or any buildings, improvements or structures at any time
12 located thereon; or any estate, right, title, or interest of
13 LESSEE in and to said premises, buildings, improvements or
14 structures.

15 LESSEE shall pay when due, before delinquency, personal
16 property taxes on fixtures, equipment and facilities owned by
17 LESSEE, whether or not the same have become so fixed to the land
18 as to comprise a part of the real estate.

19 LESSEE further agrees that any such obligation, including
20 possessory interest tax that the city or county may impose upon
21 LESSEE's interest herein, shall not reduce any rent due LESSOR
22 hereunder and any such obligation shall become the liability of
23 and be paid by LESSEE.

24 In the event LESSEE shall fail to discharge any of the
25 above obligations, LESSOR may, at his option, discharge the same
26 and the amount so paid by LESSOR plus penalty as shown in Clause 9
27 shall be added to the rentals next accruing under this Lease;
28 provided that LESSEE shall have the privilege at his own expense

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1 and before delinquency occurs of contesting, objecting to or
2 opposing the legality or validity or amount of such taxes. Any
3 default in the payment of said obligations shall, at the option
4 of LESSOR, be considered a default under the terms of this Lease.

6 7. RIGHT OF ENTRY

7 LESSOR through its agents or representatives, shall
8 have full right and authority to enter in and upon the leased
9 premises and any building or improvements situated thereon at any
10 and all reasonable times during the term of this Lease for the
11 purpose of inspecting the same without interference or hindrance
12 by LESSEE, his agents or representatives.

13 LESSOR further reserves the right of entry for the purpose
14 of inspecting the leased premises, or the doing of any and all
15 acts necessary or proper on said premises in connection with the
16 protection, maintenance, reconstruction, and operation of the
17 freeway structures and its appurtenances; provided, further, that
18 LESSOR reserves the further right, at its discretion, to immediate
19 possession of the same in case of any national or other emergency,
20 or for the purpose of preventing sabotage, and for the protection
21 of said freeway structures, in which event the term of this Lease
22 shall be extended for a period equal to the emergency occupancy
23 by LESSOR, and during said period LESSEE shall be relieved, to
24 the degree of interference, from the performance of conditions or
25 covenants specified herein.

26 LESSOR further reserves the Right of Entry by any
27 authorized officer, engineer, employee, contractor or agent of

LIBER C260 PAGE 127

1 the LESSOR for the purpose of performing any maintenance activi-
2 ties upon the property for which LESSEE has failed to perform.
3 LESSEE shall be billed for any such maintenance as provided in
4 Clauses No. 3 and No. 9.

5
6 8. CONDEMNATION CLAUSE

7 In the event it becomes necessary for LESSOR to
8 acquire any of the leased premises for any public use, LESSEE
9 specifically waives all defense to any condemnation action except
10 a claim for compensation. The leased premise shall be considered
11 a single parcel and LESSEE shall be compensated based upon the
12 value of its interests in said single parcel and improvements
13 constructed thereon without regard to adjoining uses or ownership.

14
15 9. DEFAULT BY LESSEE

16 This Lease is subject to LESSEE's performance of the
17 terms and conditions set forth herein. LESSOR shall exercise
18 against LESSEE any remedy which LESSOR may have for breach of any
19 covenant or agreement herein expressed, including a forfeiture of
20 said Lease, only after LESSEE has failed for a period of thirty
21 (30) days after receipt of notice thereof to correct the condition
22 of which complaint is made.

23 In the event LESSEE defaults in the payment of rent
24 when due, or should LESSOR be obligated to expend any monies
25 pursuant to the provisions of Clauses 3, 4, 5, 6 and 7 herein,
26 LESSEE shall be liable to LESSOR for the principal sum expended
27 plus a penalty of one (1) percent per month.

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Said penalty shall commence on the date of rental delinquency or thirty (30) days after billing is made by LESSOR.

10. ATTORNEYS' FEES

In the event that any dispute shall arise between LESSOR and LESSEE by reason of the breach or the alleged breach of any term, covenant or condition contained herein, and such dispute shall result in litigation, it is understood and agreed that the successful party in such litigation shall be entitled to reasonable attorneys' fees to be established by the Court.

11. NOTICES

Any and all notices or demands by or from LESSOR to LESSEE, or LESSEE to LESSOR, shall be in writing. They shall be served either personally or by mail. Any notice or demand to LESSOR may be given to LESSOR at P. O. Box 7791, Rincon Annex, San Francisco, CA 94120, or at such other place or places as shall be designated by LESSOR from time-to-time. Any notice or demand to LESSEE shall be given to LESSEE at 601 McAllister Street, San Francisco, CA 94102.

1 12. ASSIGNMENT FOR BENEFIT OF CREDITORS,
2 INSOLVENCY, OR BANKRUPTCY

3 Appointment of a receiver to take possession of
4 LESSEE's assets, LESSEE's general assignment for benefit of
5 creditors, or LESSEE's insolvency or taking or suffering action
6 under the Bankruptcy Act is a breach of this Lease and this Lease
7 shall terminate.

