

1 [Real Property Acquisition - 490 South Van Ness Avenue - South Van Ness 490, LP, Benicia
2 Lake LLC, and Maurice Casey - \$18,500,000]

3 **Resolution approving the acquisition of real property at 490 South Van Ness**
4 **(Assessor’s Block No. 3553, Lot No. 008) from South Van Ness 490, LP, Benicia Lake**
5 **LLC, and Maurice Casey for the purchase price of \$18,500,000; adopting findings under**
6 **the California Environmental Quality Act; and adopting findings that the acquisition is**
7 **consistent with the City's General Plan, and the eight priority policies of City Planning**
8 **Code, Section 101.1.**

9
10 WHEREAS, South Van Ness 490, LP, Benicia Lake LLC, and Maurice Casey
11 (collectively “Seller”) owns the fee interest in the real property located at the intersection of
12 South Van Ness Avenue and 16th Street (Assessor’s Block No. 3553, Lot No. 008), as
13 depicted on a map (Project Map) on file with the Clerk of the Board of Supervisors in File
14 No. _____ and incorporated herein by reference, and as commonly referred to as “490 South
15 Van Ness” (the “Property”); and

16 WHEREAS, The City has identified the Property as suitable for the development of
17 affordable housing, and wishes to obtain and have jurisdiction over the Property in order to
18 further the City’s general plan priority of preserving and enhancing the supply of affordable
19 housing; and

20 WHEREAS, Seller wishes to sell (the “Acquisition”) the Property to the City, for
21 \$18,500,000 (the “Purchase Price”); and

22 WHEREAS, Based on an independent appraisal, the City’s Director of Property has
23 determined that the fair market value of the Property is \$18,500,000; and

24 WHEREAS, The City proposes to pay the Purchase Price to Seller to purchase the
25 Property on the terms and conditions substantially as shown in the Purchase and Sale

1 Agreement between the City and Seller (the "Purchase and Sale Agreement"), a copy of
2 which is on file with the Clerk of the Board of Supervisors under File No. 150734 and
3 incorporated herein by reference; and,

4 WHEREAS, By letter dated June 30, 2015, the Department of City Planning found the
5 Acquisition to be categorically exempt from environmental review, and by letter dated June
6 30, 2015, the Department of City Planning also found that the Acquisition is consistent with
7 the City's General Plan and with the Eight Priority Policies under Planning Code Section
8 101.1, which letters are on file with the Clerk of the Board of Supervisors under File No.
9 15073A and incorporated herein by reference; now, therefore, be it

10 RESOLVED, That the Board of Supervisors hereby adopts the findings contained in the
11 document dated June 30, 2015, from the Department of City Planning regarding the California
12 Environmental Quality Act, and hereby incorporates such findings by reference as though fully
13 set forth in this Resolution; and, be it

14 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the
15 Acquisition is consistent with the General Plan, and with the eight Priority Policies of Planning
16 Code Section 101.1 for the same reasons as set forth in the letter of the Department of City
17 Planning, dated June 30, 2015, and hereby incorporates such findings by reference as though
18 fully set forth in this Resolution; and, be it

19 FURTHER RESOLVED, That in accordance with the recommendation of the Director
20 of Property, the execution, delivery and performance of the Purchase and Sale Agreement is
21 hereby approved and the Director of Property (or his designee) is hereby authorized to
22 execute the Purchase and Sale Agreement on behalf of the City, and to execute any such
23 other documents that are necessary or advisable to complete the transaction contemplated by
24 the Purchase and Sale Agreement and effectuate the purpose and intent of this Resolution;
25

1 and, be it the Purchase and Sale Agreement and effectuate the purpose and intent of this
2 Resolution; and, be it

3 FURTHER RESOLVED, That the Mayor, the Clerk of the Board of Supervisors, and the
4 Director of Property, are each authorized and directed to enter into any and all documents and
5 take any and all actions which such party, in consultation with the City Attorney, determines
6 are in the best interest of the City, do not materially increase the obligations of the City or
7 materially decrease the benefits to the City, are necessary and advisable to consummate the
8 performance of the purposes and intent of this Resolution and comply with all applicable laws,
9 including the City's charter; and, be it

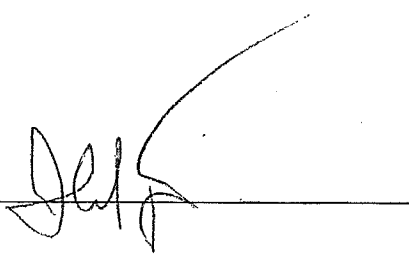
10 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
11 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors.

FILE NO.

RESOLUTION NO.

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RECOMMENDED:



John Updike
Director of Property

Mayor Lee

BOARD OF SUPERVISORS

Item 11
File 15-0734

Department:
Administrative Services, Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution authorizing the acquisition of real property located near the intersection of South Van Ness Avenue and 16th Street for \$18,500,000; adopting findings under the California Environmental Quality Act (CEQA); and adopting findings that the acquisition is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Key Points

- The existing private owners have fully entitled the property with the environmental reviews, remediation plan, and required demolition and site permits. In October 2014, the site was approved by the Planning Commission for development of a seven-story mixed use 72-unit housing project, including ground floor commercial space and a below-ground parking garage (Motion No. 19250).
- The City's purchase of this property would enable the development of 72 units of 100% affordable rental housing for families who make no more than 50% of the Area Median Income (AMI).

Fiscal Impact

- As of June 29, 2015, an appraisal determined the fair market value for the subject 490 South Van Ness property ranges from \$16,685,000 to \$18,500,000.
- The purchase price of \$18,500,000 will be reduced by \$462,500, the amount of the City's real estate property transfer tax that would otherwise be due on the transaction, because the City is exempt from payment of this tax. Therefore, the City's adjusted cost to purchase 490 South Van Ness is \$18,037,500 (\$18,500,000 less \$462,500).
- The City's Affordable Housing Fund would provide funding for the purchase of 490 South Van Ness, which receives impact fees from developers that pay into this Fund in-lieu of constructing affordable housing on-site and Jobs Housing Linkage Program fees. This Fund currently has an unencumbered balance of approximately \$47 million.

Policy Consideration

- The City's current affordable housing policies include increasing production of housing available to very low and low-income households by targeting investments to maximize leveraging of outside funds and accelerating affordable housing production by investing in "shovel-ready" projects, which is consistent with the proposed acquisition and development of the 490 South Van Ness property.

