

File No. 151182

Committee Item No. 45

Board Item No. 53

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance

Date December 2, 2015

Board of Supervisors Meeting

Date December 8, 2015

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Contract/Agreement
<input type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
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Completed by: Linda Wong

Date November 23, 2015

Completed by: [Signature]

Date 12/3/15

1 [Sale of City Property - 30 Van Ness Holdings LLC - 30 Van Ness Avenue - \$80,000,000]

2 **Resolution ratifying the purchase and sale agreement by and between City and 30 Van**
3 **Ness Holdings LLC, for the sale of City-owned property located at 30 Van Ness Avenue**
4 **for \$80,000,000.**

5
6 WHEREAS, The City and County of San Francisco owns certain real property located
7 at Assessor's Block No. 0835, Lot No. 004, commonly known as 30 Van Ness Avenue, San
8 Francisco (the "Property"); and

9 WHEREAS, The City selected Newmark Cornish & Carey through a competitive bid
10 process to competitively bid the sale of the Property as the listing broker for the City; and

11 WHEREAS, The Director of Property executed an agreement, including all exhibits,
12 dated November 25, 2015 ("Purchase Agreement") to sell the Property, on behalf of the City,
13 to 30 Van Ness Holdings LLC, for the price of \$80,000,000, a copy of which is on file with the
14 Clerk of the Board of Supervisors in File No. 151182, which is hereby declared to be a part of
15 this resolution as if set forth fully herein; and

16 WHEREAS, The Board of Supervisors adopted Ordinance No. 153-15, on file with the
17 Clerk of the Board of Supervisors in File No. 150728, authorizing the use of a portion of the
18 proceeds from the sale for the defeasance of up to \$25,870,000 outstanding principal amount
19 of Certificates of Participation (30 Van Ness Property) Series 2001A and up to \$5,900,000
20 outstanding principal amount of Certificates of Participation (City Office Buildings – Multiple
21 Properties Project) Series 2007A and appropriating funds for such defeasance; and excluded
22 the sales from the requirements of the Surplus Property Ordinance; and affirmed the Planning
23 Department's determination under the California Environmental Quality Act; and adopted
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25

1 findings that the sale is consistent with the General Plan, and the eight priority policies of
2 Planning Code, Section 101.1; and

3 WHEREAS, The Purchase Agreement includes a holdover lease of the Property, to
4 commence immediately upon consummation of the sale, allowing for continued occupancy by
5 the City; and

6 WHEREAS, The Purchase Agreement includes a conveyance deed effectuating
7 affordable housing requirements upon any future residential redevelopment of the Property in
8 excess of the minimum affordable housing provisions and obligations set forth in the Market
9 Octavia Area Plan, as set forth in Planning Code, Section 416; and

10 RESOLVED, This Board ratifies the Purchase Agreement and authorizes the Director
11 of Property to enter into any additions, amendments or other modifications to the Purchase
12 Agreement (including in each instance, without limitation, the attachment of exhibits) for the
13 sale of the Property, commonly known as 30 Van Ness Avenue, that the Director of Property,
14 in consultation with the City Attorney, determine are in the best interests of the City, do not
15 otherwise materially increase the obligations or liabilities of the City beyond those
16 contemplated in this resolution, and are in compliance with all applicable laws, including the
17 City's Charter; and, be it

18 FURTHER RESOLVED, This Board authorizes the Director of Property to take all
19 reasonable and necessary actions for closing an escrow for the sale of 30 Van Ness Avenue
20 and to credit into escrow typical seller expenses, including approximately \$440,000 for
21 brokerage commissions and fees, pursuant to escrow instructions to be approved by the City
22 Attorney; and, be it

23 FURTHER RESOLVED, That within thirty (30) days after the close of escrow finalizing
24 the sale of the Property, the Director of Real Estate shall provide the executed Purchase
25

1 Agreement and relevant closing documents to the Clerk of the Board for inclusion into the
2 official file.

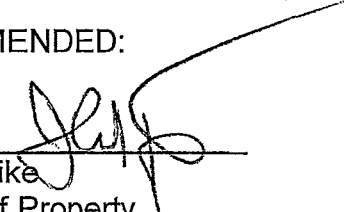
3
4 \$1,300,000 Available for Fiscal Year 2015-16

5 Index Code: 70RE30VN

6 Subobject: 03011

7
8 
Controller

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10 RECOMMENDED:

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12 John Updike
13 Director of Property
14 Real Estate Division
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Item 45
File 15-1182

Department:
 Administrative Services, Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution ratifying the purchase and sale agreement between the City and 30 Van Ness Holdings, LLC for the sale of City-owned property located at 30 Van Ness Avenue for \$80,000,000.