8
9 13. WAIVER

10 The waiver by LESSOR of any breach of any term,
11 covenant or condition herein contained shall not be deemed to be
12 a waiver of such term, covenant or condition or any subsequent
13 breach of the same, or any other term, covenant or condition
14 herein contained. The subsequent acceptance of rent hereunder by
15 LESSOR shall not be deemed to be a waiver of any preceding breach
16 by LESSEE of any term, covenant or condition of this Lease other
17 than the failure of LESSEE to pay the particular rental so
18 accepted, regardless of LESSOR's knowledge of preceding breach
19 at the time of acceptance of such rental.

20
21 14. FAIR EMPLOYMENT PRACTICES

22 LESSEE, for himself, his personal representatives,
23 successors in interest, and assigns, as a part of the considera-
24 tion hereof, does hereby covenant and agree "as a covenant running
25 with the land" that: (1) no person, on the ground of race, color,
26 or national origin shall be excluded from participation in, be
27 denied the benefits of, or otherwise subjected to discrimination

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1 in the use of said facilities, (2) that in connection with the
2 construction of any improvements on said land and the furnishing
3 of services thereon, no discrimination shall be practiced in the
4 selection of employees and contractors, by contractors in the
5 selection and retention of first-tier subcontractors, and by
6 first-tier subcontractors in the selection and retention of
7 second-tier subcontractors, (3) that such discrimination shall
8 not be practiced against the public in their access to and use
9 of the facilities and services provided for public accommoda-
10 tions (such as eating, sleeping, rest, recreation and vehicle
11 servicing) constructed or operated (on, over, or under) the space
12 of the right of way, and (4) that LESSEE shall use the land in
13 compliance with all other requirements imposed pursuant to Title
14 40, Code of Federal Regulations, Part 21 (49 C.F.R., Part 21)
15 and as said regulations may be amended. In the event of breach
16 of any of the above-nondiscrimination covenants, the LESSOR shall
17 have the right to terminate this Lease, and to reenter and
18 repossess said land and the facilities thereon, and hold the same
19 as if said Lease had never been made or issued.

20
21 15. SUBLEASES, ASSIGNMENTS AND ASSIGNMENTS
22 BY OPERATION OF LAW

23 LESSEE shall not sublease or assign voluntarily or
24 involuntarily said premises or any part thereof without the prior
25 written approval of LESSOR.

26 No holding over by LESSEE shall operate to renew this
27 Lease without the written consent of the LESSOR endorsed thereon.

16. ENCUMBRANCES (ALTERNATE CLAUSE)

1 LESSEE and LESSOR hereby acknowledge and agree that
2
3 LESSEE intends to encumber the leased premises for the purpose
4 of constructing improvements and/or permanent financing of new
5 improvements. Any such encumbrance is void without the prior
6 written consent of LESSOR. LESSEE must secure the financing
7 from a financial institution (hereinafter called "LENDER")
8 qualified to do business in the State of California. LENDER must
9 agree to provide LESSOR thirty (30) days' written notice in the
10 event of default on the loan. In the event LESSEE defaults in
11 performance of any obligation under this Lease, LESSOR will not
12 terminate the Lease because of such default unless and until LESSOR
13 gives thirty (30) days' written notice to LENDER, and LENDER (a)
14 fails to cure such default, if the same can be cured by the payment
15 of money required to be paid under the provisions of said Lease,
16 or if such default is not curable by money, cause the commencement
17 and thereafter diligently pursue to completion steps and proceed-
18 ings for the exercise of the power of sale in the manner provided
19 by law, and (b) cause and perform all of the covenants and condi-
20 tions of this Lease requiring the expenditure of money by LESSEE
21 until such time as the premises shall be sold in the manner pro-
22 vided by law. HOWEVER, if LENDER fails or refuses to comply with
23 any and all of the conditions in this paragraph, then and thereupon
24 LESSOR shall be released from the covenant of forbearance, and
25 LESSOR may declare this Lease to be terminated. All right of
26 LESSEE and/or LENDER and those who claim under LESSEE, stemming
27 from this Lease, shall terminate.

1 In the event of a foreclosure of trustee's sale of
2 LENDER's security interest pursuant to the laws of the State of
3 California, the purchaser at said sale, be it LENDER or others,
4 shall succeed to all of the right, title and interest of the
5 secured party. LENDER may with LESSOR's consent, receive a deed
6 (a Quit Claim Deed of all interest of the LESSEE) on assignment
7 of LESSEE's interest in lieu of a foreclosure.

