

File No. 150728

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date July 15, 2015

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date July 10, 2015

Completed by: Linda Wong Date _____

[Sale of City Property - 30 Van Ness Avenue - No Less Than \$87,000,000; Appropriation to Defeasance Certificates of Participation - Up to \$31,770,000]

Ordinance authorizing the sale, by public competitive bid, of City-owned property located at 30 Van Ness Avenue for not less than \$87,000,000; authorizing the use of a portion of the proceeds from the sale for the defeasance of up to \$25,870,000 outstanding principal amount of Certificates of Participation (30 Van Ness Property) Series 2001A, up to \$5,900,000 outstanding principal amount of Certificates of Participation (City Office Buildings-Multiple Properties Project) Series 2007A, and appropriating funds for such defeasance; excluding the sale from the requirements of the Surplus Property Ordinance; affirming the Planning Department's determination under the California Environmental Quality Act; and adopting findings that the sale is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *strikethrough italics Times New Roman font*.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. In accordance with the recommendation of the Director of Property, the Board of Supervisors finds that the public interest or necessity will not be inconvenienced by the sale of the property known as Assessor's Block No. 0835, Lot No. 004, commonly known as 30 Van Ness Avenue, San Francisco (the "Property"), owned by the City under the jurisdiction of the Department of Real Estate and presently occupied in part by City staff.

1 Section 2. The Planning Department, by letter dated _____, 2015, found that the
2 sale of the Property is categorically exempt from environmental review under the California
3 Environmental Quality Act ("CEQA", Pub. Resources Code Section 21000 et seq.), pursuant
4 to CEQA Guidelines Section 15312 and Chapter 31 of the City's Administrative Code and is
5 consistent with the City's General Plan and the eight priority policies of City Planning Code
6 Section 101.1, which letter is on file with the Clerk of the Board of Supervisors in File No.
7 _____, and incorporated herein by this reference. The Board affirms the Department's
8 determination under the California Environmental Quality Act, and finds that the proposed sale
9 of the Property is consistent with the City's General Plan and with Planning Code Section
10 101.1(b) for the reasons set forth in the Director of Planning's letter.

11 Section 3. The Board of Supervisors authorizes the Director of Property, on behalf of
12 the City and County of San Francisco, to sell the Property through a competitive bid without
13 subsequent approval or confirmation by the Board of Supervisors on the conditions that:
14 (i) the sale price is equal to or greater than \$87,000,000; (ii) the sale be effectuated through a
15 conveyance deed imposing requirements upon redevelopment that meet or exceed those
16 certain minimum affordable housing provisions and obligations set forth in the Market Octavia
17 Area Plan, as set forth in Planning Code Section 416; and (iii) the sale provide for a holdover
18 lease for the City as described below. Following any such sale, the Director of Property shall
19 report the final sales price and conditions of sale in writing to the Clerk of the Board of
20 Supervisors within thirty (30) days of such sale.

21 Section 4. The Board of Supervisors authorizes the Director of Property, on behalf of
22 the City and County of San Francisco, as a term of the sale agreement, to enter into an office
23 lease ("Holdover Lease") of the Property to provide for continued occupancy of the Property
24 by the City on the terms and conditions outlined in an exhibit to the draft Purchase and Sale
25 Agreement ("Agreement"), which is on file with the Clerk of the Board of Supervisors in File

1 No. 156128, and incorporated herein by this reference, and to enter into any additions,
2 amendments or other modifications to the Holdover Lease (including in each instance, without
3 limitation, the attachment of exhibits) that the Director of Property, in consultation with the City
4 Attorney, determine are in the best interests of the City, do not otherwise materially increase
5 the obligations or liabilities of the City beyond those contemplated in the Agreement, and are
6 in compliance with all applicable laws, including the City's Charter.

7 Section 5. The provisions of Administrative Code Chapter 23A, the Surplus City
8 Property Ordinance, shall not apply to the sale of the Property.

9 Section 6. City's Controller or the Director of Property is hereby authorized and
10 directed to cause an aggregate amount up to \$31,770,000 of the sale proceeds to be applied
11 to the retirement and defeasance of up to \$25,870,000 outstanding principal amount of
12 Certificates of Participation (30 Van Ness Property) Series 2001A and up to \$5,900,000
13 outstanding principal amount of Certificates of Participation (City Office Buildings—Multiple
14 Properties Project), Series 2007A, collectively, the "COPs"), together in each case with
15 interest accrued to the defeasance date.

16 Section 7. The Controller shall establish a continuing project account into which the
17 proceeds from the sale of City-owned offices at 30 Van Ness Avenue, 1660 Mission Street,
18 and 1680 Mission Street (if authorized for sale) shall be deposited. The first \$122,000,000
19 deposited into this account shall be used for the purpose of developing other office space to
20 accommodate City functions relocated from these or other City facilities and repaying debt on
21 the properties sold. Additional sales proceeds received beyond this \$122,000,000 shall be
22 used for the purpose of development of affordable housing at these or other sites. Pending
23 close of the sale of 30 Van Ness Avenue, \$31,790,000, plus accrued interest if redeemed
24 after September 1, 2015, is hereby appropriated from the account for the purpose of
25 repayment of outstanding debt on the facility as provided in section 6 of this ordinance. All

1 expenditures from the account other than the above appropriation shall be subject to future
2 appropriation by the Mayor and Board of Supervisors.

3 Section 8. The Director of Property is hereby authorized and directed to take any and
4 all actions that the Director of Property, in consultation with the City Attorney, deems
5 necessary or advisable to effectuate the purposes of this ordinance, which actions shall
6 include, but not be limited to, securing bids for the sale of the Property, accepting the most
7 responsive bid, executing a purchase and sale agreement, a Holdover Lease, and such other
8 instruments and agreements described in the exhibits to the purchase and sale agreement,
9 and closing an escrow for the sale of the Property, and the Controller and the Director of
10 Property are hereby authorized and directed to take any and all actions that the Controller and
11 Director of Property, in consultation with one another and with the City Attorney, deem
12 necessary to cause a portion of the proceeds of the sale to be applied to the retirement and
13 defeasance of the COPs as provided in this ordinance, including executing any documents
14 and instruments necessary for such purposes and to cause the balance of the sale proceeds
15 to be deposited the project account described in this ordinance.

16 Section 9. Effective Date. This ordinance shall become effective 30 days after
17 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
18 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
19 of Supervisors overrides the Mayor's veto of the ordinance.

1 RECOMMENDED:

2
3 Director of Property

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

7 By:

8 Anita L. Wood
9 Deputy City Attorney
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LEGISLATIVE DIGEST

[Sale of City Property - 30 Van Ness Avenue - No Less Than \$87,000,000; Appropriation to Defeasance Certificates of Participation - Up to \$31,770,000]

Ordinance authorizing the sale, by public competitive bid, of City-owned property located at 30 Van Ness Avenue for not less than \$87,000,000; authorizing the use of a portion of the proceeds from the sale for the defeasance of up to \$25,870,000 outstanding principal amount of Certificates of Participation (30 Van Ness Property) Series 2001A, up to \$5,900,000 outstanding principal amount of Certificates of Participation (City Office Buildings-Multiple Properties Project) Series 2007A, and appropriating funds for such defeasance; excluding the sale from the requirements of the Surplus Property Ordinance; affirming the Planning Department's determination under the California Environmental Quality Act; and adopting findings that the sale is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1..

Background Information

On May 7, 2001 the Board of Supervisors adopted and on May 9, 2001, the Mayor approved Resolution No. 344-01, which authorized the City to issue up to \$35,950,000 in City and County of San Francisco Certificates of Participation (30 Van Ness Property), Series 2001A (the "Series 2001A Certificates") to partially finance City's purchase of the property commonly known as 30 Van Ness Avenue (the "Property"), and on November 21, 2006 the Board of Supervisors adopted Resolution No. 680-06 and on November 29, 2006 the Mayor approved Resolution No. 680-06, which authorized the City to issue up to \$162,000,000 in City and County of San Francisco Certificates of Participation (City Office Buildings—Multiple Properties Project), Series 2007A (the "Series 2007A Certificates") to finance, among other purposes, the improvement of the Property.

Current Legislation

The Board of Supervisors finds that the provisions of Administrative Code Chapter 23A, the Surplus City Property Ordinance, shall not apply to the sale of the Property and authorizes the Director of Property to sell the Property through a competitive bid on the conditions that: (i) the sale price is equal to or greater than \$87,000,000; (ii) the sale be effectuated through a conveyance deed that imposes requirements upon redevelopment that meet or exceed certain minimum affordable housing provisions and obligations set forth in the Market Octavia Area Plan; and (iii) the sale provide for a holdover lease for the City for certain office space in the Property, and also authorizes the Director of Property to enter into the holdover lease. The Board of Supervisors authorizes and directs City's Controller or Director of Property to

cause an aggregate amount up to \$31,770,000, of the sale proceeds, plus the amount required to repay accrued interest if redeemed after September 1, 2015, to be applied to the retirement and defeasance of up to \$25,870,000 outstanding principal amount of the Series 2001A Certificates and up to \$5,900,000 of the sale proceeds to be applied to the outstanding principal amount of the Series 2007A Certificates, together in each case with interest accrued to the defeasance date.

The Controller shall establish a continuing project account into which the proceeds from the sale of the Property as well proceeds from the future sales of 1660 Mission Street and 1680 Mission Street shall be deposited. The first \$122,000,000 deposited into this account shall be used for the purpose of developing other office space to accommodate City functions relocated from these or other City facilities and repaying debt on the properties sold. Additional sales proceeds received beyond this \$122,000,000 shall be used for the purpose of development of affordable housing at these or other sites. Pending close of the sale of the Property, \$31,790,000, plus accrued interest if redeemed after September 1, 2015, is appropriated from the account for the purpose of repayment of outstanding debt on the Property. All other expenditures from the account shall be subject to future appropriation by the Mayor and Board of Supervisors.

Item 6**Department:****File 15-0728**

Administrative Services, Real Estate Division

EXECUTIVE SUMMARY**Legislative Objectives**

- Ordinance authorizing the sale, by public competitive bid, of City-owned property located at 30 Van Ness Avenue for not less than \$87,000,000; authorizing the use of a portion of the proceeds from the sale for the defeasance of up to \$31,770,000 of outstanding principal of Certificates of Participation (COPs); excluding the sale from the requirements of the Surplus Property Ordinance; affirming the Planning Department's determination under the California Environmental Quality Act (CEQA); and adopting findings that the sale is consistent with the General Plan and Planning Code.

Key Points

- 30 Van Ness Avenue, located on the northeast corner of Van Ness Avenue and Market Street, is a five-floor 180,363 square foot City-owned office building, housing five City departments. The City has a total capital investment of approximately \$44,139,800 in the 30 Van Ness Avenue building, including a current outstanding principal debt service balance of \$31,770,000.
- On April 13, 2015, the City's Real Estate Division, working with the selected real estate investment brokers, Newmark, Cornish & Carey, put 30 Van Ness on the market for sale. Based on several iterations, the City's review committee has now selected the top four bid responses, all of which are equal to or greater than \$87,000,000.

Fiscal Impact

- If the 30 Van Ness building is sold for \$87,000,000, after \$435,000 for broker commission, \$40,000 of marketing costs and paying off the outstanding debt service balance of \$31,770,000, the City will receive \$54,755,000 in net sale proceeds.

Policy Consideration

- The proposed ordinance would exclude the sale of 30 Van Ness Avenue from the requirements of the City's Surplus Property Ordinance as the sale proceeds would provide funds for new City offices.