Recommendations

- Amend the proposed resolution to reflect an \$18,500,000 purchase price, with a credit to reflect the City's exemption from paying the City's real estate property transfer tax, resulting in an adjusted City cost of \$18,037,500.
- Approve the proposed resolution as amended.

MANDATE STATEMENT**Mandate Statement**

City Charter Section 9.118(b) requires that contracts or agreements entered into by a City or County department, board or commission requiring anticipated expenditures of \$10,000,000 or more be subject to approval by the Board of Supervisors.

City Administrative Code Sections 2A.110 and 23.1 require that all City departments conduct all negotiations through the Director of Property, that the Director of Property be in charge of the acquisition, sale or lease of any real property for the City and County of San Francisco, and in the acquisition of property, the Director of Property make preliminary appraisals of the value of the property to be acquired. Administrative Code Section 23.4 provides that the Director or Assistant Director of Property be authorized to accept and consent to deeds or other instruments of real property to the City that are approved by the Board of Supervisors.

BACKGROUND

On April 27, 2015, Mayor Lee, Supervisor Campos, Mr. Olson Lee, Director of the Mayor's Office of Housing and Community Development (MOHCD), Mr. John Updike, Director of Real Estate, community stakeholders and other City officials, took a walk in the Mission District to identify potential sites for the City to develop affordable housing. During this walk, 490 South Van Ness was identified as a potential site for the development of City affordable housing. The 490 South Van Ness site, near the intersection with 16th Street in the Mission District, contains approximately 14,250 square feet of space.

This property was previously used as a gasoline station, and is currently vacant, other than an approximately 450 square foot single story auto repair shop, with gas station canopy and footings. On March 21, 2013, the Department of Public Health (DPH) issued a completion certificate to the current owners regarding the required corrective action to remove the eight underground storage tanks formerly located on the site. The existing private owners have now fully entitled this property with the necessary environmental reviews, remediation plan, and required demolition and site permits. In October 2014, the site was approved by the Planning Commission for development of a seven-story mixed use 72-unit housing project, including ground floor commercial space and a below-ground parking garage (Motion No. 19250).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the City's acquisition through a Purchase and Sale Agreement of real property located at 490 South Van Ness Avenue near the intersection with 16th Street for \$18,500,000; adopt findings under the California Environmental Quality Act (CEQA); and adopt findings that the acquisition is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Under the proposed resolution, the Board of Supervisors would authorize the City, through the Real Estate Division, to purchase the real property at 490 South Van Ness (Assessor's Block 3553, Lot 008), from LP, Benicia Lake LLC and Maurice Casey, the current owners of the

property, for a purchase price of \$18,500,000, for the development of affordable housing. The proposed resolution authorizes the Director of Property to execute a Purchase and Sale Agreement on behalf of the City, and any related documents to complete the purchase transaction of 490 South Van Ness.

The 490 South Van Ness Avenue property would be used to develop a City-owned seven story, 72-unit residential development including 655 square feet of ground floor retail space. According to Mr. Kevin Kitchingham, Project Manager in MOHCD, the residential development would include 72 apartment units which would be 100% affordable rental housing for families who make no more than 50% of the Area Median Income (AMI). Mr. Kitchingham advises that 20% of the housing units would be set aside for homeless families making less than 30% AMI.

If the proposed resolution is approved, Mr. Kitchingham estimates the acquisition of the property would be completed by the end of August 2015. The City, through the MOHCD, then anticipates issuing a Request for Proposals (RFP) in the fall of 2015 to non-profit organizations to develop and manage the site for affordable housing. Under this arrangement, the City would own the land, a non-profit housing developer would construct and manage the property, and in order to fully develop the site for affordable housing private tax credit investment partnerships would likely fund the cost of the development and hold the deed to the property.

Construction is projected to begin in the spring of 2016 and estimated to take 18-21 months to complete. Occupancy of this new affordable housing project is anticipated to occur by the end of 2017.

CEQA and Planning Approvals

On June 30, 2015, the Planning Department determined that the purchase of 490 South Van Ness Avenue is categorically exempt from the California Environmental Quality Act (CEQA) and is consistent with the City's General Plan and the eight priority policies of Planning Code Section 101.1. Under the proposed resolution the Board of Supervisors would adopt the findings contained in the June 30, 2015 Planning Department documents regarding CEQA, the City's General Plan and Planning Code Section 101.1.

FISCAL IMPACT

Appraisal Value of Property

In June, 2015, the Real Estate Division retained Clifford Advisory, LLC¹, to conduct an independent appraisal of the 490 South Van Ness property. The appraisal determined the fair market value for the subject property at 490 South Van Ness as of June 29, 2015 ranges from \$16,685,000 to \$18,500,000. As noted above, the proposed resolution would approve the sale of 490 South Van Ness for \$18,500,000.

¹ The Real Estate Division retained Clifford Advisory, LLC to complete six appraisal reports for six potential acquisition properties in the Mission District for a total cost of \$13,000.

Transfer Tax

The Purchase and Sale Agreement specifies that the purchase price of \$18,500,000 will be reduced by a credit of \$462,500, the amount of the City's real estate property transfer tax that would otherwise be due on the transaction, pursuant to Section 1105 of the City's Business and Tax Regulations Code. Section 1105 of the City's Business and Tax Regulations Code exempts payment of the City's transfer tax for the purchase of private property by the City and County of San Francisco. As a result, the City's General Fund will not receive the \$462,500 transfer tax revenues for this transaction.

The adjusted purchase price for 490 South Van Ness is \$18,037,500 (\$18,500,000 less \$462,500). The proposed resolution should therefore be amended to reflect that although the purchase price is \$18,500,000, the City will receive a credit of \$462,500 based on the City's exemption from paying the transfer tax, which will result in an adjusted cost of \$18,037,500 to the City.

Other Potential Costs

The City would be responsible for paying costs of a survey (if necessary), title insurance and escrow and recording fees, which Mr. John Updike, Director of the Real Estate Division estimates would cost up to \$16,000.

Source of Funding for Acquisition of Property

Mr. Kitchingham advises that the City's source of the \$18,037,500 to purchase the subject site would be the City's Affordable Housing Fund, which receives impact fees from developers that pay into this Fund in-lieu of constructing affordable housing on-site of their developments. The Affordable Housing Fund also includes Jobs Housing Linkage Program proceeds, another set of impact fees paid by developers. Mr. Benjamin McCloskey, Deputy Director of the MOHCD advises that the current unencumbered balance in the City's Affordable Housing Fund is approximately \$47 million.