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 an outstanding principal Certificates of Participation (COPs) debt balance of \$28,220,000.
- On July 28, 2015, the Board of Supervisors approved an ordinance authorizing (a) the sale of 30 Van Ness Avenue for not less than \$87,000,000, imposing redevelopment requirements that met or exceeded the minimum affordable housing obligations in the Market Octavia Area Plan and included a holdover lease for the City, subject to ratification by the Board of Supervisors; (b) appropriated sale proceeds to defease the outstanding COPs; (c) excluded the sale from the City's Surplus Property Ordinance; (d) affirmed CEQA findings; and (e) adopted General Plan and Planning Code findings.
- A holdover office lease will allow City departments to continue to occupy 30 Van Ness Avenue for three years, with five additional one-year options, or through December 31, 2023. The City will pay 30 Van Ness Holdings LLC \$3,000,000 in rent the first year, plus operating expenses, or \$30.66 per square foot annually. However, City departments currently pay Real Estate \$23.16 annually, including operating costs, which is \$7.50 less per square foot. Therefore, in order to cover increased rent and operating expenses, the rates charged to City departments will increase and/or be paid from the sales proceeds.

Fiscal Impacts

- Although the Board of Supervisors authorized the sale of 30 Van Ness for not less than \$87,000,000, the proposed resolution would approve the sale for \$80,000,000, which is \$7,000,000 or 8% less.
- 30 Van Ness Holdings will also pay the City's transfer tax at a cost of \$2,000,000, which is typically paid by the seller. Transfer taxes are deposited into the City's General Fund.
- If the 30 Van Ness building is sold for \$80,000,000, after \$440,000 for broker commission and marketing costs and paying off the outstanding debt service costs of \$28,919,643, the City will receive \$50,640,357 in net sale proceeds.
- The net sale proceeds will be used to pay additional rent and operating costs during the holdover lease term, fund construction for new City office space and finance additional affordable housing.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT**Mandate Statement**

City Administrative Code Section 23.3 provides that the Director of Property may sell 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 disposition and approves the conveyance. City Administrative Code Chapter 23A provides that it is City policy that 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 30 Van Ness Avenue property. 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 COPs to finance the acquisition and renovation of additional City properties¹, which 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 \$28,220,000, with debt service payments of approximately \$2,500,000 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 City office building. The building also includes privately leased spaces on the ground floor and one suite on the third floor. All the private leases, other than Walgreens, expire before December 31, 2018.

Mr. John Updike, Director of Real Estate, advised that the existing offices at 30 Van Ness are dysfunctional because (a) the interior layout is inefficient, given current fire code 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, residential mixed use development. In addition,

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.

Mr. Updike notes that the City is currently pursuing options to consolidate and upgrade City offices in the Civic Center. Mr. Updike also advises that current economic conditions are very favorable to sell real estate to maximize City monetary interests in the 30 Van Ness property.

Selection of Real Estate Investment Brokers

In early 2015, based on a competitive process with 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 Newmark, Cornish & Carey, issued a preliminary offer to sell 30 Van Ness Avenue. Over 100 interested parties responded. Then, a call for bids was issued and the City received 15 offers to purchase 30 Van Ness Avenue.

Based on evaluation by the City's review committee², the 15 offers were reduced to 11 offers, with questions sent to the 11 offerers regarding (1) affordable housing³, (2) plans to enhance transit experience, (3) leaseback terms and conditions with the City, (4) entitlement provisions, and (5) source of capital financing. The City's review committee evaluated the 11 responses and invited the top eight offerers to 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.

The City's review committee selected the top four responses, all of which committed to primarily residential redevelopment and offered a purchase price equal to or greater than \$87,000,000 for the 30 Van Ness Avenue City-owned building.

Board of Supervisors Approved Ordinance to Sell 30 Van Ness Avenue

On July 28, 2015, the Board of Supervisors approved an ordinance authorizing (a) the sale, by public competitive bid, of the City-owned property at 30 Van Ness Avenue for not less than \$87,000,000, imposing redevelopment requirements that met or exceeded the minimum affordable housing obligations in the Market Octavia Area Plan and included a holdover lease for the City, subject to ratification by the Board of Supervisors; (b) appropriation of a portion of the sale proceeds for the defeasance of up to \$31,770,000⁴ of the outstanding COPs; (c) exclusion of the sale from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A; (d) affirming the California Environmental Quality Act (CEQA) findings; and (e) adopting findings consistent with the General Plan and Planning Code Section 101.1 (File 15-0728; Ordinance 153-15). In this ordinance, the Board of Supervisors found that

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.

⁴ As noted above, the City's total current outstanding principal balance on the COPs is \$28,220,000.

the public interest or necessity would not be inconvenienced by the sale, as required under City Administrative Code Section 23.3.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would ratify the purchase and sale agreement by and between the City and County of San Francisco (City) and 30 Van Ness Holdings, LLC⁵ for the sale of City-owned property located at 30 Van Ness Avenue for \$80,000,000.