Recommendations

- Amend the proposed ordinance to require subsequent approval by the Board of Supervisors of the specific preferred bid to sell 30 Van Ness Avenue, including the name of the specific developer, the sales price, City leaseback provisions, percentage of affordable housing, and net sales revenues that the City would receive.
- Except for excluding the sale of 30 Van Ness Avenue from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A, which is a policy decision for the Board of Supervisors, approve the proposed ordinance as amended.

MANDATE STATEMENT**Mandate Statement**

City Administrative Code Section 23.3 provides that the Director of Property may convey (sell) any real property owned by the City, after the Board of Supervisors determines that the public interest or necessity will not be inconvenienced by the conveyance, authorizes the means of conveyance, whether by public auction, competitive bidding process or other means of disposition and approves the conveyance. In accordance with Section 23.3, before the Board of Supervisors approves the conveyance, the Director of Property must appraise the fair market value of the City's real estate and every conveyance, other than from public auction or competitive bidding, must be sold for at least 100% of the Director of Property's appraisal, except when the Board of Supervisors determines either that (a) a lesser sum will further a proper public purpose, or (b) based on substantial evidence that such conveyance is reflective of the fair market value.

In addition, City Administrative Code Chapter 23A provides that it is City policy that the proceeds from the sale of City surplus property be used to finance affordable housing in San Francisco.

BACKGROUND

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

In November, 2006, the Board of Supervisors approved a resolution (Resolution 680-06) authorizing the City to issue up to \$162,000,000 of additional COPs to finance the acquisition and renovation of additional City properties¹. The \$162,000,000 COPs included \$6,309,800 to renovate the 30 Van Ness City office building. Therefore, the City has a total capital investment of approximately \$44,139,800 (\$37,830,000 + \$6,309,800) in the 30 Van Ness Avenue building. The City's total current outstanding principal balance on the COPs related to 30 Van Ness is \$31,770,000, with debt service payments for 30 Van Ness of approximately \$3,000,000 annually.

Decision to Sell 30 Van Ness Avenue

City employees from the Department of Public Works, Department of Public Health, Department of Emergency Management, Office of Civic Engagement and Immigrant Affairs, and Administrative Services' Contract Monitoring Division are currently located in the 30 Van Ness

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

City office building. In addition, the building includes privately leased spaces on the ground floor and one suite on the second floor. All the private leases expire before December 31, 2018.

Mr. John Updike, Director of Real Estate, advises that the current offices at 30 Van Ness are dysfunctional because (a) the interior layout is inefficient, given current fire code exiting requirements, (b) the building systems are not effective, and (c) this modest 5-story office building, including Walgreens on the ground floor, does not take full advantage of the transit-rich location at Van Ness and Market which could support a larger, residentially focused mixed use development. In addition, Mr. Updike notes that the City is currently pursuing options to consolidate City office functions with improved resiliency and enhanced customer service capabilities elsewhere in the Civic Center. And finally, Mr. Updike advises that the current economic conditions are very favorable to sell real estate to maximize the City's monetary interests in the 30 Van Ness property.

Selection of Real Estate Investment Brokers

In 2013, the City's Real Estate Division prequalified four firms to provide real estate investment brokerage services for the City. In early 2015, based on a competitive process with these four prequalified firms, the Real Estate Division selected the lowest bidder, Newmark, Knight, Frank, Cornish & Carey (Newmark, Cornish & Carey) to provide brokerage services for the sale of 30 Van Ness. Newmark, Cornish & Carey bid the lowest commission of 0.5% of the sale price.

Offering of 30 Van Ness Avenue

On April 13, 2015, the City's Real Estate Division, working with the selected real estate investment brokers, Newmark, Cornish & Carey, issued a preliminary offer of interest to sell the City-owned property at 30 Van Ness Avenue. Over 100 interested parties responded to this preliminary offer. Then, an initial call for bid offers was issued to these interested parties and by the due date of May 28, 2015, the City received 15 offers to purchase 30 Van Ness Avenue.

Based on evaluation by the City's review committee², the 15 bid offers were reduced to 11 offers. On June 8, 2015, five questions were sent to these 11 offerers, requesting responses by June 12, 2015, regarding (1) affordable housing provisions³, (2) plans to enhance transit experience at Market and Van Ness, (3) leaseback terms and conditions with the City, (4) entitlement provisions in San Francisco, and (5) source of capital financing.

The City's review committee evaluated the 11 responses and on June 16, 2015 invited the top eight offerers, all of which included housing and some of which included office use proposals, to further respond with their: (1) best offer price with 12% affordable housing; and (2) best offer price with 20% affordable housing. The City received six responses by the June 19, 2015 due date.

² The City's review committee consisted of representatives from the Real Estate Division, Economic and Workforce Development, Controller's Office, Office of Public Finance, Planning Department, Mayor's Office of Housing, and Mayor's Budget Office, with advisory services provided by Newmark, Cornish & Carey.

³ Affordable housing is defined as persons making no more than 55% of the Area Median Income (AMI). In 2015, a 4-person household making 55% of the AMI would be \$56,050.

The City's review committee has now selected the top four responses, all of which have offered to purchase the 30 Van Ness City-owned building at a price equal to or greater than \$87,000,000. According to Mr. Updike, all four respondents have committed to a primarily residential redevelopment of the site, including approximately 600 units of housing.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- (a) Authorize the sale, by public competitive bid, of City-owned property located at 30 Van Ness Avenue for not less than \$87,000,000;
- (b) Authorize the use and appropriation of a portion of the proceeds from the sale for the defeasance of up to \$31,770,000 of outstanding principal of Certificates of Participation;
- (c) Exclude the sale from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A;
- (d) Affirm the Planning Department's determination under the California Environmental Quality Act (CEQA); and
- (e) Adopt findings that the sale is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1.

The proposed ordinance specifies that the Board of Supervisors finds that the public interest or necessity will not be inconvenienced by the sale of the 30 Van Ness Avenue property, as required under City Administrative Code Section 23.3.

Under the proposed ordinance, the Board of Supervisors would authorize the Director of Property, on behalf of the City, to sell 30 Van Ness Avenue, through a competitive bid process without subsequent approval or confirmation by the Board of Supervisors. The ordinance specifies that (a) the sale price must be equal to or greater than \$87,000,000; (b) the sale must be effectuated through a conveyance deed imposing redevelopment requirements that meet or exceed minimum affordable housing provisions and obligations as set forth in the Market Octavia Area Plan in Planning Code Section 416; and (c) the sale includes a holdover lease for the City. If approved, the Director of Property would be authorized to take any and all actions deemed necessary or advisable to secure bids for the sale of 30 Van Ness, accept the most responsive bid⁴, execute a purchase and sale agreement and Holdover Lease, and close escrow for the sale of the property. Within 30 days of the sale, the Director of Property would report the final sales price and conditions of the sale in writing to the Clerk of the Board of Supervisors.

⁴ Mr. Updike advises that the most responsive bid would be based on numerous factors, including (1) proposed sales price, (2) financial capacity of the acquiring entity to effect a close of escrow, (3) amount of the non-refundable deposit, (4) time required for due diligence, (5) specific terms of City leaseback agreement, (6) buyer's level of commitment regarding their future development with respect to affordability, and (7) investment in improving the transit experience at the Market/Van Ness station.

According to Mr. Updike, the Real Estate Division is requesting the Board of Supervisors approval of the proposed ordinance to authorize the sale by public competitive bid, rather than requesting the Board of Supervisors subsequent approval of a specific development offer and price for the sale of 30 Van Ness, based on the advice of the City's real estate broker team. Mr. Updike explains that there is a need to show the potential bidders for purchase of the 30 Van Ness building that the City is serious and sincere about selling this parcel for private development and doing so will enhance the final bids received for the sale of the property.

Affordable Housing Obligations

The proposed ordinance specifies that the conveyance deed will impose redevelopment requirements that meet or exceed the minimum affordable housing provisions and obligations as set forth in the Market Octavia Area Plan in Planning Code Section 416. Planning Code Section 416 requires inclusion of 12% affordable housing on site or 20% affordable housing off site at 55% of Area Median Income (AMI). If the proposed development includes 600 units of housing, 12% would mean 72 units of affordable housing and 20% would mean 120 units of affordable housing.

Mr. Updike notes that with the reinvestment of future potential City fees and property sales revenues that exceed the threshold⁵, the 30 Van Ness redevelopment project could potentially include 33% (or approximately 200 units) of affordable housing on this site.

Holdover Lease for City

The proposed ordinance would authorize the Director of Property to enter into a holdover office lease, to be included in the Purchase and Sale Agreement, to allow City departments to continue to occupy 30 Van Ness Avenue office building, without subsequent approval by the Board of Supervisors. Mr. Updike advises that this holdover lease would extend from the close of escrow, estimated to occur in early September, 2015, through December 31, 2018, with two six-month options for renewal, or potentially through December 31, 2019. Under the holdover lease, the City would be responsible for paying for all utilities, custodial, engineering, maintenance, property management and security services.

Mr. Updike advises that the Real Estate Divisions' budget for FY 2015-16 and FY 2016-17 anticipates continued work order rent payments from the departments that occupy 30 Van Ness to cover the cost of debt service and maintenance of the building. Under the proposed sale and related holdover lease, the City would defease the existing debt on 30 Van Ness, such that the amount paid by City departments previously used for debt service payments would be available to pay rent to a new landlord. The current annual debt service for 30 Van Ness is approximately \$3 million. The leaseback cannot cost the City more than the Real Estate's budget, without subsequent Board of Supervisors appropriation approval.

⁵ Under the proposed ordinance, the first \$122,000,000 of proceeds from the sale of 30 Van Ness and 1660 and 1680 Mission Streets, would be deposited into a continuing project account to repay debt and develop other office space to accommodate City functions being relocated. Sales proceeds that exceed the first \$122,000,000 would be used to develop affordable housing at these or other sites.

Therefore, City departments would continue to pay approximately \$27 per square foot per year, including all related utility and maintenance costs to occupy 30 Van Ness. In contrast, the current fair market value for all leases in the Civic Center/Van Ness area is approximately \$46 per square foot per year, which is \$19 or 70% higher. Mr. Updike anticipates that the City will receive more favorable leaseback terms in the final offer.

Use and Appropriation of Funds to Repay Certificates of Participation

As discussed above, the City issued COPs of \$35,950,000 in 2001 and \$6,309,800 in 2006 related to the purchase and renovation of 30 Van Ness. The current outstanding principal for the 2001 COPs is \$25,870,000 and the current outstanding principal for the 2006 COPs is \$5,900,000, or a total aggregate amount of \$31,770,000. Including related expenses of approximately \$20,000, a total of \$31,790,000 would be appropriated after the sale of 30 Van Ness to fully pay the remaining debt and related costs on the COPs. The proposed ordinance also authorizes and appropriates potential accrued interest, if redeemed after September 1, 2015 when additional interest accrues on the remaining outstanding COP debt.

Surplus Property Ordinance

As noted above, under Administrative Code Chapter 23A, it is City policy that the proceeds from the sale of City surplus property be used to finance affordable housing in San Francisco. The proposed ordinance states that the provisions of Administrative Code Chapter 23A shall not apply to the sale of the 30 Van Ness Avenue property. Rather, the ordinance states that the proceeds from the sale of 30 Van Ness, together with the potential future proceeds from the sale of City-owned properties at 1660 and 1680 Mission Streets, would be deposited into a continuing project account that would be established by the Controller. The first \$122,000,000 deposited into this account would be used to develop other office space to accommodate City functions relocated from these City facilities and to repay debt on the properties sold. Sales proceeds that exceed the first \$122,000,000 would be used to develop affordable housing at these or other sites.