Costs and Sources of Funding for Total Project Development

According to Mr. Kitchingham, the estimated total project cost for the subject 490 South Van Ness 72-unit affordable housing project would be approximately \$64 million. Of the total estimated \$64 million, approximately \$30 million, which includes the proposed \$18.5 million for the purchase of the site, would be funded by the City, through various available affordable housing funds. The balance of the \$34 million cost is projected to be primarily funded through (a) State Affordable Housing for Sustainable Communities financing, available from cap and trade proceeds², (b) Federal Low Income Housing Tax Credit Program, a well-established financing mechanism which provides tax credit equity funds for affordable housing projects, and (c) Federal Home Loan Bank's Affordable Housing Program.

² The California Department of Housing and Community Development recently announced the availability of approximately \$120 million for the Affordable Housing and Sustainable Communities Program, by investing in projects that reduce greenhouse gas emissions that support compact, infill development, encourage transportation and transit use and reduce sprawl. Funding for this new Program would be provided from the Greenhouse Gas Reduction Fund, an account established to receive Cap-and-Trade auction proceeds.

POLICY CONSIDERATION

Mr. Kitchingham advises that the City's current affordable housing policies include:

- Increasing the production of housing available to very low and low-income households in order to make progress toward meeting the City's goals established by the Association of Bay Area Governments in its Regional Housing Needs Assessment;
- Targeting housing investments in neighborhoods, such as the Mission District, that are experiencing rapidly rising housing costs in order to stabilize communities and minimize displacement;
- Leveraging City funds by maximizing the use of federal, state and private funds; and
- Accelerating affordable housing production by investing in "shovel-ready" projects.

The proposed acquisition and subsequent development of the subject 490 South Van Ness property addresses the above-noted City's affordable housing policies, by providing 72 family-sized residential apartments to households earning up to 50% of the Area Median Income, including 20% to formerly homeless families, within an expedited timeframe, in a neighborhood experiencing rapidly rising housing costs.

RECOMMENDATIONS

1. Amend the proposed resolution to reflect an \$18,500,000 purchase price, with a credit to reflect the City's exemption from paying the City's real estate property transfer tax, resulting in an adjusted City cost of \$18,037,500.
2. Approve the proposed resolution as amended.

**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO**



**EDWIN M. LEE
MAYOR**

**OLSON LEE
DIRECTOR**

July 1, 2015

Mayor Edwin M. Lee
City and County of San Francisco
City Hall
Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Resolution authorizing the acquisition of real property located near the intersection of South Van Ness Avenue and 16th Street, San Francisco

With this memo, I am submitting to you for introduction at the Board of Supervisors meeting on Tuesday, July 7, 2015, a resolution authorizing the acquisition of real property located near the intersection of South Van Ness Avenue and 16th Street, commonly known as 490 South Van Ness, a fully entitled, 72 unit property to be developed as 100% affordable housing for low income families in the transit rich heart of the Mission District neighborhood.

This acquisition will further the goals and mission of the Mayor's Office of Housing and Community Development. The proposed development will be seven stories tall with a small ground floor retail component and apartments located on floors 2 -7 with a majority of the units being two bedrooms in size. On the ground floor, approximately 665 square feet of space will be devoted to neighborhood-serving retail, an especially acute need in the Mission. Some minor redesign will be needed to meet the requirements of eventual investors and lenders but we anticipate that the project will be ready to begin construction in early spring of 2016.

This is a unique acquisition opportunity due to the fact that the project is fully entitled and permit-ready. Our office should be able to realize significant schedule efficiencies and be able to publish a request for qualifications from non-profit developers rapidly.

In order to meet the deadline to close on August 28, 2015, this resolution should be introduced at the Board on July 7, 2015, be heard at the Budget and Finance Committee on or before July 22, 2015, and return to the full Board for approval on Tuesday, July 28, 2015. We would appreciate any assistance you can provide to help meet this schedule so that the City is able to close on the deal pursuant to a letter of intent signed by the developer on June 12, 2015.

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The attached resolution has been reviewed by Deputy City Attorney Heidi Gewertz and signed by the Director of Real Estate, John Updike.

If you have any questions about the resolution or the project, please contact Kevin Kitchingham at 701-5523.

Thank you,

A handwritten signature in cursive script, appearing to read "Olson Lee".

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

AGREEMENT OF PURCHASE AND SALE OF
REAL ESTATE

by and between

SOUTH VAN NESS 490, LP; BENICIA LAKE, LLC; and MAURICE CASEY
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the purchase and sale of

490 South Van Ness Avenue
San Francisco, California

July __, 2015

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LIST OF EXHIBITS

EXHIBIT A – Real Property Description

EXHIBIT B – Grant Deed

EXHIBIT C – Assignment of Warranties and Guaranties and Other Intangible Property

EXHIBIT D – Certificate of Transferor Other Than An Individual (FIRPTA Affidavit)

EXHIBIT E – Designation Agreement

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE
(490 South Van Ness Avenue, San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of July __, 2015 is by and between SOUTH VAN NESS 490, LP; BENICIA LAKE, LLC; and MAURICE CASEY (collectively "Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City"). IN CONSIDERATION of the payment of the non-refundable sum of Eighteen Million Five Hundred Thousand Dollars (\$18,500,000) by City, the receipt of which is hereby acknowledged by Seller, and the respective agreements contained herein below, Seller and City agree as follows:

1. PURCHASE AND SALE

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, the following:

- (a) the real property consisting of approximately Fourteen Thousand Two Hundred Fifty (14,250) square feet of land, located in the City and County of San Francisco, commonly known as 490 South Van Ness and more particularly described in Exhibit A attached hereto (the "Land");
- (b) all improvements and fixtures located on the Land (collectively, the "Improvements");
- (c) any and all rights, privileges, entitlements and easements incidental or appurtenant to the Land or Improvements, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Land, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Land, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land or Improvements, and also including any and all architecture and engineering plans and specifications, environmental tests and reports, studies, accounting for costs incurred and sent to date including City fees previously paid, credits and covenants appurtenant thereto, and any and all of Seller's right, title and interest in and to all roads and alleys adjoining or servicing the Land or Improvements (collectively, the "Appurtenances");
- (d) any intangible personal property now or hereafter owned by Seller and used exclusively in the ownership, use or operation of the Land, Improvements or Personal Property, including, without limitation, the right to use the name "490 SVN" and any other trade name now used in connection with the Land or Improvements, and, to the extent expressly approved by City pursuant to this Agreement, any contract rights or other agreements or rights relating to the ownership, use and operation of the Land or Improvements or any of the foregoing (collectively, the "Intangible Property").