Holdover Lease for City

The proposed resolution specifies that the purchase and sale agreement includes a holdover office lease, to allow City departments to continue to occupy the 30 Van Ness Avenue office building, comprising approximately 152,578 square feet. The proposed holdover lease would extend from the close of escrow, estimated to occur in early January, 2016, through December 31, 2018, or three years, with five additional one-year options for renewal, or potentially through December 31, 2023. Under the holdover lease, the City would be responsible for continuing to pay for all utilities, custodial, engineering, maintenance, property management and security services.

Table 1 below shows the total annual rent and operating costs payable by the City to 30 Van Ness Holdings, LLC for each of the first three years of the holdover lease.

Table 1: Estimated Cost of 152,578 Square Foot Holdover Lease

Lease Year	Annual Rent	Annual Operating Costs	Total Costs	Rate/Square Foot/Year
Year 1: 2016	\$3,000,000	1,678,358	\$4,678,358	\$30.66
Year 2: 2017	3,210,000	1,762,276	4,972,276	32.59
Year 3: 2018	3,434,700	1,850,390	5,285,090	34.64
Three Year Total	\$9,644,700	\$5,291,024	\$14,935,724	
5 One-Year Options	10% increase/year	5% increase/year		

Mr. John Updike, Director of Real Estate advises that the proposed rates at a combined cost of \$30.66 in the first year of the holdover lease are considerably favorable for the City. In comparison, Mr. Joshua Keene of the Real Estate Division advises that the current fair market value for all leases in the Civic Center/Van Ness area is approximately \$51.12 per square foot per year, which is \$20.46 or 67% higher than the first year of the holdover lease.

The City intends to defease the existing debt on 30 Van Ness, such that the amount currently paid by City departments previously used for debt service payments would be available to pay

⁵ 30 Van Ness Holdings, LLC is a subsidiary of Related California Urban Housing, Inc.

rent to the new landlord, 30 Van Ness Holdings, LLC. City departments currently pay Real Estate \$1.93 per square foot per month, or \$23.16 annually, including operating costs, to occupy 30 Van Ness. However, as shown in Table 1 above, in 2016, the first year of the lease, Real Estate will be required to pay 30 Van Ness Holdings, LLC \$3,000,000, plus incur operating expenses, which results in a combined effective rate of \$30.66 per square foot per year. This \$30.66 initial rate is \$7.50 more per square foot than the \$23.16 rate that Real Estate collects from City departments. This annual incremental increase in expenses is estimated to be approximately \$1,144,335 ($\$7.50 \times 152,578$ sf). Mr. Keene advises that Real Estate will have sufficient budgeted funds to cover all rent and operating expenses for the rest of FY 2015-16. To cover incremental rent and operating expenses, which as shown in Table 1 above will increase each year, Mr. Keene advises such costs will be paid from the sales proceeds. Any future budget increases to City departments not covered by sales proceeds would be subject to future Board of Supervisors appropriation approval.

Potential Development and Affordable Housing Obligations

Given that the City will be leasing back office space at 30 Van Ness for at least three years, or through December 31, 2018, such that market conditions may change during this time, it is difficult to predict what future redevelopment will be constructed at 30 Van Ness. However, Real Estate advises that if market conditions are similar to today, it is expected that this site will be redeveloped as a primarily residential rental project of between 500 to 600 units. As required by the Market Octavia Area Plan, retail would also be required on the ground floors, with potential for office spaces on the lower floors.

The proposed resolution specifies that the purchase and sale agreement include a conveyance deed imposing affordable housing 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 on any future residential redevelopment at the 30 Van Ness Avenue property. 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).

The purchase and sale agreement specifies that if the property is redeveloped for residential use, the developer will provide on-site not less than 15% affordable residential units or 20% affordable units if the applicable bulk limits are increased to permit 12,500 square feet.⁶ In addition, the agreement states that the City in its regulatory capacity, may also require on-site affordable housing at higher percentages than this minimum, with the cost of such additional affordable housing requirements borne by the project developer. Furthermore, the agreement specifies that the City would also have the right to increase the number of affordable units up to 33%, if the City pays the developer the actual cost for such additional affordable units above the required level.

⁶ Current Market Octavia Area Plan requirements limit this site's floor plate size to 10,000 square feet. While this agreement does not require the Planning Department or the Board of Supervisors to grant an exemption to this Plan, the buyer is agreeing to increase the minimum affordability on-site to 20% if such an exemption is proposed and granted in the future. These minimum affordable units may be rental units, for-sale units or any combination, in the sole discretion of the project developer.

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 City's total current outstanding principal balance on the COPs related to 30 Van Ness is \$28,220,000. Including accrued interest, related expenses and fees, Real Estate estimates incurring total costs of \$28,919,643 to redeem the outstanding COP debt on March 1, 2016.