CEQA and Planning Approvals

Mr. Updike reports that on July 10, 2015, the Planning Department will determine that the sale of 30 Van Ness Avenue is categorically exempt from CEQA and is consistent with the City's General Plan and the eight priority policies of Planning Code Section 101.1.

FISCAL IMPACT

Appraisal Value of Property

As noted above, Section 23.3 of the Administrative Code states that before the Board of Supervisors approves a conveyance resolution, the Director of Property must appraise the fair market value of the City's real estate and every conveyance, other than from public auction or competitive bidding, must be sold for at least 100% of the Director of Property's appraisal. The proposed 30 Van Ness sale will be based on competitive bidding, and is therefore not subject to being sold for at least 100% of the appraisal value. Nonetheless, as of June 15, 2012, the Director of Property secured an appraisal from CBRE, Inc. of 30 Van Ness Avenue, which

determined the value of this City office building to be \$43,500,000. As noted above, the proposed ordinance would approve the sale of 30 Van Ness for not less than \$87,000,000, which is \$43,500,000 or 100% more than the appraisal of \$43,500,000 conducted three years ago.

Commission and Fees

Based on an agreement between the Real Estate Division and the brokerage firm, Newmark, Cornish & Carey regarding the sale of 30 Van Ness Avenue, the City will pay Newmark, Cornish & Carey (a) up to \$40,000 for marketing materials based on actual costs, and (b) 0.5% commission based on the sale price of the 30 Van Ness building. If the 30 Van Ness building is sold for \$87,000,000, the commission to Newmark, Cornish & Carey would be \$435,000.

Net Revenues to the City

As noted above, in 2001 and 2006, the City purchased and renovated 30 Van Ness for a total capital investment of approximately \$44,139,800 (\$37,830,000 + \$6,309,800). The City currently owes a total of \$31,770,000 of outstanding COPs, which would be fully repaid after the sale of the property. Therefore, as shown in the Table below, if the City sells 30 Van Ness at the minimum price of \$87,000,000, it will result in \$54,755,000 in available net sale proceeds for the City. Mr. Updike anticipates that the City will receive more than the \$87,000,000 minimum sale price reflected in the Table.

Table: Sale Proceeds and Expenses for 30 Van Ness

Minimum Sale Price	\$87,000,000
Less Broker Commission	(435,000)
Less Broker Marketing Fee (not to exceed)	(40,000)
Net Sale Proceeds	\$86,525,000
Repayment of COPs (2001 and 2006)	(31,770,000)
Total Net Proceeds to City	\$54,755,000

POLICY CONSIDERATION

The proposed ordinance would exclude the sale of 30 Van Ness Avenue from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A.

On December 9, 2014, the Board of Supervisors approved an ordinance (File 14-1120; Ordinance 254-14) for a Conditional Land Disposition and Acquisition Agreement with Related California Urban Housing, LLC (Related)⁶ for the City's acquisition of part of a 2.5 acre site at 1500-1580 Mission Street, including a Construction Management Agreement for the development of a City office building on this site. The site is currently a Goodwill Industries operations center at Van Ness Avenue and Mission Streets. Related plans to develop this site to

⁶ Related California Urban Housing LLC created a subsidiary, Goodwill SF Urban Development to acquire and develop this site.

include (a) an approximate 463,300 gross square foot 18 story City-owned office building along 11th street and (b) an approximate 38 story, 550 multifamily residential unit development, with ground level retail, along Van Ness Avenue.

The City anticipates consolidating office space for five major departments into this new City-owned office building, including the (a) Department of Public Works, (b) Department of Building Inspection, (c) City Planning Commission, (d) Retirement and (e) Health Services Systems, which are currently in City-owned space or leasing office space in the Civic Center. The new City office building's total project cost is \$326,690,953. At the time of approval of Ordinance 254-14, one of the major sources of funding identified for the land disposition and development of this new City office building was \$122,000,000 from the sale of three existing City office buildings. The three existing City office buildings proposed for sale were (1) 30 Van Ness (subject of the proposed ordinance), (2) 1660 Mission Street, and (3) 1680 Mission Street, which are yet to be approved for sale by the City. As noted above, the proposed ordinance would approve the sale of 30 Van Ness for not less than \$87,000,000, resulting in net proceeds of an estimated \$54,755,000, or approximately 45% of the \$122,000,000 estimated cost needed for the development of a new City office building.

RECOMMENDATIONS

1. Amend the proposed ordinance to require subsequent approval by the Board of Supervisors of the authorization to sell 30 Van Ness Avenue, including the name of the specific preferred respondent/developer, the sales price, City leaseback provisions, percentage of affordable housing, and net sales revenues that the City would receive.
2. Except for excluding the sale of 30 Van Ness Avenue from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A, which is a policy decision for the Board of Supervisors, approve the proposed ordinance as amended.



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

July 7, 2015

**Sale of City Property
30 Van Ness Avenue**

Through Naomi Kelly,
City Administrator

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is an Ordinance authorizing the sale of City-owned property located at 30 Van Ness Avenue for a sale price of not less than \$87,000,000. The Ordinance also authorizes the use of a portion of the sales proceeds necessary to defease the existing debt against the property.

The sales proceeds are dedicated toward not only payment of debt, but also dedicated toward the costs to replace the offices at a to-be-determined site in the near future. But for the dedication of the sales revenues toward these purposes, the City would not be offering the property for sale, as the property would not be surplus. This is an opportunity for the City to improve the condition of the civic center office portfolio serving the City's needs, while monetizing at the peak of the market the value of this existing asset at 30 Van Ness. Therefore, the Ordinance confirms that the sale of 30 Van Ness Avenue is excluded from the sale requirements of the Surplus Property Ordinance.

This sales effort is consistent with (but independent of) the Board-approved actions taken in the summer and winter of 2014 related to a concurrent effort to secure alternative new office facilities within the Civic Center area.

Proposed Ordinance

The proposed Ordinance authorizes the Director of Property to sell the Property through a competitive bid on the conditions that:

- (i) the sale price is equal to or greater than \$87,000,000;
- (ii) the sale be effectuated through a conveyance deed that imposes requirements upon redevelopment that meet or exceed certain minimum affordable housing provisions and obligations set forth in the Market Octavia Area Plan; and

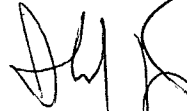
- (iii) the sale provide for a holdover lease for the City for certain office space in the Property, and also authorizes the Director of Property to enter into the holdover lease.

Through this Ordinance, the Controller shall establish a continuing project account into which the proceeds from the sale of the Property as well as proceeds from the future sales of 1660 Mission Street and 1680 Mission Street shall be deposited. The first \$122,000,000 deposited into this account shall be used for the purpose of developing other office space to accommodate City functions relocated from these or other City facilities and repaying debt on the properties sold. Additional sales proceeds received beyond this \$122,000,000 shall be used for the purpose of development of affordable housing at these or other sites. All other expenditures from the account shall be subject to future appropriation by the Mayor and Board of Supervisors.

This creative approach to selling this asset and reinvesting certain proceeds from aggregated sales, along with reinvestment of certain fees, will yield the City the highest financial return on the property, yet allow the City to mandate affordability requirements in the future redevelopment of the property at nearly 33% of the units produced (or approximately 200 units as affordable to those of incomes of no more than 55% of AMI, out of an approximately 600 unit project).

If you have questions regarding this sale, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink, appearing to read 'John Updike', with a long, sweeping horizontal line extending to the right.

John Updike
Director of Property

AGREEMENT FOR SALE OF REAL ESTATE

by and between

CITY AND COUNTY OF SAN FRANCISCO,
as Seller

and

as Buyer

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

_____, 2015

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LIST OF EXHIBITS

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EXHIBIT E	LEASEBACK AGREEMENT

AGREEMENT FOR SALE OF REAL ESTATE

(30 Van Ness Avenue, San Francisco)

THIS AGREEMENT FOR SALE OF REAL ESTATE (this "Agreement") dated for reference purposes only as of _____, 2015, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Seller"), and _____, a _____ ("Buyer").

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

A. City owns the parcel of real property at 30 Van Ness Avenue (Block 0835, Lot 004) located in the City and County of San Francisco more particularly described in Section 1.1 below, consisting of approximately 38,123 square feet and improved with one five (5) story building (the "Real Property").

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

C. Buyer has submitted the highest and best responsible offer to purchase the Real Property for an amount over the appraised value.

D. Buyer desires to purchase the Real Property and City is willing to sell the Real Property, subject to approval by City's Board of Supervisors and Mayor, on the terms and conditions set forth hereinbelow.

ACCORDINGLY, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Buyer agree as follows:

1. SALE AND PURCHASE

1.1 Property Included in Sale

Subject to the terms, covenants and conditions set forth herein, City agrees to sell to Buyer, and Buyer agrees to purchase from City, City's interest in the real property located at 30 Van Ness Avenue, San Francisco, State of California, and more particularly described and shown in Exhibit A attached hereto (the "Real Property"), together with the personal property owned by City, if any, located at the Real Property and used exclusively in the operation or maintenance of the Real Property, as the same may be further described in any list which City currently has in its possession and furnishes to Buyer within the Contingency Period, as defined in Section 5.2 below (the "Personal Property"). The Real Property and the Personal Property are collectively referred to herein as the "Property."

2. PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE

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

Buyer shall pay the Purchase Price as follows:

(a) On the date this Agreement is executed by the parties hereto, Buyer shall deposit in escrow with Chicago Title Company (the "Title Company") the sum of _____ Dollars (\$ _____) as an earnest money deposit (the "Deposit"). The Deposit shall be held in an interest-bearing account, and all interest thereon

shall be deemed a part of the Deposit. At the Closing (as defined below) the Deposit shall be paid to City and credited against the Purchase Price.

(b) Buyer shall pay the balance of the Purchase Price, which is _____ Dollars (\$ _____), to City at the consummation of the purchase and sale contemplated hereunder (the "Closing").

All sums payable hereunder including, without limitation, the Deposit, shall be paid in cash of lawful money of the United States of America.

3. TITLE

3.1 Conditions of Title

At the Closing City shall quitclaim its interest in and to the Real Property to Buyer by quitclaim deed in the form of Exhibit B attached hereto (the "Deed") and shall convey title to the Personal Property by a bill of sale in the form of attached Exhibit C (the "Bill of Sale"). Title to the Property shall be subject to the following: (a) liens of local real estate taxes and assessments, (b) all existing exceptions and encumbrances existing at the Closing of this Agreement, whether or not disclosed by a current preliminary title report or the public records or any other documents reviewed by Buyer pursuant to Section 5.1 hereof, and any other exceptions to title which would be disclosed by an accurate and thorough investigation, survey, or inspection of the Property, (c) all items of which Buyer has actual or constructive notice or knowledge, and (d) the deed restrictions described in Section 3.2 below and (e) the easements which shall be reserved as further provided in Section 3.3 below. All of the foregoing exceptions to title shall be referred to collectively as the "Conditions of Title."

3.2 Deed Restrictions

Buyer acknowledges and agrees that City would not sell the Property unless Buyer, its successors and assigns, agreed to develop the Property in accordance with certain conditions and covenants as detailed in Exhibit "B" (the "Deed Restriction") – To Be Negotiated.