8 LESSOR shall give LENDER a written notice of any default
9 by LESSEE under this Lease which notice shall be given concu-
10 rrently with the notice to LESSEE. LENDER may have thirty (30)
11 days in addition to the time which LESSEE has to cure any default
12 of LESSEE or, if the default cannot be cured within that time, it
13 shall be considered a cure if LENDER commences the necessary
14 action to effect the cure and diligently prosecutes such action
15 and pays any delinquent rent. In the event that LENDER must take
16 possession of the property or enter upon the property to effect
17 a cure, it shall be considered a cure if LENDER commences fore-
18 closure proceedings within thirty (30) days' period allowed,
19 pays any delinquent rent, and prosecutes such proceedings dili-
20 gently to a conclusion. After said foreclosure, LENDER shall
21 have a reasonable time to cure said default.
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TIME is expressly made the essence of this Lease.

IN WITNESS WHEREOF, the undersigned have executed
this Lease the day and year first above-written.

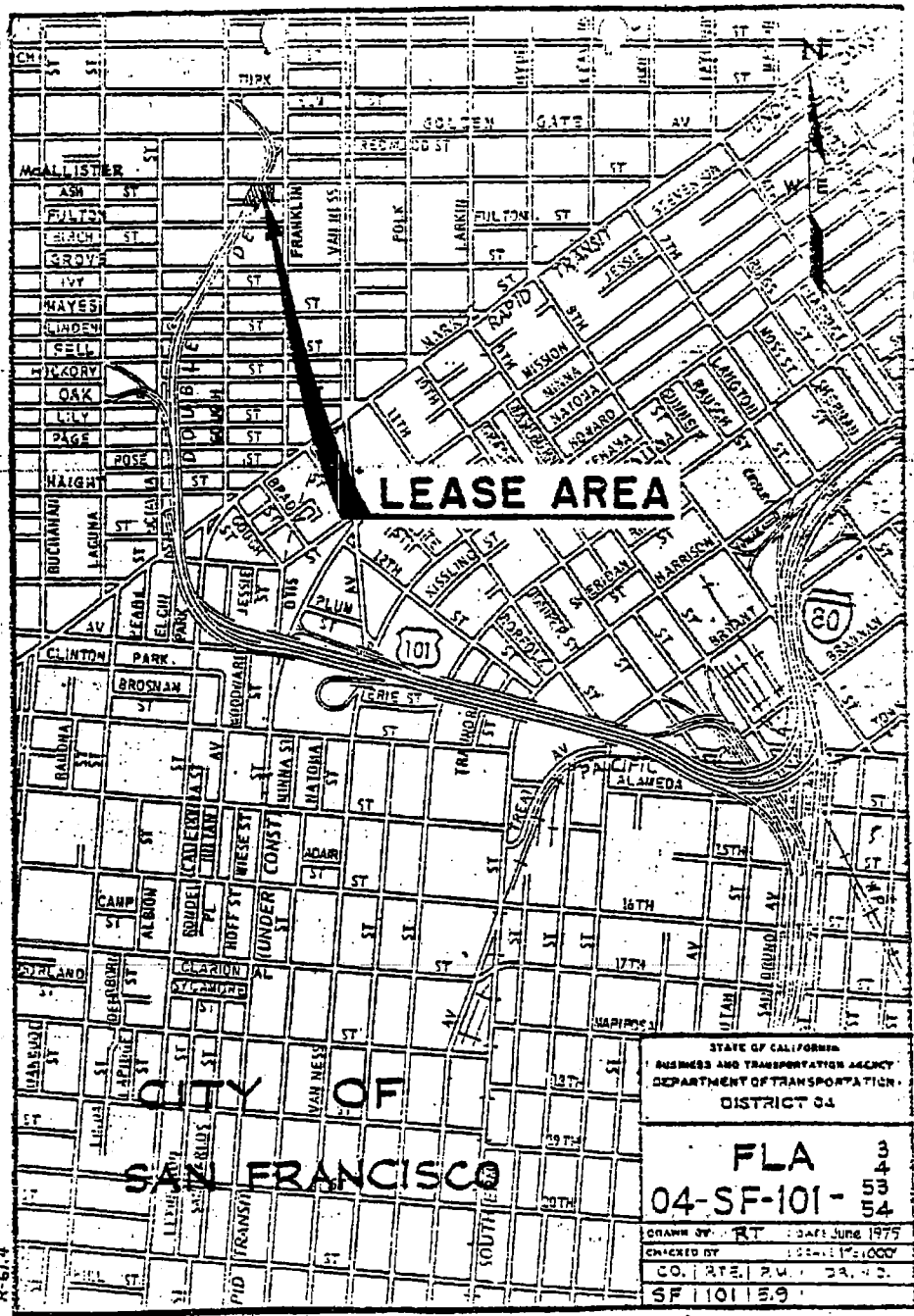
STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

By *H. L. Haru*
LESSOR Deputy Chief Engineer
THE STATE BAR OF CALIFORNIA

A Public Corporation

By *John S. Malone*
LESSEE John S. Malone,
Secretary

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P-51.4