FISCAL IMPACT**\$87,000,000 Anticipated, but \$80,000,000 Cash To Be Received**

As noted above, on July 28, 2015, the Board of Supervisors authorized the sale of the City-owned property at 30 Van Ness Avenue for not less than \$87,000,000, imposing redevelopment requirements that meet or exceed the minimum affordable housing obligations in the Market Octavia Area Plan and included a holdover lease for the City. In addition, that ordinance waived the sale from the requirements of the City's Surplus Property Ordinance under Administrative Code Chapter 23A, wherein the sale proceeds would otherwise be required to be used for affordable housing. At the time, Mr. Updike informed the Board of Supervisors that all four offers were equal to or greater than \$87,000,000. However, the proposed resolution is now requesting the Board of Supervisors to approve the sale of 30 Van Ness for \$80,000,000, which is \$7,000,000 or 8% less than originally authorized⁷.

According to Mr. Keene, at the time the previous ordinance was approved by the Board of Supervisors, Real Estate had four potential buyers who made offers based on meeting the minimum affordable housing obligations in the Market Octavia Area Plan, which is 12%. However, based on guidance from the Mayor's Office of Housing and Community Development, the City modified negotiations with the final bidders to require a higher level of minimum affordability (15% instead of 12%) and an additional requirement that the proposers provide a pathway to achieve 33% affordability, at the City's election, recognizing that these requirements would cause a direct reduction in the offered purchase prices. In addition, based on subsequent inspections of the property and meetings with the City's Planning Department and Mayor's Office of Housing and Community Development by the potential buyers, the original high bidder withdrew their offer after realizing that the adjacent site was no longer available at an appropriate price and more extensive improvements to 30 Van Ness were required than originally anticipated.

30 Van Ness Holdings has agreed to pay the City \$80,000,000 to purchase 30 Van Ness Avenue. In addition, Mr. Updike notes that the City negotiated for 30 Van Ness Holdings to pay the City's

⁷ Mr. Jon Givner, Deputy City Attorney advises that although the prior ordinance authorized the sale of 30 Van Ness for not less than \$87,000,000, a condition which is not being met by the proposed resolution, the previous ordinance does not need to be amended: because the Department has not met the condition that the property sell for \$87,000,000 or more, the conditional approval in that ordinance is not operative and the Board of Supervisors need not amend it. However, the section of the prior ordinance waiving the application of the City's Surplus Property Ordinance under Administrative Code Chapter 23A was not conditioned on a particular sales price, so that waiver remains intact, as specified in the prior ordinance.

transfer tax, which is typically paid by the seller in San Francisco, at a cost of \$2,000,000. Transfer taxes are deposited into the City's General Fund. Therefore, as shown in Table 2 below, the City will actually receive \$82,000,000 from the proposed sale of 30 Van Ness.

Table 2: Value of Proposed Sale of 30 Van Ness

Sale Price	\$80,000,000
Transfer Tax (2.5% of Purchase Price)	2,000,000
Total Estimated Value	\$82,000,000

Mr. Updike also notes that the City negotiated that the developer provide not less than 15% affordable residential units on-site and potentially up to a minimum of 20% affordable residential units. In contrast, the existing Market Octavia Area Plan requires 12% affordable housing on-site. Therefore, Mr. Updike states that if the proposed site is ultimately redeveloped into 500 residential units, a minimum 15% affordability will result in 75 affordable units, rather than the existing 12% minimum requirement which would result in 60 affordable units, an increase of 15 affordable units. Mr. Updike notes that these 15 affordable units at a conservative cost of \$533,333 per unit results in an additional value of \$8,000,000. Therefore, Mr. Updike notes that the total value of the proposed transaction to the City is approximately \$90,000,000 (\$80,000,000 sale price + \$2,000,000 transfer tax + \$8,000,000 for additional affordable units).

Commission and Fees

Based on the agreement between Real Estate and the brokerage firm, Newmark, Cornish & Carey, 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 \$80,000,000, the commission to Newmark, Cornish & Carey would be \$400,000.

Net Revenues to the City

As shown in Table 3 below, if the City sells 30 Van Ness at the proposed \$80,000,000, it will result in \$50,640,357 in available net sale proceeds for the City.

Table 3: Sale Proceeds and Expenses for 30 Van Ness

Minimum Sale Price	\$80,000,000
Less Broker Commission	(400,000)
Less Broker Marketing Fee (not to exceed)	(40,000)
Net Sale Proceeds	\$79,560,000
Repayment of COPs (2001 and 2007), plus fees	(28,919,643)
Total Net Proceeds to City	\$50,640,357

The \$50,640,357 net proceeds from the sale of 30 Van Ness would be deposited into an account established by the Controller.

Use of Net Proceeds for Additional Rent Costs, New City Office Space and Additional Affordable Housing Needs

As discussed above, incremental expenses from the holdover lease estimated at approximately \$1,144,335 annually may be needed to cover additional rent and operating expenses, depending on whether and by how much rates charged to City departments increase.

On December 9, 2014, the Board of Supervisors approved an ordinance for a Conditional Land Disposition and Acquisition Agreement with Related California Urban Housing, LLC (Related)⁸ to develop a City office building at Van Ness Avenue and Mission Street. Related plans to develop this site to 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 (Ordinance 254-14).