3.3 Reservation of Easements

If necessary only. This section may not be required.

3.4 Buyer's Responsibility for Title Insurance

Buyer understands and agrees that the right, title and interest in the Property shall not exceed that vested in City, and City is under no obligation to furnish any policy of title insurance in connection with this transaction. Buyer recognizes that any fences or other physical monument of the Property's boundary lines may not correspond to the legal description of the Property. City shall not be responsible for any discrepancies in the parcel area or location of the property lines or any other matters which an accurate survey or inspection might reveal. It is Buyer's sole responsibility to obtain a survey from an independent surveyor and a policy of title insurance from a title company, if desired.

4. "AS-IS" PURCHASE; RELEASE OF CITY

4.1 Buyer's Independent Investigation

Buyer represents and warrants to City that Buyer has performed a diligent and thorough inspection and investigation of each and every aspect of the Property, either independently or

through agents of Buyer's choosing, including, without limitation, the following matters (collectively, the "Property Conditions"):

- (a) All matters relating to title including, without limitation, the existence, quality, nature and adequacy of City's interest in the Property and the existence of physically open and legally sufficient access to the Property.
 - (b) The zoning and other legal status of the Property, including, without limitation, the compliance of the Property or its operation with any applicable codes, laws, regulations, statutes, ordinances and private or public covenants, conditions and restrictions, and all governmental and other legal requirements such as taxes, assessments, use permit requirements and building and fire codes.
 - (c) The quality, nature, adequacy and physical condition of the Property, including, but not limited to, the structural elements, foundation, roof, interior, landscaping, parking facilities, and the electrical, mechanical, HVAC, plumbing, sewage and utility systems, facilities and appliance, and all other physical and functional aspects of the Property.
 - (d) The quality, nature, adequacy, and physical, geological and environmental condition of the Property (including soils and any groundwater), and the presence or absence of any Hazardous Materials in, on, under or about the Property or any other real property in the vicinity of the Property. As used in this Agreement, "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment.
- (5) The Leases and the Contracts, as defined in Section 5.1, and all matters in connection therewith, including, without limitation, the ability of the tenants to pay the rent under the Leases.
- (e) The suitability of the Property for Buyer's intended uses. Buyer represents and warrants that its intended use of the Property is _____.
 - (f) The economics and development potential, if any, of the Property.
 - (g) All other matters of material significance affecting the Property.

4.2 Property Disclosures

California law requires sellers to disclose to buyers the presence or potential presence of certain Hazardous Materials. Accordingly, Buyer is hereby advised that occupation of the Property may lead to exposure to Hazardous Materials such as, but not limited to, gasoline, diesel and other vehicle fluids, vehicle exhaust, office maintenance fluids, tobacco smoke, methane and building materials containing chemicals, such as formaldehyde. By execution of this Agreement, Buyer acknowledges that the notices and warnings set forth above satisfy the requirements of California Health and Safety Code Section 25359.7 and related statutes.

Buyer acknowledges and agrees that City has delivered a Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Building no less than 24 hours prior to Buyer's execution of this Agreement.

4.3 Entry and Indemnity

In connection with any entry by Buyer or its Agents onto the Property, Buyer shall give City reasonable advance written notice of such entry and shall conduct such entry and any inspections in connection therewith so as to minimize, to the extent possible, interference with uses being made of the Property and otherwise in a manner and on terms and conditions acceptable to City. All entries by Buyer or its Agents onto the Property to perform any testing or other investigations which could affect the physical condition of the Property (including, without limitation, soil borings) or the uses thereof will be made only pursuant to the terms and conditions of a permit to enter in form and substance satisfactory to City.

Buyer shall maintain, and shall require that its Agents maintain, public liability and property damage insurance in amounts and in form and substance adequate to insure against all liability of Buyer and its Agents, arising out of any entry or inspection of the Property in connection with the transaction contemplated hereby, and Buyer shall provide City with evidence of such insurance coverage upon request from City.

To the fullest extent permitted under law, Buyer shall indemnify, defend and hold harmless City, its Agents, and each of them, from and against any liabilities, costs, damages, losses, liens, claims and expenses (including, without limitation, reasonable fees of attorneys, experts and consultants and related costs) arising out of or relating to any entry on, under or about the Property by Buyer, its Agents, contractors and subcontractors in performing the inspections, testings or inquiries provided for in this Agreement, whether prior to the date of this Agreement or during the term hereof, including, without limitation, any injuries or deaths to any persons (including, without limitation, Buyer's Agents) and damage to any property, from any cause whatsoever. The foregoing indemnity shall survive beyond the Closing, or, if the sale is not consummated, beyond the termination of this Agreement.

4.4 "As-Is" Purchase

BUYER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT CITY IS SELLING AND BUYER IS PURCHASING CITY'S INTEREST IN THE PROPERTY ON AN "AS-IS WITH ALL FAULTS" BASIS. BUYER IS RELYING SOLELY ON ITS INDEPENDENT INVESTIGATION AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM CITY OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE PROPERTY, ITS SUITABILITY FOR BUYER'S INTENDED USES OR ANY OF THE PROPERTY CONDITIONS. CITY DOES NOT GUARANTEE THE LEGAL, PHYSICAL, GEOLOGICAL, ENVIRONMENTAL OR OTHER CONDITIONS OF THE PROPERTY, NOR DOES IT ASSUME ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE PROPERTY OR ITS USE WITH ANY STATUTE, ORDINANCE OR REGULATION. IT IS BUYER'S SOLE RESPONSIBILITY TO DETERMINE ALL BUILDING, PLANNING, ZONING AND OTHER REGULATIONS RELATING TO THE PROPERTY AND THE USES TO WHICH IT MAY BE PUT.

4.5 Release of City

As part of its agreement to purchase the Property in its "As-Is With All Faults" condition, Buyer, on behalf of itself and its successors and assigns, waives any right to recover from, and forever releases and discharges, City, its officers, employees, agents, contractors and representatives, and their respective heirs, successors, legal representatives and assigns, from any and all demands, claims, legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs or expenses whatsoever (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with (i) Buyer's and its Agents and

customer's past, present and future use of the Property, (ii) the physical, geological or environmental condition of the Property, including, without limitation, any Hazardous Material in, on, under, above or about the Property, and (iii) the application to the Property of any federal, state, local or administrative law, rule, regulation, order or requirement applicable thereto, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended by Superfund Amendments and Reauthorization Act of 1986 ("SARA") (42 U.S.C. Sections 9601-9657), the Resource Conservation and Recovery Act of 1976, as amended by the Solid Waste and Disposal Act of 1984 (collectively, "RCRA") (42 U.S.C. Sections 6901-6987), the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 (collectively the "Clean Water Act") (33 U.S.C. Section 1251 et seq.), the Toxic Substances Control Act ("TSCA") (15 U.S.C. Sections 2601-2629), Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), the Carpenter-Presley-Tanner Hazardous Substance Account Law (commonly known as the "California Superfund" law) (California Health and Safety Code Sections 25300-25395), Hazardous Waste Control Act (California Health and Safety Code Section 25100 et seq.), Hazardous Materials Release Response Plans and Inventory Law (commonly known as the "Business Plan Law") (California Health and Safety Code Section 25500 et seq.), Porter-Cologne Water Quality Control Act (California Water Code Section 13000 et seq.), Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as "Proposition 65") (California Health and Safety Code Section 25249.5 et seq.).

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

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

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

INITIALS: BUYER: _____

5. CONDITIONS PRECEDENT

5.1 Buyer's Conditions Precedent

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

- (a) Buyer's review and approval of an updated preliminary title report, together with copies of the underlying documents.
- (b) Buyer's review and approval of an economic feasibility study of the Property.
- (c) Buyer's review and approval of all tenant leases and any other occupancy agreements (hereinafter collectively referred to as the "Leases"), affecting the Property.
- (d) Buyer's review and approval of the physical condition of the Property.

(e) Buyer's review and approval of service contracts and other contracts or agreements of significance to the Property (collectively, "Contracts").

(f) Buyer's review and approval of the Leaseback Agreement with City under the terms and conditions as agreed to between the parties as set forth in Exhibit E.

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

(h) Buyer's review and approval of soils reports and other documents of significance to the Property in City's possession. City shall make available to Buyer at City's Real Estate Division's offices, without representation or warranty of any kind whatsoever, all non-privileged items in its files relating to the Property for Buyer's review and inspection, at Buyer's sole cost, during normal business hours. Notwithstanding the foregoing, Buyer's review shall not include a review of any of City's internal memoranda or reports, any privileged or confidential information, or City's appraisals of the Property, if any.

5.2 Contingency Period

Buyer shall have until 5:00 p.m. San Francisco Time on the date that is _____ (____) business days after the Effective Date to review and approve or waive Buyer's Conditions (such period being referred to herein as the "Contingency Period"). If Buyer elects to proceed with the purchase of the Property, then Buyer shall, before the expiration of the Contingency Period, notify City in writing that Buyer has approved all such matters (such date being referred to herein as the "Commitment Date"). If before the end of the Contingency Period Buyer fails to give City such written notice and fails to object to any of Buyer's Conditions, then Buyer shall be deemed to have waived Buyer's Conditions. Notwithstanding the foregoing, if Buyer objects to any of the matters contained within Section 5.1 within the Contingency Period, then City may, but shall have no obligation to remove or remedy any objectionable matter. If City agrees to remove or remedy the objectionable matter, it shall notify Buyer within ten (10) days following Buyer's notice of objection, and the Closing Date shall be delayed for so long as City diligently pursues such removal or remedy. If and when City elects not to remove or remedy the objectionable matter, which City may do at any time including following an initial election to pursue remedial or corrective actions, this Agreement shall automatically terminate, the Deposit shall be returned to Buyer, and neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or 9.4 [Authority of Buyer] or as otherwise expressly provided herein.

5.3 City's Condition Precedent

The following are conditions precedent to City's obligation to sell the Property to Buyer ("City's Conditions Precedent"):

(a) Buyer shall have performed all of its obligations hereunder and all of Buyer's representations and warranties shall be true and correct.

(b) Buyer shall have delivered all funds required in connection with the Closing to Escrow, including without limitation, all Closing Costs (as defined in Section 8.1) and the Purchase Price.

(c) A resolution or ordinance approving and authorizing the transactions contemplated hereby and finding that the public interest or necessity demands, or will not be inconvenienced by the sale of the Property, shall have been adopted by the City's Board of Supervisors and Mayor, in their respective sole and absolute discretion..

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

(e) Buyer shall have entered into a Leaseback Agreement with City under the terms and conditions as agreed to between the parties as set forth in Exhibit E.

5.4 Failure of City's Conditions Precedent

Each of City's Conditions Precedent are intended solely for the benefit of City. If any of City's Conditions Precedent are not satisfied as provided above, City may, at its option, terminate this Agreement. Upon any such termination, neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or 9.4 [Authority of Buyer] or as otherwise expressly provided herein.

6. ESCROW AND CLOSING

6.1 Escrow

On the date the parties hereto execute this Agreement, Buyer and City shall deposit an executed counterpart of this Agreement with the Title Company, and this instrument shall serve as the instructions to the Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. City and Buyer agree to execute such supplementary escrow instructions as may be appropriate to enable the Title Company to comply with the terms of this Agreement; provided, however, in the event of any conflict between the provisions of this Agreement and any supplementary escrow instructions, the terms of this Agreement shall control.