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

2. PURCHASE PRICE

2.1 Purchase Price

The total purchase price for the Property is Eighteen Million Five Hundred Thousand Dollars (\$18,500,000) (the "Purchase Price"). The Purchase Price shall be reduced in the amount of Four Hundred Sixty Two Thousand and Five Hundred Dollars (\$462,500) which is the amount of Transfer Tax that would otherwise be due on the transaction but is not due pursuant to Section 1105 of the San Francisco Business and Tax Regulations Code, resulting in an adjusted Purchase Price of Eighteen Million Thirty Seven Thousand and Five Hundred Dollars (\$18,037,500).

2.2 Payment

On the Closing Date (as defined in Section 5.2), City shall pay the Purchase Price, adjusted pursuant to the provisions of Section 2.1, and reduced by any credits due City hereunder, including, without limitation, the Transfer Tax Credit.

Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under Sections 5.3(d) and 5.3(e), City may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code"), or Section 18662 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by 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 by Controller's warrant or in cash or by wire transfer of immediately available funds to Title Company (as defined below), as escrow agent.

3. TITLE TO THE PROPERTY

3.1 Conveyance of Title to the Property

At the Closing Seller shall convey to City marketable and insurable fee simple title to the Land, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit B (the "Deed"), subject to the Accepted Conditions of Title (as defined in Section 3.2).

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 ALTA extended coverage owner's policy of title insurance (Form B - 1970 amended 4-6-90) (the "Title Policy") in the amount of the Purchase Price insuring fee simple title to the Land, the Appurtenances and the Improvements in City free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, creditors' claims, rights of tenants or other occupants and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant to Section 4.3(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 such special endorsements as City may reasonably request. The Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request

3.3 Assignment of Intangibles

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

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. City and its Agents may commence due diligence investigations on the Property on or after the date this Agreement is executed by both parties hereto. The period for completion of all such investigations shall expire on July 31, 2015 (the "Due Diligence Period"), subject to the terms and conditions provided herein below. Seller agrees to deliver to City all of the Documents and other items described in Sections 4.3(d), 4.3(e) and 4.3(f) within three (3) days after the date hereof, provided that if Seller fail to do so, then the expiration of the Due Diligence Period shall be extended by the number of days after the end of such 3 day delivery period that Seller delivers all such items to City.

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 4.3, City's Conditions to Closing, of this Agreement.

4.2 Entry

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 for the purposes of satisfying City with respect to the representations, warranties and covenants of Seller contained herein and the satisfaction of the Conditions Precedent including, without limitation, the drilling of test wells and the taking of soil borings. Notwithstanding the provisions of this Agreement, before any entry to perform any on-site sampling or testing, Buyer shall give Seller written notice thereof, including the identity of the company or persons who will perform such sampling or testing and the proposed scope of the sampling or testing. In the event that any material excavated by Buyer in connection with its testing is contaminated by the presence of Hazardous Materials, Buyer shall at its sole expense dispose of any such material which has been excavated by Buyer in accordance with all applicable laws and regulations. If the purchase of the Property does not close for any reason, Buyer shall have no obligation to remediate any contamination revealed by Buyer's investigations with respect to the Property except to the extent of appropriate disposal of excavated materials. At Seller's request, Buyer shall promptly deliver to Seller copies of any reports relating to any testing or other inspection of the Property performed by Buyer or its agents, employees or contractors.

Buyer, at Buyer's sole expense, shall repair any and all damage resulting from any of the tests, studies, inspections and investigations performed by or on behalf of Buyer and Buyer shall indemnify, defend and hold harmless Seller, the partners of Seller, any party owning a direct or indirect interest in Seller, the affiliates of Seller, and the partners, members, trustees, shareholders, directors, officers, employees and agents of each of the foregoing parties, (collectively, the "Seller-Related Parties"), from and against all claims, losses, costs, damages, demands, expenses and liabilities (including attorneys' fees, court costs and other reasonable costs of defense, investigation and remediation costs) arising out of or resulting from the exercise by Buyer or its employees, consultants, agents or representatives of the right of access, investigation and tests, studies and inspections under this Agreement, provided that such claim, loss, cost damage, demand, expense or liability is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property, but only to the extent caused by the gross negligence or intentionally wrongful acts or omissions of Buyer, its employees, consultants, agents or representatives. The obligations of Buyer under this Section shall survive the Closing or any expiration or termination of this Agreement, however caused; provided, however, that the indemnity which is the subject of this Section shall not require remediation of physical conditions of the Property that existed prior to Buyer's entry onto the Property.

4.3 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) Within Three (3) days after the date City and Seller execute this Agreement, Seller shall deliver to City a current extended coverage preliminary report on the Real Property, issued by Chicago Title Company, accompanied by copies of all documents referred to in the report (collectively, the "Preliminary Report");

(ii) Within the period referred to in clause (i) above, Seller shall deliver to Buyer copies of any existing or proposed easements, covenants, restrictions, agreements or other documents that affect the Property, and are not disclosed by the Preliminary Report, or, if Seller knows of no such documents, a written certification of Seller to that effect; and

(iii) City may at its option arrange for an "as-built" survey of the Real Property and Improvements prepared by a licensed surveyor (the "Survey"). 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.

City shall advise Seller, within fifteen (15) days of receipt of title exceptions, what exceptions to title, if any, City is willing to accept (the "Accepted Conditions of Title"). City's failure to so advise Seller within such period shall be deemed disapproval of title. Seller shall have five (5) days after receipt of 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; or (B) notice that Seller elects not to cause such exceptions to be removed. If Seller gives notice under clause (B), City shall have five (5) 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 five (5) 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, City shall have the right to terminate this Agreement and receive a refund of the Deposit as its sole and exclusive remedy.

(iv) 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 7.1). City shall be responsible for performing or arranging any such reviews at City's expense, provided that if City's consultants reasonably determine that, based upon their Phase I examination, a Phase II examination is necessary with respect to all or a part of the Real Property, City may elect to perform a Phase II examination and shall pay the reasonable cost of any such Phase II examination performed by City or City's consultants. If any of City's investigations reveal any contamination of the Property with any Hazardous Material, then City may, at its sole election, by written notice to Seller on or before the end of the Due Diligence Period: (i) elect to proceed with the Closing; or (ii) terminate this Agreement.

(v) City's review and approval, within the Due Diligence Period, of the compliance of the Property with all applicable laws, regulations, permits and approvals.

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

(vii) 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 7.1 Representations and Warranties of Seller below are true and correct as of the Closing Date.