The City anticipates consolidating office space for five major departments in the new City-owned office building at Van Ness Avenue and Mission Street for 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 or leased 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 major source of funding for the development of this new City office building was \$83,180,000 from the sale of three existing City office buildings: (1) 30 Van Ness (subject of the proposed resolution), (2) 1660 Mission Street, and (3) 1680 Mission Street⁹.

The proposed resolution would approve the sale of 30 Van Ness for \$80,000,000, resulting in net proceeds of an estimated \$50,640,357, or 60.9% of the \$83,180,000 projected revenues from the sale of three City buildings. Sales proceeds from the three City buildings that exceed \$83,180,000 could be used to develop additional affordable housing at 30 Van Ness or other sites.

RECOMMENDATION

Approve the proposed resolution.

⁸ Related California Urban Housing LLC created a subsidiary, Goodwill SF Urban Development, to acquire and develop this site. Related California is also the proposed buyer and potential developer for 30 Van Ness.

⁹ The City anticipates putting 1660 and 1680 up for sale in February or March of 2016.



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



John Updike
Director of Real Estate

November 17, 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:

Following this summer's Board direction to finalize the terms of a sale of 30 Van Ness to the most responsive bidder, we are pleased to present a Purchase and Sale Agreement that attains a purchase price that is 84% over the appraised value and provides a path to secure 33% affordability in a future high-rise residential project at this critical Transit-Oriented Development location.

Attached for your consideration is a Resolution ratifying the Purchase and Sale agreement ("Agreement") between the City and 30 Van Ness Holdings LLC ("Buyer") for the sale of City-owned property located at 30 Van Ness Avenue ("30 Van Ness" or, the "Property") for a sales price of \$80,000,000. Ratifying this Resolution authorizes the Director of Property to take all reasonable and necessary actions for closing an escrow for the sale of the Property, including, recording affordability conditions against the Property regarding any future residential redevelopment. Concurrent with the final sale and as a condition of the Agreement, the City shall enter into a lease with the Buyer, at a below-market rate, for the City's continued occupancy at 30 Van Ness through at least December 31, 2018.

30 Van Ness 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 30 Van Ness, 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.

Ordinance No. 153-15 Regarding Sale of 30 Van Ness

On July 28, 2015, the Board approved, and on August 6th, the Mayor signed Ordinance No. 153-15. The Ordinance authorized the use of a portion of the proceeds from any sale of 30 Van Ness to defease up to \$25,870,000 of the 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, (Series 2001A and 2007A are collectively, the “Debt Defeasance”). The Ordinance also authorized the Controller to establish a continuing project account into which the proceeds from this sale of the Property, as well as proceeds from the future sales of 1660 Mission Street and 1680 Mission Street (the “Mission Street Properties”), shall be deposited for the purpose of developing other office space to accommodate City functions relocated from these or other City facilities (“Replacement Office Space Needs”).

The fiscal requirements of Debt Defeasance and Replacement Office Space Needs total approximately \$122,000,000. After accounting for more than \$79,600,000 in net proceeds from the sale of 30 Van Ness (net of 0.5% of the sales price paid by City as brokerage fees), and as contemplated in the Ordinance, any proceeds from the combined sales of the Mission Street Properties in excess of \$42,400,000 (“Excess Sales Proceeds”) may be appropriated by the Board for the purpose of developing affordable housing at 30 Van Ness or other sites.

The Ordinance confirmed that the sale of 30 Van Ness Avenue is excluded from the sale requirements of the Surplus Property Ordinance. The Ordinance also affirmed the Planning Department’s determination under the California Environmental Quality Act and adopted findings that this sale is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1.

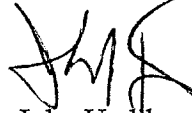
Residential Redevelopment – 33% Affordability

In response to Board and Mayoral direction, the City’s Real Estate Division negotiated the attached Agreement to sell 30 Van Ness to Buyer on the condition that affordability requirements are imposed upon any future residential redevelopment of the Property (“Residential Project”). Specifically, the Agreement gives the City the unilateral right to increase affordability within a future Residential Project up to a level of thirty-three percent (33%) on-site. Within a 500-unit development, such a discretionary future election by City would result in 165 new additional affordable units, contributing to the City’s goal of 30,000 new affordable units by 2020.

In order to increase affordability at the Property at no new cost to the City, the City can appropriate affordable housing fees generated directly from a 30 Van Ness Residential Project under Sections 416 & 424 of the Planning Code and combine those with any Excess Sales Proceeds. This additional affordability mechanism in the Agreement shall survive closing and provides the City a unique, discretionary opportunity to increase the on-site affordability, at any point prior to construction, within a Residential Project at 30 Van Ness. Approval of this Resolution provides a framework the City could implement in future public to private transactions in order to help achieve greater levels of affordability throughout residential developments in San Francisco.