6.2 Closing Date

The Closing hereunder shall be held, and delivery of all items to be made at the Closing under the terms of this Agreement shall be made, at the offices of the Title Company ten (10) business days after the Commitment Date or such earlier date and time as Buyer and City may mutually agree upon in writing (the "Closing Date"). Such date and time may not be extended without the prior written approval of both City and Buyer.

6.3 Deposit of Documents and Funds

(a) At or before the Closing, City shall deposit into escrow the following items:

(i) the duly executed and acknowledged Deed conveying the Real Property to Buyer subject to the Conditions of Title;

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

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

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

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

(b) At or before the Closing, Buyer shall deposit into escrow the following items:

(i) the funds necessary to close this transaction;

(ii) a duly executed and acknowledged counterpart of the Deed;

(iii) a duly executed counterpart of the Bill of Sale;

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

(v) four (4) duly executed counterparts of the Assignment and Assumption of Contracts; and

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

(c) City and Buyer shall each deposit such other instruments as are reasonably required by the Title Company or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.

(d) City shall deliver to Buyer originals (or to the extent originals are not available, copies) of the Leases, and copies of the tenant correspondence files for the three (3) most recent years of City's ownership of the Property, and originals (or to the extent originals are not available, copies) of any other items which City is required to furnish Buyer copies of or make available at the Property pursuant to Section 2 above, within five (5) business days after the Closing Date. City shall deliver to Buyer a set of keys to the Property on the Closing Date.

6.4 Prorations

Rents, including, without limitation, percentage rents, if any, and any additional charges and expenses payable under the Leases, all as and when actually collected (whether such collection occurs before, on or after the Closing Date); any real property taxes and assessments; water, sewer and utility charges; amounts payable under any service contracts; annual permits and/or inspection fees (calculated on the basis of the period covered); and any other expenses normal to the operation and maintenance of the Property, together with tenant improvement costs, leasing commissions and free rent as provided in Section 7.2, shall all be prorated as of 12:01 a.m. on the date the Deed is recorded, on the basis of a three hundred sixty-five (365)-day year. Any delinquent rents collected after the Closing shall be paid immediately to City. Buyer shall use all reasonable efforts to collect such delinquent rents; provided, however, City reserves its right to sue a tenant under its Lease for damages suffered by City as a result of such tenant's failure to pay any rents to City which were payable prior to the Closing Date so long as such a suit does not seek a termination of such tenant's Lease. City and Buyer hereby agree that if any of the above described prorations cannot be calculated accurately on the Closing Date, then the same shall be calculated as soon as reasonably practicable after the Closing Date and either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party.

7. RISK OF LOSS

7.1 Loss

City shall give Buyer notice of the occurrence of damage or destruction of, or the commencement of condemnation proceedings affecting, any portion of the Property. In the event that all or any portion of the Property is condemned, or destroyed or damaged by fire or other casualty prior to the Closing, then Buyer may, at its option to be exercised within ten (10) days of City's notice of the occurrence of the damage or destruction or the commencement of condemnation proceedings, either terminate this Agreement or consummate the purchase for the full Purchase Price as required by the terms hereof. If Buyer elects to terminate this Agreement with proper and timely notice as set forth above, then this Agreement shall terminate at the end of such ten (10)-day period, the Title Company shall return the Deposit to Buyer, and neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or otherwise expressly provided herein. If Buyer elects to proceed with the purchase of the Property, then upon the Closing, Buyer shall receive a credit against the Purchase Price payable hereunder equal to the amount of any insurance proceeds or condemnation awards actually collected by City as a result of any such damage or destruction or condemnation, plus the amount of any insurance deductible, less any sums expended by City toward the restoration or repair of the Property. If the proceeds or awards have not been collected as of the Closing, then City shall assign such proceeds or awards to Buyer, except to the extent needed to reimburse City for sums expended to collect such proceeds or repair or restore the Property, and Buyer shall not receive any credit against the Purchase Price with respect to such proceeds or awards.

7.2 Self-Insurance

Notwithstanding anything to the contrary above, Buyer acknowledges that City self-insures and shall not be obligated to purchase any third-party commercial liability insurance or property insurance.

8. EXPENSES

8.1 Expenses

Buyer shall pay any transfer taxes applicable to the sale, personal property taxes, escrow fees and recording charges and any other costs and charges of the escrow for the sale (the "Closing Costs").

8.2 Brokers

The parties represent and warrant to each other that no broker or finder other than Cornish & Carey Commercial, d.b.a. Newmark Cornish & Carey, who was engaged by City, was instrumental in arranging or bringing about this transaction and that there are no other claims or rights for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement. If any person brings a claim for a commission or finder's fee based on any contact, dealings, or communication with Buyer or City, then the party through whom such person makes a claim shall defend the other party from such claim, and shall indemnify the indemnified party from, and hold the indemnified party against, any and all costs, damages, claims, liabilities, or expenses (including, without limitation, reasonable attorneys' fees and disbursements) that the indemnified party incurs in defending against the claim. The provisions of this Section shall survive the Closing, or, if the purchase and sale is not consummated for any reason, any termination of this Agreement.

9. LIQUIDATED DAMAGES

IF THE SALE OF THE PROPERTY IS NOT CONSUMMATED DUE TO THE FAILURE OF ANY CONDITION PRECEDENT OR CITY'S DEFAULT HEREUNDER AND BUYER IS NOT THEN IN DEFAULT, THEN THE TITLE COMPANY SHALL RETURN THE DEPOSIT TOGETHER WITH ACCRUED INTEREST THEREON TO BUYER. IF THE SALE IS NOT CONSUMMATED DUE TO ANY DEFAULT BY BUYER HEREUNDER AND CITY IS NOT THEN IN DEFAULT, THEN THE TITLE COMPANY SHALL DELIVER THE DEPOSIT TOGETHER WITH ACCRUED INTEREST THEREON TO CITY, AND CITY SHALL BE ENTITLED TO RETAIN SUCH SUM AS LIQUIDATED DAMAGES. THE PARTIES HAVE AGREED THAT CITY'S ACTUAL DAMAGES, IN THE EVENT OF A FAILURE TO CONSUMMATE THIS SALE AS SPECIFIED IN THE PRECEDING SENTENCE, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. AFTER NEGOTIATION, THE PARTIES HAVE AGREED THAT, CONSIDERING ALL THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, THE AMOUNT OF THE DEPOSIT TOGETHER WITH ACCRUED INTEREST THEREON IS A REASONABLE ESTIMATE OF THE DAMAGES THAT CITY WOULD INCUR IN SUCH AN EVENT. BY PLACING THEIR RESPECTIVE INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION.

INITIALS: CITY: _____ BUYER: _____

10. GENERAL PROVISIONS

10.1 Notices

Any notices required or permitted to be given under this Agreement shall be in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, or (c) by U.S. Express Mail or commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be addressed as follows:

CITY:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property
Re: 30 Van Ness Avenue

with a copy to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Attn: Real Estate/Finance Team

Re: 30 Van Ness Avenue

BUYER:

with a copy to:

or such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed given when actually delivered if such delivery is in person, two (2) days after deposit with the U.S. Postal Service if such delivery is by certified or registered mail, and the next business day after deposit with the U.S. Postal Service or with the commercial overnight courier service if such delivery is by overnight mail.

10.2 Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, legal representatives, administrators and assigns. Buyer's rights and obligations hereunder shall not be assignable without the prior written consent of City; provided, however, even if City approves any such proposed assignment, in no event shall Buyer be released of any of its obligations hereunder.

10.3 Amendments

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

10.4 Authority of Buyer

Buyer represents and warrants to City that Buyer is a _____ duly organized, validly existing, and in good standing under the laws of the State of _____. Buyer further represents and warrants to City that this Agreement and all documents executed by Buyer which are to be delivered to City at Closing: (a) are or at the time of Closing will be duly authorized, executed and delivered by Buyer; (b) are or at the time of Closing will be legal, valid and binding obligations of Buyer; and (c) do not and at the time of Closing will not violate any provision of any agreement or judicial order to which Buyer is a party or to which Buyer is subject. Notwithstanding anything to the contrary in this Agreement, the foregoing representations and warranties and any and all other representations and warranties of Buyer contained herein or in other agreements or documents executed by Buyer in connection herewith, shall survive the Closing Date.

10.5 Buyer's Representations and Warranties

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

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

(b) Buyer represents and warrants to City that it has not been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Buyer has been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, debarment, discipline or prohibition may result in the termination or suspension of this Agreement.

(c) No document or instrument furnished or to be furnished by the Buyer to the City in connection with this Agreement contains or will contain any untrue statement of

material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading, under the circumstances under which any such statement shall have been made.

10.6 Governing Law

This Agreement shall be governed by, subject to, and construed in accordance with the laws of the State of California and City's Charter and Administrative Code.

10.7 Merger of Prior Agreements

This Agreement, together with the exhibits hereto, contain any and all representations, warranties and covenants made by Buyer and City and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Agreement together with the exhibits hereto.

10.8 Parties and Their Agents

The term "Buyer" as used herein shall include the plural as well as the singular. If Buyer consists of more than one (1) individual or entity, then the obligations under this Agreement imposed on Buyer shall be joint and several. As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party.

10.9 Interpretation of Agreement

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

10.10 Attorneys' Fees

If either party hereto fails to perform any of its respective obligations under this Agreement or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. For purposes of this Agreement, the reasonable fees of attorneys of the Office of the City Attorney of the City and County of San Francisco shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the City Attorney's Office.

10.11 Time of Essence

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

10.12 No Merger

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

10.13 Non-Liability of City Officials, Employees and Agents

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

10.14 Conflicts of Interest

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

10.15 Notification of Limitations on Contributions

Through its execution of this Agreement, Buyer acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Buyer acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Buyer further acknowledges that the prohibition on contributions applies to each Buyer; each member of Buyer's board of directors, and Buyer's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Buyer; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Buyer. Additionally, Buyer acknowledges that Buyer must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Buyer further agrees to provide to City the names of each person, entity or committee described above.

10.16 Sunshine Ordinance

Buyer understands and agrees that under the City's Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (California Government Code Section 6250 et seq.), this Agreement and any and all records, information, and materials submitted to the City hereunder public records subject to public disclosure. Buyer hereby

acknowledges that the City may disclose any records, information and materials submitted to the City in connection with this Agreement.

10.17 Tropical Hardwood and Virgin Redwood Ban

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code.

10.18 MacBride Principles - Northern Ireland

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

10.19 No Recording

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

10.20 Effective Date

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

10.21 Severability

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

10.22 Acceptance by Buyer

This Agreement shall be null and void unless it is accepted by Buyer and two (2) fully executed copies hereof are returned to City on or before 5:00 p.m. San Francisco time on TO BE COMPLETED BY CITY, 2015.

10.23 Counterparts

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

10.24 Cooperative Drafting.

This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, BUYER ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AGREEMENT UNLESS AND UNTIL A RESOLUTION OR ORDINANCE OF CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON THE DUE ENACTMENT OF SUCH A RESOLUTION OR ORDINANCE, AND THIS AGREEMENT SHALL BE NULL AND VOID IF CITY'S BOARD OF SUPERVISORS AND MAYOR DO NOT APPROVE THIS AGREEMENT IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF THE TRANSACTIONS CONTEMPLATED HEREBY BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH ORDINANCE OR RESOLUTION WILL BE ENACTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[SIGNATURES ON FOLLOWING PAGE]

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

CITY:

BUYER:

CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation

a _____

By: _____
JOHN UPDIKE
Director of Property

By: _____
[NAME]

Its: _____

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

By: _____
[NAME]

Its: _____

By: _____
[NAME OF DEPUTY]
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

EXHIBIT B

QUITCLAIM DEED

RECORDING REQUESTED BY,
AND WHEN RECORDED RETURN TO:

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

MAIL TAX STATEMENTS TO:

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

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

**QUITCLAIM DEED WITH RESTRICTIONS
AND EASEMENT RESERVATIONS
(Assessor's Parcel No. _____)**

FOR VALUABLE CONSIDERATION, receipt and adequacy of which are hereby acknowledged, the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Grantor"), pursuant to Ordinance No. _____, adopted by the Board of Supervisors on _____, 20__ and approved by the Mayor on _____, 2015, City and _____ ("Buyer") hereby agree as follows.