(viii) 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, reasonable wear and tear and loss by casualty excepted (subject to the provisions of Section 8.1 Risk of Loss), and, as of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding, pending or threatened, which after the Closing would materially adversely affect the value of the Property or the ability of City to operate the Property for its

intended use, and no proceedings shall be pending or threatened which could or would cause the change, redesignation or other modification of the zoning classification of, or of any building or environmental code requirements applicable to, any of the Property.

(g) Title Company shall be committed at the Closing to issue to City, or its nominee,

(h) the Title Policy as provided in Section 3.2 Title Insurance

(i) The transactions contemplated herein shall have been approved by all applicable City departments and agencies, including, without limitation, City and County of San Francisco Board of Supervisors, in their respective sole discretion, on or before July 28, 2015.

(j) The City's Mayor and the Board of Supervisors, in the respective sole discretion of each, shall have enacted a resolution approving, adopting and authorizing this Agreement and the transactions, on or before July 28, 2015.

(k) Seller shall have delivered the items described in Section 5.3 below Seller's Delivery of Documents on or before the Closing.

The Conditions Precedent contained in the foregoing Subsections (a) through (k) 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) through (k) 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. If City shall not have approved or waived in writing all of the Conditions Precedent in items (a) through (k) by the end of the Due Diligence Period, then this Agreement shall automatically terminate. In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller City may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to Seller, whereupon the Deposit shall be refunded to City and neither party shall have any further rights or obligations hereunder except for those obligations that specifically survive termination of this Agreement, or (2) continue this Agreement pending City's action for specific performance. City expressly waives any other remedy at law or in equity for any alleged breach of this Agreement by Seller prior to Closing.

4.4 Cooperation with City

Seller shall cooperate with City and do all acts as may be reasonably requested by City at no material cost or expense to Seller with regard to the fulfillment of any Conditions Precedent including, without limitation, execution of any documents, applications or permits. Seller hereby 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.

5. ESCROW AND CLOSING

5.1 Opening of Escrow

Three (3) days following the Effective Date (as defined in Article 11), 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. On the same day (three (3) days following the Effective Date), the City will deposit into escrow Five Hundred Thousand Dollars (\$500,000) as a deposit to be applied to the Purchase Price (the "Deposit"). The 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.

5.2 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 Chicago Title Company located at 455 Market Street Suite 2100, San Francisco, California 94105, on August 28, 2015, or on such earlier date as City and Seller may mutually agree (the "Closing Date"), subject to the provisions of Article 4.3 City's Conditions to Closing. The Closing Date may not be extended without the prior written approval of both Seller and City. 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, deliver the Deposit to Seller.

5.3 Seller's Delivery of Documents

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

- (a) a duly executed and acknowledged Deed;
- (b) four (4) duly executed counterparts of the Assignment of Intangible Property;
- (c) originals of the Documents;
- (d) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit D, and on which City is entitled to rely, that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code;
- (e) 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;
- (f) such resolutions, authorizations, or other partnership documents or agreements relating to Seller and its partners as City or the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;
- (g) closing statement in form and content satisfactory to City and Seller; and
- (h) the duly executed certificate regarding the continued accuracy of Seller's representations and warranties as required by Section 4.3(a)(ii) hereof.

5.4 City's Delivery of Documents and Funds

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

- (a) an acceptance of the Deed executed by City's Director of Property;
- (b) four (4) duly executed counterparts of the Assignment of Intangible Property;
- (c) a closing statement in form and content satisfactory to City and Seller; and
- (d) the Purchase Price, as provided in Article 2 hereof

5.5 Other Documents

Seller and City shall each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof, including, without limitation, an agreement (the "Designation Agreement") designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder, and executed by Seller, City and Title Company. The Designation Agreement shall be substantially in the form attached hereto as Exhibit E and, in any event, shall comply with the requirements of Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

5.6 Liquidated Damages

IN THE EVENT THE SALE OF THE PROPERTY CONTEMPLATED HEREBY IS NOT CONSUMMATED SOLELY BECAUSE OF A DEFAULT UNDER THIS AGREEMENT ON THE PART OF CITY INCLUDING BUT NOT LIMITED TO FAILING TO CLOSE ON OR BEFORE THE CLOSING DATE, AND THE SELLER IS NOT THEN IN DEFAULT HEREUNDER, THEN THE TITLE COMPANY SHALL DELIVER THE DEPOSIT TO THE SELLER, AND THE SELLER SHALL BE ENTITLED TO RETAIN SUCH SUM AS LIQUIDATED DAMAGES AS SELLER'S SOLE AND EXCLUSIVE REMEDY, AT LAW OR IN EQUITY, FOR CITY'S DEFAULT. THE PARTIES HAVE AGREED THAT SELLER'S ACTUAL DAMAGES, IN THE EVENT OF A FAILURE TO CONSUMMATE CLOSING AS SPECIFIED IN THE PRECEDING SENTENCE, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. AFTER NEGOTIATION, THE PARTIES HAVE AGREED THAT, CONSIDERING ALL THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, THE AMOUNT OF THE DEPOSIT IS A REASONABLE ESTIMATE OF THE DAMAGES THAT SELLER WOULD INCUR IN SUCH AN EVENT. BY PLACING THEIR RESPECTIVE INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION.

INITIALS: Seller _____ City _____

6. EXPENSES AND TAXES

6.1 Apportionments

The following are to be apportioned through escrow as of the Closing Date:

(a) Utility Charges

Seller shall cause all the utility meters to be read on the Closing Date, and will be responsible for the cost of all utilities used prior to the Closing Date. All utility deposits paid by Seller shall remain the property of Seller and City shall reasonably cooperate to cause such deposits to be returned to Seller to the extent Seller is entitled thereto.

(b) Other 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.

6.2 Closing Costs

City shall pay the cost of the Survey, the premium for the Title Policy and the cost of the endorsements thereto, and escrow and recording fees. 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.

6.3 Real Estate Taxes and Special Assessments

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

6.4 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. Either party owing the other party a sum of money based on such subsequent prorations shall promptly pay such sum to the other party.

6.5 Survival

The provisions of this Section shall survive the Closing.

7. REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of Seller

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

(a) To the best of Seller's knowledge, there are now, and at the time of the Closing will be, no violations of any laws, rules or regulations applicable to the Property.

(b) To the best of Seller's knowledge, the Documents and Other Information furnished to City are all of the relevant documents and information pertaining to the condition and operation of the Property in Seller's possession or control, and are and at the time of Closing will be true, correct and complete copies of such documents as they exist in Seller's possession or control.

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

(d) Seller does not have knowledge of any condemnation, either instituted or planned to be instituted by any governmental or quasi-governmental agency other than City, which could detrimentally affect the use, operation or value of the Property, other than a proposed moratorium on new housing development that may be placed on the ballot for the voters of San Francisco.