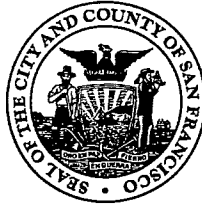
If you have questions regarding this sale or specifically, how this sale accomplishes the City's goal of reaching 33% on-site affordability, please do not hesitate to contact me.

Respectfully,

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

John Updike
Director of Property

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *[Signature]* Mayor Edwin M. Lee *[Signature]*
RE: Sale of City Property to 30 Van Ness Holdings LLC – 30 Van Ness
Avenue - \$80,000,000
DATE: November 17, 2015

Attached for introduction to the Board of Supervisors is a resolution ratifying the purchase and sale agreement by and between City and 30 Van Ness Holdings LLC for the sale of City-owned property located at 30 Van Ness Avenue for \$80,000,000.

I respectfully request that this item be calendared in Budget & Finance Committee on December 2, 2015.

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

[Handwritten signature]
RECEIVED
CITY OF SAN FRANCISCO
NOV 17 11 45 AM
CLERK OF THE BOARD OF SUPERVISORS

EXECUTION COPY

AGREEMENT FOR SALE OF REAL ESTATE

by and between

CITY AND COUNTY OF SAN FRANCISCO,
as Seller

and

30 VAN NESS HOLDINGS LLC, or assignee,
as Buyer

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

November 25, 2015

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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 November 25, 2015, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Seller"), and 30 VAN NESS HOLDINGS LLC, a Delaware limited liability company, or assignee ("Buyer").

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

A. U.S. Bank Trust National Association, a national banking association, as trustee ("**Trustee**") holds legal title to 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 and more particularly described and shown in Exhibit A attached hereto (the "**Real Property**") as well as the other components of the "Property" (as defined below). Trustee's legal title is for the benefit of City as the beneficial owner of the Property.

B. In addition to its beneficial interest in the Property, City currently holds a leasehold interest in the Property pursuant to that certain Project Lease dated October 1, 2001 between Trustee and City recorded with the Office of the County Recorder of San Francisco County on October 4, 2001 as document No. 2001-H032670-00 (the "**Project Lease**"). Pursuant to the Project Lease, which shall be terminated upon Closing (as defined below), City has the right, power and authority to cause Trustee for and on behalf of the City to convey fee title (including all legal and beneficial interest held therein) to the Property directly to Buyer.

C. 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.

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

E. Buyer desires to purchase the Real Property and City is willing to cause Trustee to convey the Real Property directly to Buyer, 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 cause Trustee to convey the Real Property directly to Buyer, and Buyer agrees to purchase from City, City's interest in the Real Property, together with (x) 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 (the "Personal Property"), (y) all tenant leases and any other occupancy agreements (hereinafter collectively referred to as the "Leases") and any security deposits held pursuant to the Leases, and (z) to the extent assignable, all existing warranties, guaranties, permits, licenses, approvals and authorizations related to the Real Property or the Personal Property (the "Intangibles"). All of the foregoing items are collectively referred to herein as the "Property."

2. PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE

The purchase price for the Property is Eighty Million and no/100 Dollars (\$80,000,000.00) (the "Purchase Price").

Buyer shall pay the Purchase Price as follows:

(a) Within three (3) Business Days after this Agreement is executed by the parties hereto, Buyer shall deposit in escrow with National Land Tenure Company, LLC (the "Title Company") the sum of Seven Million Five Hundred Thousand and no/100 Dollars (\$7,500,000.00) as an earnest money deposit (the "Deposit"). The Deposit shall be refundable to Buyer if the Agreement is terminated in accordance with Section 5.2. The Deposit shall be held in an interest-bearing account, and all interest thereon shall be deemed a part of the Deposit. Upon 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 Seventy-Two Million Five Hundred Thousand and no/100 Dollars (\$72,500,000.00), to City at the consummation of the purchase and sale contemplated hereunder (the "Closing").

(c) Notwithstanding any provision of this Agreement to the contrary, upon any early termination of this Agreement where Buyer is entitled to a refund of the Deposit, the Title Company shall deduct from the Deposit the sum of One Hundred Dollars (\$100) (the "Independent Contract Consideration") and deliver such Independent Contract Consideration to City, which amount the parties bargained for and agree to as consideration for Buyer's right to inspect and purchase the Property pursuant to this Agreement and for City's execution, delivery and performance of this Agreement. The Independent Contract Consideration is in addition to and independent of any other consideration or payment provided in this Agreement, is nonrefundable, and is fully earned and shall be retained by City notwithstanding any other provision of this Agreement.

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 cause the Trustee to directly transfer its interest in and to the Real Property to Buyer by grant 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 non-delinquent local real estate taxes and assessments, (b) the Permitted Exceptions (as defined in Section 5.1 hereof), (c) all items of which Buyer has actual notice or knowledge (subject to the provisions of Section 5.3 with respect to New Title Matters) and (d) the deed restrictions described in Section 3.2 below. All of the foregoing exceptions to title shall be referred to collectively as the "Conditions of Title."