1. Quitclaim. City hereby RELEASES, REMISES AND QUITCLAIMS to _____, any and all right, title and interest City may have in and to the real property located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof.

Subject to special assessments if any, and the following restrictions, reservations, and easements (of record)

2. Deed Restrictions. As a material part of the consideration for the quitclaim of the Property and pursuant to the laws of the State of California (including, without limitation, Section 1460 et seq. of the Civil Code), Buyer, on behalf of itself and its successors and assigns, its and their tenants and licensees, and all persons claiming by and through them (the "Buyer Parties"), agrees and covenants with the City, its successors and assigns, and for the benefit of the City, that _____.

3. Breach of Restriction. The City, but not the general public, shall have all rights and remedies available at law or in equity in order to enforce the above restrictions. In the event of any breach of the restrictions, the City shall be entitled to recover all attorneys' fees and costs.

4. Runs with the Land. The restrictions set forth in this instrument shall run with the land, and shall bind and burden any and all successors and assigns of the Buyer Parties for the benefit of the City.

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

Executed as of this _____ day of _____, 2015.

CITY/GRANTOR

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: _____
[NAME OF DEPUTY]
Deputy City Attorney

DESCRIPTION CHECKED/APPROVED:

By: _____
[NAME]
City Engineer

BUYER:

a _____

By: _____
[NAME]

Its: _____

By: _____
[NAME]

Its: _____

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT C

BILL OF SALE

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

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

Executed as of this _____ day of _____, 2015.

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: _____
[NAME OF DEPUTY]
Deputy City Attorney

EXHIBIT D

ASSIGNMENT AND ASSUMPTION OF LEASE(S)

THIS ASSIGNMENT AND ASSUMPTION OF LEASE(S) (this "Assignment") is made and entered into as of this _____ day of _____, 2015, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Assignor") and _____, a _____ ("Assignee").

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

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

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

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

If either party hereto fails to perform any of its respective obligations under this Agreement or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. For purposes of this Agreement, the reasonable fees of attorneys of the Office of the City Attorney of the City and County of San Francisco shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered and who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the City Attorney's Office.

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

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

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

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

ASSIGNEE:

_____ ,
a _____

By: _____
[NAME]

Its: _____

By: _____
[NAME]

Its: _____

ASSIGNOR:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
[NAME OF DEPUTY]
Deputy City Attorney

OFFICE LEASE

between

_____,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

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

_____, 2015

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SCHEDULE 1 – Energy Consumption Documents

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of _____, 2015, is by and between _____, a _____ ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date: _____, 2015

Landlord: _____

Tenant: CITY AND COUNTY OF SAN FRANCISCO

Modified Net Basis: Landlord will be responsible for paying all Real Estate Taxes and Landlord's Insurance during the Term of the Lease and is responsible for other Landlord Costs; City will pay for all other Operating Costs and building maintenance.

Building (Section 2.1): 30 Van Ness Avenue, San Francisco, CA

Premises (Section 2.1): Office space on floors 2-5, Operations Area, roof, and exclusive use of parking facilities, including storage and approximately 36 parking spaces.

Rentable Area of Premises (Section 2.1): Approximately 152,578 rentable square feet

Term (Section 3): Estimated commencement date: _____, 2015

Expiration date:
December 31, 2018

Extension Options (Section 3.4): 2 additional term(s) of 6 months (each), each exercisable by City by notice to Landlord given not less than 180 days in advance of each Extension Term, with rent set at fair market rental value.

Base Rent (Section 4.1):

[Insert Rent Table, if any]

Use (Section 5.1):

General office use by City Departments

Leasehold Improvements (Section 6):

None

Utilities (Section 9.1):

City shall be responsible for furnishing utilities to the Building at its sole cost in a manner consistent with its furnishing as of the Commencement Date. This includes providing utilities to other tenants in the Building as may be required by third party leases assigned from City to Landlord.

Services (Section 9.2):

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

Engineering (Section 9.3):

City shall be responsible for property management, ongoing maintenance and general repair of the Building and Building systems at its sole cost in a manner consistent with the functions provided as of the Commencement Date. This includes providing engineering services to other tenants in the Building as may be required by third party leases assigned from City to Landlord.

Notice Address of Landlord (Section 23.1):

Fax No.:

Key Contact for Landlord:

Landlord Contact Telephone No.:

Notice Address for Tenant (Section 23.1):

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

and to:

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

Key Contact for Tenant:

Gerald Sui

Tenant Contact Telephone No.:

(415) 554-9807

Alternate Contact for Tenant:

Josh Keene

Alternate Contact Telephone No.:

(415) 554-9859

Brokers (Section 23.8):

None

Other Noteworthy Provisions (Section 22):

TBD

2. PREMISES

2.1 Lease Premises

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

2.2 Common Areas

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

2.3 Operations Areas

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

2.4 Disability Access

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

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

2.5 Parking

City shall have the exclusive right to park in the Building's parking facilities, which consists of approximately 36 spaces. City shall have exclusive use of the storage facilities located within the parking facilities.

2.6 Energy Consumption

City acknowledges and agrees that Landlord delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises, a copy of which is attached as Schedule 1 to this Lease, no less than 24 hours prior to City's execution of this Lease.

3. TERM

3.1 Term of Lease

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

Notwithstanding anything to the contrary herein, City shall have the right at any time during the Term to cancel this Lease without any penalty, fee or other liability, by giving Landlord not less than one-hundred eighty (180) days prior written notice.

3.2 Commencement Date and Expiration Date

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

3.3 Delay in Delivery of Possession

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

3.4 Extension Options

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

3.5 Determination of Base Rent for the Extended Terms

At the commencement of the each Extended Term, the Base Rent shall be adjusted to equal the prevailing market rate for general office space use of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the Civic Center area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

(a) Within thirty (30) days following Landlord's notice to City of the prevailing market rate, Landlord and City shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

(b) If within this thirty (30)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser or commercial real estate broker to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

(d) If City's Director of Property does not approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may revoke the exercise of the Extension Option by City.

(e) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Civic Center area. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other third-party costs incurred in the arbitration. Both parties agree that the Landlord and City will each pay its own attorneys' fees.

4. RENT

4.1 Base Rent

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

4.2 Intentionally Omitted

4.3 Intentionally Omitted

4.4 Definitions

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

(a) "Landlord Costs" means the total costs and expenses actually paid or incurred by Landlord in connection with the (1) the cost incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof, (2) wages, salaries, payroll taxes and other labor costs and employee benefits relating to employees of Landlord or its agents in connection with the Building, (3) fees, charges and other costs of all independent contractors engaged by Landlord, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (4) Landlord's accounting and legal expenses, (5) depreciation on personal property, including, without limitation, carpeting in public corridors and Common Areas and window coverings provided by Landlord, (6) any other expenses incurred in connection with the Landlord's management, operation, maintenance or repair of the Building.

(b) "Operating Costs" Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by City in connection with the management, operation, maintenance and repair of the Building, including, but not limited to: (1) the cost of air conditioning, electricity, steam, water, heating, mechanical, telephone, ventilating, escalator and elevator systems and all other utilities, (2) the cost of repairs and all labor and material costs related thereto, and the cost of general maintenance, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost of capital improvements made to the Building after completion of its construction as a labor-saving or

energy saving device or to effect other economies in the operation or maintenance of the Building and which benefit the Premises, or made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Landlord's deliberate or negligent violation of such law, rule or regulation, and except to the extent such improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City, and (4) any other expenses incurred by City in connection with the management, operation, maintenance or repair of the Building.

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

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

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

4.5 Payment of Real Estate Taxes

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

4.6 Proration

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

4.7 Intentionally Omitted

4.8 Records

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

5. USE

5.1 Permitted Use

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

5.2 Observance of Rules and Regulations

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

5.3 Interference with Access

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

6. LEASEHOLD IMPROVEMENTS

6.1 Intentionally Omitted

6.2 Intentionally Omitted

6.3 Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that City is responsible for the installation of telecommunications, data and computer cabling facilities and equipment and has done so prior to the Commencement Date. City shall be allowed to install additional such facilities and

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

6.4 Intentionally Omitted

7. ALTERATIONS

7.1 Alterations by City

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

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises and telecommunications, data and computer cabling facilities and equipment installed in the Building by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal

Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date.

7.4 Alteration by Landlord

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

8. REPAIRS AND MAINTENANCE

8.1 City's Repairs

City shall repair and maintain, at its cost, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") and the Common Areas. Without limiting the foregoing, City shall maintain the Building in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency, and shall not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property or constitutes a nuisance. Subject to Landlord's warranty under Section 10.1 (Premises Condition), and City's repair and maintenance obligations hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. At all times during the Term of this Lease, City and its Agents shall have access to the Building to perform the repairs contemplated in this section.

8.2 Liens

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

9. UTILITIES AND SERVICES

9.1 City's Provision of Utilities

City shall furnish the following utilities and services to the Premises: (a) heating, air conditioning and ventilation (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); (c) elevator service on a Daily Basis; and (d) water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting City's obligations hereunder, City shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services provided at the Building as of the Commencement Date.

9.2 Services

(a) Janitorial Service

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

(b) Security Service

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

9.3 Engineering

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

9.4 Conservation

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

9.5 Disruption in Essential Utilities or Services

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

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City, and covenants with City, as follows: to the best of Landlord's knowledge: **(a)** the physical structure, fixtures and permanent improvements of the Premises and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks, drinking fountains, and parking facilities are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); **(b)** the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(c)** the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); **(d)** the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and **(e)** there are not now, and as

of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

10.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of any Alterations to the Premises made by City pursuant to Section 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the physical structure, fixtures and permanent improvements of the Premises or portions of the Property or Building along the path of travel to the Premises, which are Landlord's obligation as provided in Section 10.1 above. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

10.3 City's Compliance with Insurance Requirements

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Building, (c) cause an increase in the fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

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

superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

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

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord through its Landlord's Insurance, shall repair the same without delay. In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Base Rent while such repairs are being made. Such abatement in Base Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Base Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made. If such repairs cannot be made within sixty (60) days, then City may, by written notice to Landlord, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) days after notice is given by Landlord. In case of termination, the Base Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Base Rent up to the date of termination. Landlord shall refund to City any Base Rent previously paid for any period of time subsequent to such date of termination.

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

13. EMINENT DOMAIN

13.1 Definitions

(a) "Taking" means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under law. A

Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

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

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

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

13.5 Termination of Lease; Rent and Award

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

for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6 Partial Taking; Continuation of Lease

If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 above, then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: **(a)** Rent shall be reduced by an amount that is in the same ratio to the Rent as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking, and **(b)** Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any part of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

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

(c) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) and to cure such non-performance within thirty

(30) days of the date of receipt of notice thereof from Landlord, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if City commences such cure within such period and diligently prosecutes such cure to completion.