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

(f) To the best of Seller's knowledge, 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. To the best of Seller's knowledge, there are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

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

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

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

(j) Seller represents and warrants to City that it has not been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Seller has been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City.

(k) 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 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 obligations in connection with the Property which will be binding upon City after Closing, except for matters which are set forth in the Preliminary Report.

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

7.2 Indemnity

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, resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in connection with this Agreement. The indemnification provisions of this Section shall survive beyond the Closing, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement.

7.3 AS-IS Sale/Limitation of Seller's Liability After Closing

(a) The Property shall be conveyed in its present, "AS IS" condition, free of any liens, encumbrances, or other matters affecting title except for the Approved Title Conditions. The Seller shall not prepare the Property for any purpose whatsoever prior to conveyance to City. So long as there is no material adverse change in the condition of the Property after the Effective Date, City agrees to accept the Property in "AS IS" condition at the Close of Escrow, subject only to the Approved Title Conditions. At the Close of Escrow, the Seller shall be released by the City from and against any and all environmental, construction, and other ongoing liabilities "Liabilities" relating to the Property, except to the extent of any misrepresentation or breach by Seller under this Agreement. Notwithstanding the forgoing of this section, in no event shall Seller's liability for any breach of any representation or warranty under this section 7.3(a) shall exceed Five Hundred Thousand Dollars (\$500,000), for any Liabilities prior to the close of escrow.

(b) City acknowledges that Seller, nor any employee, representative or agent of Seller, have made any representation or warranty, express or implied, with respect to the Property except as expressly provided in this Agreement or in any document entered into between Seller and City pursuant to this Agreement, and it is agreed that Seller make no representations, warranties or covenants, express or implied, as to its physical condition; as to the condition of any improvements; as to the suitability or fitness of the land; as to any Environmental Law, or otherwise affecting the use, value, occupancy or enjoyment of the Property; or as to any other matter whatsoever; it being expressly understood that the Property is being sold in an "AS IS" condition. The provisions of this Section, as with the other provisions of this Agreement, shall survive the Close of Escrow and shall not merge into the Grant Deed delivered to City at Close of Escrow.

(c) City will be given the opportunity to investigate the Property fully, using experts of its own choosing as described in this Agreement.

(d) After Close of Escrow, City, at its sole cost and expense, shall comply with all provisions of Environmental Law applicable to the Property and all uses, improvements and appurtenances of and to the Property, and shall perform all investigations, removal, remedial actions, cleanup and abatement, corrective action or other remediation that may be required pursuant to any Environmental Law, and Seller and their respective members, officers, agents and employees, shall have no

responsibility or liability with respect thereto related to the Property, except where such liability results from the gross negligence or intentional misconduct of Seller.

(e) After Close of Escrow, any costs associated with the security, maintenance/repair, and demolition of any existing structures on the Property are the sole and absolute responsibility of the City.

(f) CITY ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE EXTENT OTHERWISE EXPRESSLY PROVIDED HEREIN, SELLER IS CONVEYING AND CITY IS ACCEPTING THE PROPERTY ON AN "AS-IS WITH ALL FAULTS" BASIS SUBJECT TO ALL APPLICABLE LAWS, RULES AND ORDINANCES, INCLUDING WITHOUT LIMITATION, ANY ZONING ORDINANCES, OR OTHER REGULATIONS GOVERNING THE USE, OCCUPANCY OR POSSESSION OF THE PROPERTY. CITY REPRESENTS AND WARRANTS THAT CITY IS RELYING SOLELY ON ITS INDEPENDENT INVESTIGATION AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM SELLER OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE PROPERTY, ITS SUITABILITY FOR CITY'S INTENDED USES OR ANY OF THE PROPERTY CONDITIONS. SELLER DOES NOT GUARANTEE THE LEGAL, PHYSICAL, GEOLOGICAL, ENVIRONMENTAL OR OTHER CONDITIONS OF THE PROPERTY, NOR DOES IT ASSUME ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE PROPERTY OR ITS USE WITH ANY STATUTE, RESOLUTION OR REGULATION. CITY AGREES THAT NEITHER SELLER, NOR ANY OF ITS AGENTS HAVE MADE, AND SELLER DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY CONDITIONS.

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

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.

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

INITIALS: CITY: _____

7.4 Hazardous Materials Indemnification

(a) After the Close of Escrow, City shall indemnify, defend and hold Seller and its respective members, officers, agents and employees (individually, an "Indemnified Party" and collectively, the "Indemnified Parties") harmless from and against any losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without

limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in any manner relating to (A) the City's violation of any Environmental Law, or (B) any Release or threatened Release of a Hazardous Substance, or any condition of pollution, contamination or Hazardous Substance-related nuisance on, under or from the Property, occurring after the Close of Escrow, except where such violation, Release or threatened Release, or condition was at any time caused by the gross negligence or intentional misconduct of the Indemnified Party seeking indemnification. Provided however, Seller shall have no obligation to incur any expense related to any Release or threatened Release of Hazardous Substances on or under the Property after Closing, and Buyer shall indemnify, defend and hold Seller harmless from any such expense ("Buyer's Hazardous Substance Indemnification"); but provided further that Buyer's Hazardous Substance Indemnification does not apply to any claims or actions against Seller by third parties for any violations of Environmental Laws due to violations, Releases or threatened Releases of Hazardous Substances from the Property prior to the Close of Escrow.

(b) For purposes of this Section, the term "Hazardous Substance" shall have the meaning set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended as of the date of this Agreement, 42 U.S.C. §9601(14), and in addition shall include, without limitation, petroleum (including crude oil or any fraction thereof) and petroleum products, asbestos, asbestos-containing materials, polychlorinated biphenyls ("PCBs"), PCB-containing materials, all hazardous substances identified in the California Health & Safety Code §§25316 and 25281(d), all chemicals listed pursuant to the California Health & Safety Code §25249.8, and any substance deemed a hazardous substance, hazardous material, hazardous waste, or contaminant under Environmental Law. The foregoing definition shall not include substances that occur naturally on the Property.

(c) The term "Environmental Law" shall include all federal, state and local laws, regulations and ordinances governing hazardous waste, wastewater discharges, drinking water, air emissions, Hazardous Substance releases or reporting requirements, Hazardous Substance use or storage, and employee or community right-to-know requirements related to the work being performed under this Agreement.

(d) For purposes of this Section, the term "Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment (including the abandonment or discharging of barrels, containers, and other closed receptacles containing any Hazardous Substance).