3.2 Affordable Units

(a) Buyer acknowledges and agrees that City would not sell the Property unless Buyer, its successors and assigns (collectively, the "Project Developers"), agreed that if the Property is redeveloped as a residential development, Buyer will develop the Property in

accordance with certain conditions and covenants as detailed in Exhibit "B" (the "Deed Restriction"), which require the provision on-site of inclusionary units, as defined by Section 415 of City's Planning Code and administered by City's Mayor's Office of Housing and Community Development, for not less than (x) fifteen percent (15%) of the total number of residential units within the Project (should City maintain the existing bulk restrictions applicable to the Project), or (y) twenty percent (20%) of the total number of residential units within the Project (should City, in its regulatory capacity, increase the applicable bulk limits to permit a tower floor plate averaging 12,500 gross square feet prior to final entitlements for the Project) (the percentage of residential units in clause (x) or (y), as applicable, being the "Minimum Affordable Units"). For the avoidance of doubt, the Minimum Affordable Units may be rental units, for-sale units or any combination thereof as Project Developers may elect in their sole discretion.

(b) The City in its regulatory capacity and consistent with Section 16.110(h) of City's Charter, may also require on-site affordable housing at a percentage higher than the Minimum Affordable Units (the "Regulated Affordable Units"). The greater level of the Minimum Affordable Units and the Regulated Affordable Units shall be known as the "Initial Affordable Units". The Project Developers shall bear all costs associated with delivering the Initial Affordable Units through the development of a residential development.

(c) Buyer shall notice City in writing on the date that is thirty (30) days after the date that the entitlements for the Project, including any increase in height or bulk limits, are final and no longer subject to administrative appeal (the "Entitlement Date").

(d) The City in its proprietary capacity may elect, by written notice delivered to Buyer no later than thirty (30) days after the Entitlement Date (the "Notice Date"), to exercise its right under this Agreement to require additional on-site affordable rental units in excess of the Initial Affordable Units (the "Additional Affordable Units", and together with the Initial Affordable Units, the "Affordable Units").

(e) No later than sixty (60) days after the Notice Date, Buyer shall inform City in writing ("Initial Estimate Date") of Buyer's best estimate as of the Initial Estimate Date, of the cost per Additional Affordable Unit at different levels of AMI as may be permitted in this Agreement (as defined below) (the "Estimated Cost Per Unit") (which Estimated Cost Per Unit shall be calculated according to the same formula as the Additional Affordable Unit Cost set forth below). "AMI" means "area median income," as defined in Section 401 of City's Planning Code. Buyer's calculation of the Estimated Cost Per Unit shall demonstrate that the cost per Additional Affordable Unit is comparable to the cost per Initial Affordable Unit; any cost differences shall be based solely upon differences in AMI levels.

(f) No later than sixty (60) days after the Initial Estimate Date, City shall provide Buyer with written notice ("Additional Affordable Units Date") specifying the number of residential rental units at the level(s) of AMI (defined below) within the Project that the City elects to designate as Additional Affordable Units; provided, that without Buyer's approval in its sole discretion, in no event may the Additional Affordable Units cause the percentage of Affordable Units in the Project to exceed thirty-three percent (33%) of the total number of residential units in the Project (and in the event that the Initial Affordable Units are equal to or in excess of thirty percent (33%) of the total number of residential units in the Project, the City shall have no right to require Additional Affordable Units). In the event City elects to designate Additional Affordable Units, in no event may the number of Additional Affordable Units

affordable to households earning up to fifty-five percent (55%) of AMI, combined with the total number of Initial Affordable Units, exceed twenty percent (20%) of the total number of residential units in the Project, and any Additional Affordable Units resulting in more than twenty percent (20%) of the total number of residential units in the Project being Affordable Units need be affordable only to households earning one hundred twenty percent (120%) or more of AMI.

(g) No later than sixty (60) days after the Initial Estimate Date, City shall deposit the full amount of the cost to develop the Additional Affordable Units as estimated by Buyer (the "Estimated Cost"), which shall be based upon the Additional Affordable Units elected by City at the rate of the Estimated Cost Per Unit provided by Buyer on the Initial Estimate Date, in an escrow account mutually designated by City and Buyer with escrow instructions to be drafted jointly by City and Buyer. Should City fail to timely make such deposit in full, City's written notice electing to require Additional Affordable Units shall be void, and City shall have no further right to require Additional Affordable Units).