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Base Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder, shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its

Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

16.2 Landlord's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

At all times during the Term and at Landlord's sole cost, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above "Landlord's Insurance". The certificate shall expressly provide that the policy is not cancelable or subject to, reduction of coverage or otherwise subject to modification except after thirty (30) days prior written notice to City. Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

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

17.3 Waiver of Subrogation

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

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

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

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within thirty (30) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

(c) "Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Building, or in, on, under or about the Property.

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date: (a) the Property is not in violation of any Environmental Laws; (b) the Property is not now, nor has it been, used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices, which limited use has been and is in compliance with Environmental Laws; (c) the Property does not consist of any landfill or contain any underground storage tanks; (d) the Building does not consist of any asbestos-containing materials or building materials that contain any other Hazardous Material, nor do the Premises or the common areas of the Building contain any lead-based paints; (e) there has been and is no Release of any Hazardous Material in the Building or in, on, under or about the Property; and (f) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the Premises for their intended purposes.

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, under or about the Property, unless City or its Agents caused such Release.

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. SPECIAL PROVISIONS

23. GENERAL PROVISIONS

23.1 Notices

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

23.2 No Implied Waiver

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

23.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

23.4 Authority

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

23.5 Parties and Their Agents; Approvals

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

23.6 Interpretation of Lease

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

23.7 Successors and Assigns

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

23.8 Brokers

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

23.9 Severability

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

23.10 Governing Law

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

23.11 Entire Agreement

The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

23.12 Attorneys' Fees

In the event that either Landlord or City fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such

action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be three hundred percent (300%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

City may erect or post signs on or about the Premises subject to Landlord's prior approval. Landlord reserves the right to review the placement, design, and plan for any such

sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

23.18 Quiet Enjoyment and Title

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

23.19 Bankruptcy

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

23.20 Transfer of Landlord's Interest

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

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles - Northern Ireland

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

23.23 Controller's Certification of Funds

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

23.24 Prevailing Wages for Construction Work

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

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) HRC Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26 Tropical Hardwood and Virgin Redwood Ban

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

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

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

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations depicted on the attached Exhibit A.

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

23.29 Counterparts

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

23.30 Effective Date

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

23.31 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Landlord or any of its officers or members have been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, disbarment, discipline or prohibition may result in the termination or suspension of this Lease. Landlord acknowledges that this certification is a material term of this Lease.

23.32 Memorandum of Lease

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

23.33 Sunshine Ordinance

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

23.34 Conflicts of Interest

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

23.35 Notification of Limitations on Contributions

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Landlord acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Landlord further acknowledges that the prohibition on contributions applies to each Landlord; each member of Landlord's board of directors, and Landlord's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Landlord. Additionally, Landlord acknowledges that Landlord must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Landlord further agrees to provide to City the name of each person, entity or committee described above.

23.36 Preservative-Treated Wood Containing Arsenic

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

23.37 Cooperative Drafting

This Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Lease reviewed and revised by legal counsel. No party shall be considered the drafter of this Lease, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Lease.

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

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

LANDLORD:

a _____

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Deputy City Attorney

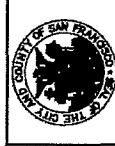
EXHIBIT A

FLOOR PLANS OF PREMISES

CONSISTING OF 7 PAGES OF PLANS



.30 VAN NESS AVENUE
SAN FRANCISCO, CA

[illegible]

PROJECT NUMBER: 0015
CHECKED BY: LOWMEYER, J
APPROVED BY: K. M. MURPHY
DATE: 06/20/01
ISSUE: 15

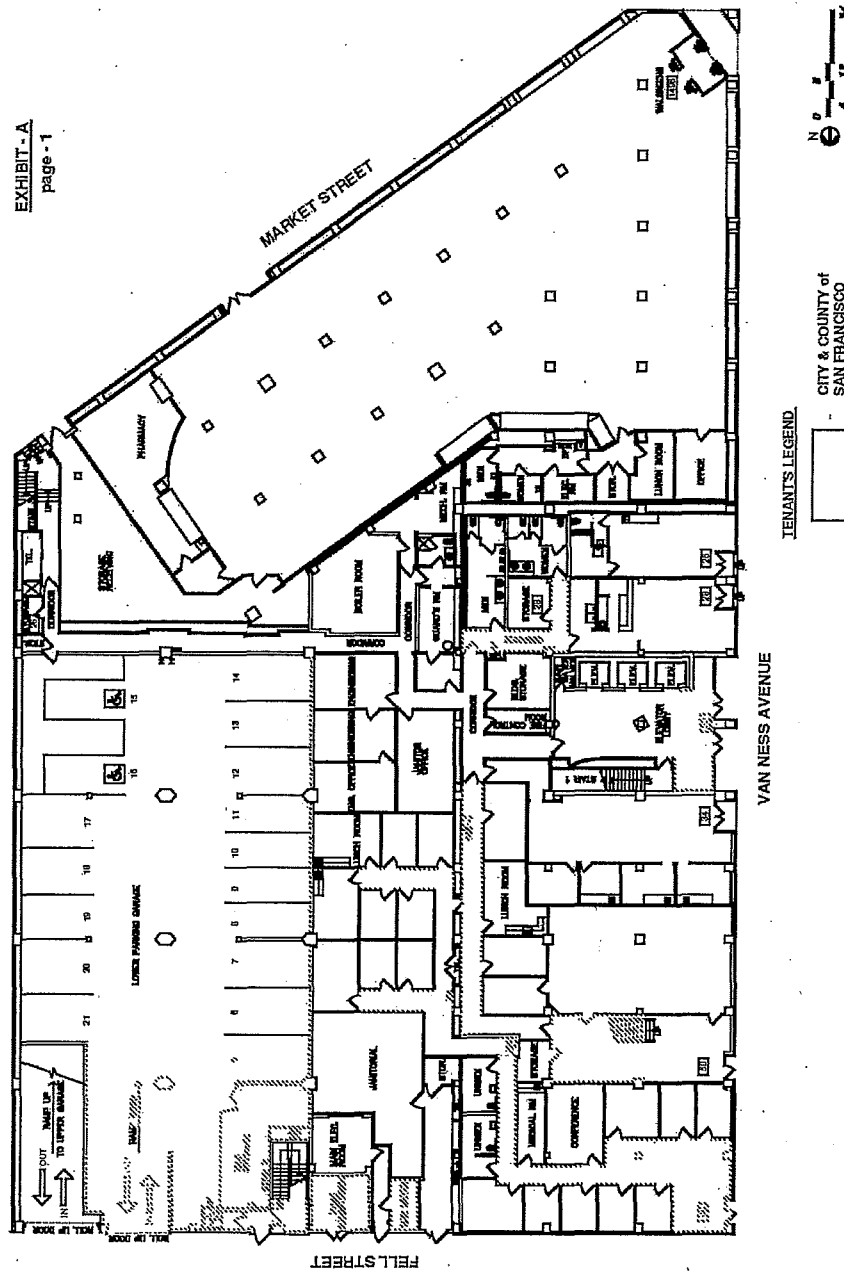
PROJECT NUMBER: 0015

FIRST FLOOR

A-1

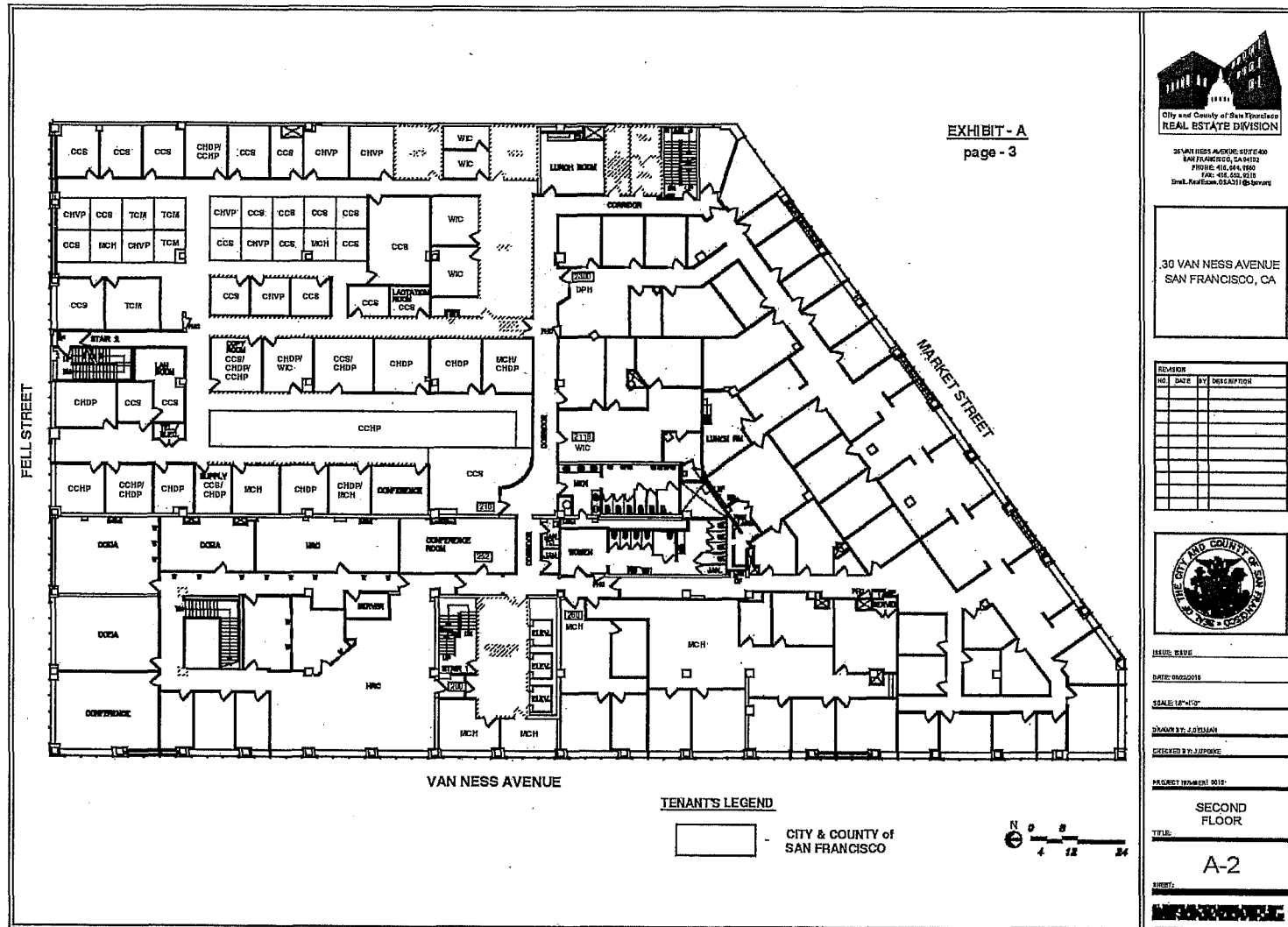
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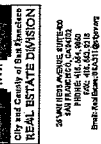
EXHIBIT - A
page - 1