8. RISK OF LOSS AND POSSESSION

8.1 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 Two Hundred and Fifty Thousand Dollars (\$250,000) (the "Threshold Damage Amount") to repair or restore, then this Agreement shall remain in full force and effect and City shall acquire the Property upon the terms and conditions set forth herein. In such event, City shall receive a credit against the Purchase Price equal to such deductible amount, and Seller shall assign to City at Closing all of Seller's right, title and interest in and to all proceeds of insurance on account of such damage or destruction pursuant to an instrument satisfactory to City.

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

(c) If the cost of such damage or destruction would equal or exceed the Threshold Damage Amount, or if condemnation proceedings are commenced against any of the Property, then, City shall have the right, at its election, either to terminate this Agreement or to not terminate this Agreement and purchase the Property. 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 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 except for such obligations that expressly survive termination of this Agreement. If City elects not to terminate this Agreement, Seller shall notify City of Seller's intention to repair such damage or destruction, in which case this Agreement shall remain in full force and effect, or notify City of Seller's intention to give City a credit against the Purchase Price at the Closing in the amount reasonably determined by City and Seller (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction and, in the event of a result of such condemnation proceeding, the value of any Property taken as a result of such proceeding, in which case this Agreement shall otherwise remain in full force and effect, and Seller shall be entitled to any proceeds of insurance or condemnation awards. Any repairs elected to be made by Seller pursuant to this Subsection shall be made within one hundred eighty (180) days following such damage or destruction and the Closing shall be extended until the repairs are substantially completed.

8.2 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 liability insurance.

8.3 Possession

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

9. MAINTENANCE; CONSENT TO NEW CONTRACTS

9.1 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, maintenance and replacements of the Improvements and otherwise operate the Property in the same manner as before the making of this Agreement, as if Seller were retaining the Property.

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

After the date the Director of Property submits legislation for approval by City's Board of Supervisors of this Agreement, 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, or waive any rights of Seller under any Lease or Assumed Contract, without in each instance obtaining City's prior written consent. City agrees that it shall not unreasonably withhold or delay any such consent. Seller shall terminate prior to

the Closing, at no cost or expense to City, any and all management agreements affecting the Property that City does not agree in writing prior to the Closing to assume.

10. GENERAL PROVISIONS

10.1 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) two (2) 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: 490 South Van Ness Avenue
Facsimile No.: (415) 552-9216

with copy to:

Heidi Gewertz
Deputy City Attorney
Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Re: 490 South Van Ness Avenue

Facsimile No.: (415) 554-4755

Seller:

South Van Ness 490, LP
630 Taraval Street
San Francisco, Ca. 94116
Phone:
Email: Pete@shamrocksf.com

with copy to:

Ronald P. Albert, Esq.
Albert Law Corporation
66 George Lane, Suite 101
Sausalito, CA 94965-1890
Phone: (415) 332-5600
email: rpa@albertlawcorp.com

with copy to:

Trent Moore
Shamrock Realty
2655 Van Ness Avenue, Suite 2
San Francisco, CA 94109
Phone:
email: Trent@shamrocksf.com

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, telefacsimile, to the telephone number listed above, or such other numbers as may be provided from time to time. However, neither party may give official or binding notice by email or facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice.

10.2 Brokers and Finders

In the event that any 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.

10.3 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.

10.4 Amendments

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

10.5 Continuation and Survival of Representations and Warranties

All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement are intended to be, and shall remain, true and correct as of the Closing, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective parties contained herein or made in writing pursuant to this

Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing, or, to the extent the context requires, beyond any termination of this Agreement. All statements contained in any certificate or other instrument delivered at any time by or on behalf of Seller in conjunction with the transaction contemplated hereby shall constitute representations and warranties hereunder.

10.6 Governing Law

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

10.7 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 including, without limitation, the Letter of Intent between the parties hereto. 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.

10.8 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.

10.9 Interpretation of Agreement

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

10.10 Attorneys' Fees

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 actual cost incurred by the City for such attorneys, including the prorated cost of employee benefits. 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.

10.11 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.

10.12 Conflicts of Interest

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

10.13 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.

10.14 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 Counterparts

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

10.15 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.

10.16 Severability

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

10.17 Agreement Not to Market Prior to Effective Date

Seller agrees that unless and until this Agreement terminates pursuant to its terms, Seller shall not market the Property to third parties.

10.18 Acceptance of Agreement by Seller

This Agreement shall be null and void unless Seller accepts it and returns to City four (4) fully executed counterparts hereof on or before 5:00 p.m. San Francisco Time on _____, 2015.

10.19 Section 1031 Exchange

Buyer agrees to cooperate with Seller and any escrow holder or exchange facilitator selected by Seller in effecting a qualifying exchange or exchanges under Section 1031 of the Federal Code undertaken by Seller with respect to the Property, either through assignment of this Agreement by Seller to a qualified intermediary or through other means determined by Seller, and Buyer shall execute such documents as may be reasonably requested by Seller provided that such documents shall not materially increase Buyer's obligations over those otherwise contained in this Agreement.

10.20 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:

SOUTH VAN NESS 490, LP; a California
Limited Partnership

By: _____
Its: _____

Date: _____

BENICIA LAKE, LLC, a California Limited
Liability Company

By: _____
Its: _____

Date: _____

By: Maurice Casey

Date: _____

CITY:


CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 
Heidi J. Gewertz
Deputy City Attorney

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

TITLE COMPANY:

CHICAGO TITLE INSURANCE COMPANY

By: _____

Its: _____

Date: _____

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

Beginning at the point of intersection of the Northerly line of 16th Street and the Westerly line of South Van Avenue; running thence Northerly along said line of South Van Ness Avenue 150 feet to the Southerly line of Adair Street; thence at a right angle Westerly along said line of Adair Street 95 feet; thence at a right angle Southerly 150 feet to the Northerly line of 16th Street; thence at a right angle Easterly along the last mentioned line 95 feet to the point of beginning.

EXHIBIT B
GRANT DEED

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

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

The undersigned hereby declares this instrument to be
exempt from Recording Fees (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 No. 3553-008)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, SOUTH VAN NESS 490, LP; BENICIA LAKE, LLC; and MAURICE CASEY hereby grant to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the real property (the "Land") and any improvements thereon (the "Improvements") located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof (together, the "Property").

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

[SIGNATURES ON FOLLOWING PAGE]

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

_____, a _____

_____, By: _____
NAME

Its: _____

_____, By: _____
NAME

Its: _____

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

CERTIFICATE OF ACCEPTANCE

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

Dated: _____

By: _____

John Updike
Director of Property

EXHIBIT C

**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 _____, a _____ ("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 and all architecture and engineering plans and specifications, environmental tests and reports and studies, but only to the extent that such items are assignable by Assignor, and

C. 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: _____

Its: _____

By: _____

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

John Updike
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney


By:  _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT D

**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 E

DESIGNATION AGREEMENT

This DESIGNATION AGREEMENT (the "Agreement") dated as of _____, 20____, is by and between _____, a _____ ("Seller"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and _____ TITLE INSURANCE COMPANY ("Title Company").

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

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

C. Pursuant to Subsection 2(b)(i) of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No. _____, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

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

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

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

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

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

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

SELLER:

Attn: _____
Facsimile No.: () _____

CITY:

Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Facsimile No.: (415) 552-9216

TITLE COMPANY:

Attn: _____
Facsimile No.: () _____

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

[SIGNATURES ON FOLLOWING PAGE]

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

SELLER:

Attn: _____
Facsimile No.: () _____
By: _____
Its: _____
Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property
Date: _____

Title Company:

_____ TITLE INSURANCE
COMPANY
Date: _____
By: _____
Its: _____



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

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

Date: June 30, 2015
Case No. 2015-007815GPR
490 South Van Ness Avenue – Purchase property for new
affordable housing project

Reception:
415.558.6378

Fax:
415.558.6409

Block/Lot No: 3553/008

Planning
Information:
415.558.6377

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

Applicant: Same as Above

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

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

Recommended
By: 
John Rahaim, Director of Planning

PROJECT DESCRIPTION

On June 22, 2015, the Planning Department (herein “the Department”) received a request from the City and County of San Francisco Real Estate Division on behalf of the Mayor’s Office of Housing and Community Development (MOHCD) to consider the acquisition of the property at 490 South Van Ness Avenue. MOHCD is proposing to purchase the site in order to develop it as an affordable rental housing project. It is currently vacant and was previously used as a gasoline station. The property is fully entitled for a 72 unit multifamily development and, if acquired by MOHCD, would be developed as 100% affordable rental housing for families making no more than 50% of area median income (AMI). 20% of units would be set aside for homeless families making less than 30% AMI.

This project does not propose any additional development, land use changes, or changes to the right-of-way that have not already been approved. This action is simply to acquire the property for MOHCD ownership.

ENVIRONMENTAL REVIEW

The effects of the project were fully reviewed under the Eastern Neighborhoods Area Plan EIR certified by the San Francisco Planning Commission on 8/7/08, by Motion No. 17661. On 6/24/14, the project was determined to be consistent with the Eastern Neighborhoods Area Plan EIR and exempt from environmental review per CEQA Guidelines Section 15183 (Planning Case No. 2010.0043E).

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

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

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

Housing Element

OBJECTIVE 1

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

POLICY 1.3

Work proactively to identify and secure opportunity sites for permanently affordable housing.

The proposed property acquisition will allow an abandoned gas station to be replaced with 72 new affordable housing units.

POLICY 1.8

Promote mixed use development, and include housing, particularly permanently affordable housing, in new commercial, institutional or other single use development projects.

The proposed property acquisition would allow for the construction of permanently affordable housing over a 655 square foot ground floor retail space.

POLICY 1.10

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

The proposed property is located in a transit-rich, walkable, and bike-friendly neighborhood, just two blocks from the 16th Street BART station and served by multiple Muni bus lines.

OBJECTIVE 4

FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.

POLICY 4.4

Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.

The proposed property acquisition will allow an abandoned gas station to be replaced with 72 new affordable rental housing units.

OBJECTIVE 6

REDUCE HOMELESSNESS AND THE RISK OF HOMELESSNESS.

POLICY 6.1

Prioritize permanent housing and service-enriched solutions while pursuing both short- and long-term strategies to eliminate homelessness.

If purchased by MOHCD, 20% of the project's units will be set aside for homeless families making less than 30% area median income (AMI).

OBJECTIVE 8

BUILD PUBLIC AND PRIVATE SECTOR CAPACITY TO SUPPORT, FACILITATE, PROVIDE AND MAINTAIN AFFORDABLE HOUSING.

POLICY 8.1

Support the production and management of permanently affordable housing.

The proposed property acquisition will allow for the production of a permanently affordable housing project.

Eight Priority Policies Findings

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

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.
The proposed property acquisition will not negatively affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses. The new development will, however, provide new affordable housing for residents who may support such businesses in the surrounding area.
2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.
The proposed property acquisition would not displace any existing housing and would provide an additional 72 affordable rental housing units and will help preserve the cultural and economic diversity of the Mission.
3. That the City's supply of affordable housing be preserved and enhanced.
The proposed property acquisition will increase the stock of permanent affordable housing in the City.
4. That commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking.
The proposed property acquisition will not result in commuter traffic impeding Muni's transit service, overburdening the streets or altering current neighborhood parking.

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

The proposed property acquisition would not affect the existing economic base in this area.

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

The proposed property acquisition would not affect the City's preparedness to protect against injury and loss of life in an earthquake.

7. That landmarks and historic buildings be preserved.

The proposed property acquisition will not affect landmarks or historic buildings.

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

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

RECOMMENDATION:	Finding the Project, on balance, in-conformity with the General Plan
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cc: John Updike, Real Estate Division

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OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *Edwin M. Lee* Mayor Edwin M. Lee *EW*
RE: Acquisition of Real Estate - 490 South Van Ness Avenue from South Van
Ness 490, LP, Benicia Lake LLC, and Maurice Casey in the amount of
\$18,500,000.
DATE: July 7, 2015

Attached for introduction to the Board of Supervisors is a resolution authorizing the acquisition of real property located near the intersection of South Van Ness Avenue and 16th Street, San Francisco; adopting findings under the California Environmental Quality Act; and adopting findings that the acquisition is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

I respectfully request that this item be calendared in Budget & Finance Committee on July 22nd, 2015.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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**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: South Van Ness 490, LP; Benicia Lake, LLC; Maurice Casey	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
1) South Van Ness 490, LP (Peter Naughton); Benicia Lake, LLC(Mike Joyce); Maurice Casey 2) South Van Ness 490, LP (Peter Naughton); Benicia Lake, LLC(Mike Joyce); Maurice Casey 3) N/A 4) N/A 5) None	
Contractor address: 630 Taraval Street San Francisco, Ca. 94116 c/o Peter Naughton	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$18,500,000
Describe the nature of the contract that was approved: Purchase and Sale Agreement for land to be used as 100% affordable housing.	
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