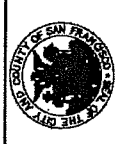
TENANT'S LEGEND

CITY & COUNTY of
SAN FRANCISCO





30 VAN NESS AVENUE
SAN FRANCISCO, CA

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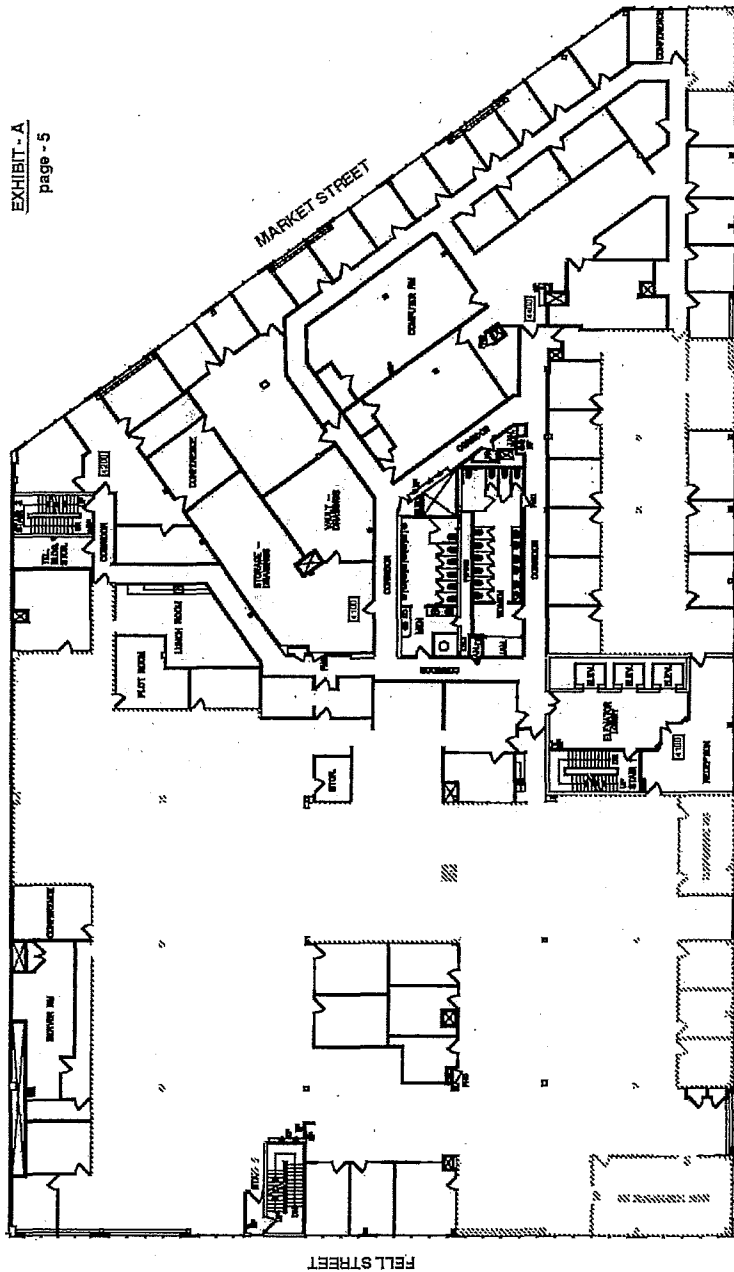
FILED 11508
JUN 20 2015
H.F. LEON
JANUARY 15 2015
RECEIVED BY 214000

FOURTH FLOOR

A-4

1000

EXHIBIT - A
page - 5



VAN NESS AVENUE

TENANT'S LEGEND

CITY & COUNTY of
SAN FRANCISCO



30 VAN NESS AVENUE
SAN FRANCISCO, CA

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2008-09-01

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05/10/2011 12:04:22

—**REPORT BY THE**

ИЗДАТЕЛЬСТВО «НАУКА»

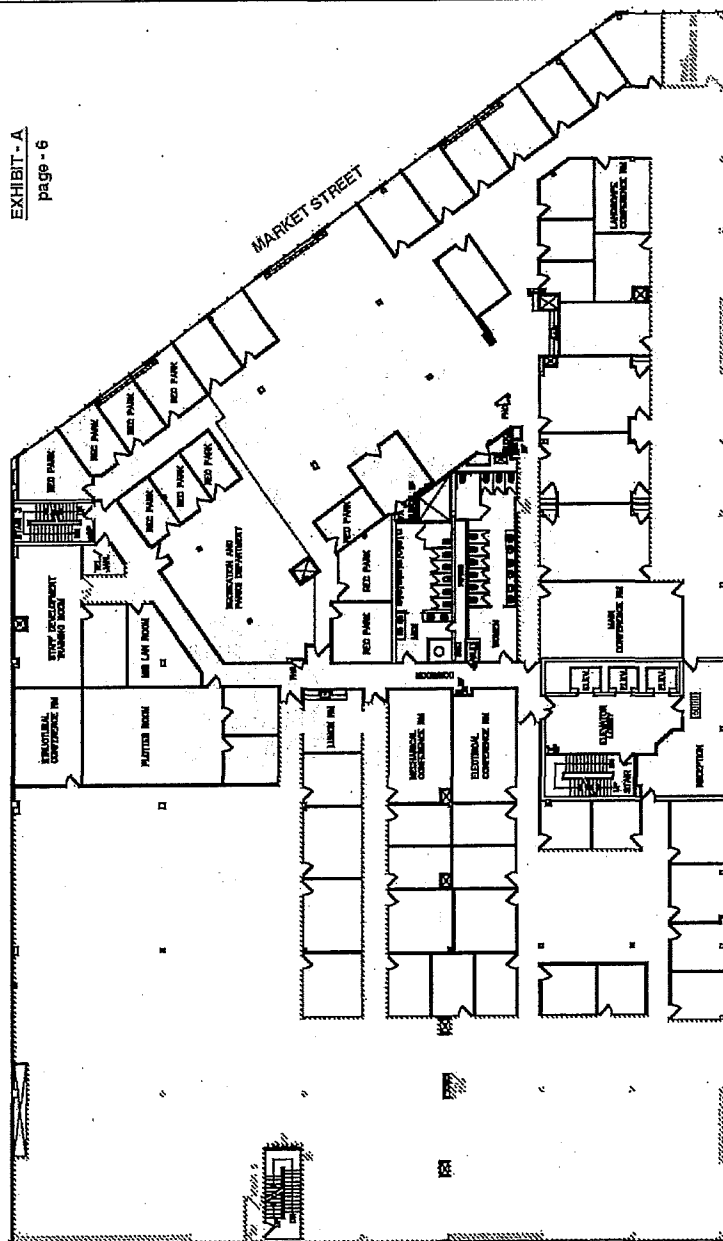
SUBJECT NUMBER: 0015

FIFTH FLOOR

A-5

21934

EXHIBIT - A
page - 6

CITY & COUNTY OF
SAN FRANCISCO

TENANT'S LEGEND

VAN NESS AVENUE

FELL STREET

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Lease Between _____
(Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises
known as _____ located at _____

Dear Mr. Updike:

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

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

BUILDING RULES AND REGULATIONS

[TO BE PROVIDED BY LANDLORD; SUBJECT TO CITY REVIEW AND APPROVAL]

EXHIBIT D

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

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

Exempt from recording fees pursuant to Government
Code Section 27383.

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

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

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum"), dated for reference purposes as of _____, 20__, is by and between _____, a California [corporation/limited liability company] ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

Recitals

A. Concurrently herewith, Landlord and City have entered into that certain Lease, dated _____, 20__ (the "Lease"), pursuant to which Landlord leased to City and City leased from Landlord the real property more particularly described in the attached Exhibit E (the "Property"), which is incorporated by this reference.

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

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

1. Term. Pursuant to the terms of the Lease, Landlord leased the Property to City for a term commencing on the date Landlord delivers possession of the Property to City as set forth in the Lease. The Term of the Lease shall expire on the date that is _____ () years after the Commencement Date (as such term is defined in the Lease), subject to _____ option to extend (subject to the terms and conditions of the Lease), unless earlier terminated in accordance with the terms of the Lease.

2. Lease Terms. The lease of the Property to City is made pursuant to the Lease, which is incorporated in this Memorandum by reference. This Memorandum shall not be deemed to modify, alter or amend in any way the provisions of the Lease. In the event any conflict exists between the terms of the Lease and this Memorandum, the terms of the Lease shall govern. Except as otherwise defined in this Memorandum, capitalized terms shall have the meanings given them in the Lease.

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

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

LANDLORD:

a California [corporation/limited liability company]

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,

By: _____

JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____

Deputy City Attorney

State of California)
)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

Wong, Linda (BOS)

From: Wong, Linda (BOS)
Sent: Thursday, July 09, 2015 12:18 PM
To: Poling, Jeanie (CPC)
Cc: Navarrete, Joy (CPC); Jones, Sarah (CPC)
Subject: BOS File No. 150728 - Environmental Review
Attachments: 150728.pdf

Good Afternoon,

Attached is a referral for BOS File No. 150728, which is being referred to the Planning Department for environmental review. Please forward your determination directly to me at linda.wong@sfgov.org as soon as it is available. Thank you.

Linda Wong
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: 415.554.7719 | Fax: (415) 554-5163
Linda.Wong@sfgov.org | www.sfbos.org

Please complete a Board of Supervisors Customer Service Satisfaction form by clicking [here](#).

The [Legislative Research Center](#) provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

***Disclosures:** Personal information that is provided in communications to the Board of Supervisors is subject to disclosure under the California Public Records Act and the San Francisco Sunshine Ordinance. Personal information provided will not be redacted. Members of the public are not required to provide personal identifying information when they communicate with the Board of Supervisors and its committees. All written or oral communications that members of the public submit to the Clerk's Office regarding pending legislation or hearings will be made available to all members of the public for inspection and copying. The Clerk's Office does not redact any information from these submissions. This means that personal information—including names, phone numbers, addresses and similar information that a member of the public elects to submit to the Board and its committees—may appear on the Board of Supervisors website or in other public documents that members of the public may inspect or copy.*

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

July 9, 2015

File No. 150728

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

On July 7, 2015, Mayor Lee introduced the following legislation:

File No. 150728

Ordinance authorizing the sale, by public competitive bid, of City-owned property located at 30 Van Ness Avenue for not less than \$87,000,000; authorizing the use of a portion of the proceeds from the sale for the defeasance of up to \$25,870,000 outstanding principal amount of Certificates of Participation (30 Van Ness Property) Series 2001A, up to \$5,900,000 outstanding principal amount of Certificates of Participation (City Office Buildings-Multiple Properties Project) Series 2007A, and appropriating funds for such defeasance; excluding the sale from the requirements of the Surplus Property Ordinance; affirming the Planning Department's determination under the California Environmental Quality Act; and adopting findings that the sale is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

A handwritten signature in black ink, appearing to read "Linda Wong".

By: Linda Wong, Assistant Clerk

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee
RE: Sale of City Property - 30 Van Ness Avenue - No Less Than \$87,000,000;
Appropriation for of Up to \$31,770,000 to Defease Certificates of
Participation
DATE: July 7, 2015

Attached for introduction to the Board of Supervisors is an ordinance authorizing the sale, by public competitive bid, of City-owned property located at 30 Van Ness Avenue for not less than \$87,000,000; authorizing the use of a portion of the proceeds from the sale for the defeasance of up to \$25,870,000 outstanding principal amount of Certificates of Participation (30 Van Ness Property) Series 2001A and up to \$5,900,000 outstanding principal amount of Certificates of Participation (City Office Buildings—Multiple Properties Project) Series 2007A and appropriating funds for such defeasance; excluding the sale from the requirements of the Surplus Property Ordinance; affirming the Planning Department's determination under the California Environmental Quality Act; adopting findings that the sale is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1.

I respectfully request a waiver of the 30-day hold on this legislation and that this item be calendared in Budget & Finance Committee on July 15th, 2015.

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

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