(h) Buyer shall have the obligation to deliver an updated calculation of the Additional Affordable Unit Cost (the "Final Cost") at any time on or before the date that is ninety (90) days before the date on which Buyer reasonably estimates that City's Department of Building Inspection will issue a certificate of occupancy for the Additional Affordable Units. However, Buyer shall only provide the Final Cost one-time. If the Final Cost is higher than the Estimated Cost, City shall have the option to either: (i) deposit the difference in the City-controlled escrow account within twenty (20) Business Days after receipt of Buyer's calculation of the Final Cost; or (ii) City shall instruct Buyer in writing within twenty (20) Business Days to reduce the number of Additional Affordable Units within the Project to account for the increased difference between the Estimated Cost and the Final Cost. If the Final Cost is lower than the Estimated Cost, then the difference between the Final Cost and the Estimated Cost shall be released to City at such time as the balance of the escrow account is released to Buyer.

(i) City and Buyer shall jointly control the escrow. As long as Buyer continues to proceed in good faith and uses commercially reasonable efforts to continue developing the Project, City shall not be permitted to withdraw any funds from such escrow account (but for clarity, if Buyer elects in its sole discretion not to complete the Project as a residential development, City's sole remedy shall be to receive a return of its escrowed funds). Buyer shall not withdraw any funds from such escrow account prior to issuance of a certificate of occupancy by City's Department of Building Inspection for the Additional Affordable Units, at which time the escrow funds shall promptly be released to Buyer.

(j) As used in this Section 3.2:

(i) "Additional Affordable Unit Cost" means the sum of the amounts obtained for each Additional Affordable Unit pursuant to the following formula for each Additional Affordable Unit:

$$\text{TOTALCOST} - ((\text{RENT} - \text{OPEX})/\text{CAPRATE})$$

For clarity, the value of $((\text{RENT} - \text{OPEX})/\text{CAPRATE})$ may be a negative number, in which event the absolute value of such amount shall be added to TOTALCOST. An example of such

calculation, with hypothetical figures included for illustrative purposes only, is attached hereto as Exhibit "H".

(ii) "TOTALCOST" means the total cost to complete the Project (including all hard costs and soft costs and the cost of land acquisition) on a per-unit basis, adjusted for the size of the applicable Additional Affordable Unit. Except for such size adjustment, the costs to develop Additional Affordable Units shall be equal to the cost of developing the Affordable Units.

(iii) "RENT" means the aggregate annual rent attributable to the applicable Additional Affordable Unit.

(iv) "OPEX" means the aggregate annual operating expenses of the Project divided by the total number of residential units in the Project.

(v) "CAPRATE" means the ratio, at the time of determination, of net operating income to asset value for multifamily residential properties in the City and County of San Francisco similar in scope and quality to the Project.

(k) The provisions of this Section 3.2 shall survive Closing. City's right to require Additional Affordable Units shall extinguish only after either (i) a residential redevelopment occurs and the percentage of Affordable Units in the Project exceeds thirty-three percent (33%) of the total number of residential units in the Project; or (ii) City exercises its rights under this Section 3.2 and Additional Affordable Unit(s) within a Project are issued a certificate of occupancy; or (iii) City does not send written notice to Buyer on or before the Notice Date; or (iv) any point at which City has no right to require Additional Affordable Units pursuant to Section 3.2.f above.

3.3 Intentionally Omitted

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 it is Buyer's obligation (and a condition precedent to Buyer's obligations hereunder) to furnish at its cost, 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, if desired.

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

4.1 Buyer's Independent Investigation

Buyer hereby 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"); provided, however, that Buyer's acceptance or waiver of the Property Conditions shall not limit or modify City's express representations and warranties hereunder:

(a) Except as set forth in Section 5.1 and Section 5.3, 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.

(e) The economics and development potential, if any, of the Property.

(f) 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 that certain Permit to Enter Property in Connection with Environmental and Geotechnical Investigation, dated October 2, 2015, by and between City and Related Fund Management LLC (the "Access Permit").

Buyer shall maintain, and shall require that its Agents maintain, public liability and property damage insurance in amounts and in form and substance consistent with the requirements of the Access Permit, and Buyer shall provide City with evidence of such insurance coverage upon request from City.

Buyer shall indemnify City with respect to the Buyer's inspections as and to the extent provided in the Access Permit.

City made 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 did 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.

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 (EXCEPT FOR CITY'S EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT). 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 (EXCEPT FOR CITY'S EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT). 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.); provided, however, that the provisions of this Section 4.5 do not extend to, and Buyer does not release City with respect to, the matters that are the subject of City's express representations and warranties set forth in this Agreement.

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 Permitted Exceptions. For purposes of this Agreement, the following shall constitute "Permitted Exceptions:"

a. Each matter affecting title to Property disclosed by that certain commitment to insure the Real Property from First American Title Company National Commercial Services, updated November 5, 2015, commitment no. NCS-755130-ONT1 (the "Title Commitment") or that certain draft survey of the Property dated October 19, 2015 performed by Martin M. Ron Associates (the "Survey");

b. the lien of ad valorem real estate taxes, special taxes and assessments not yet delinquent as of the date of Closing, subject to proration as herein provided;

c. local, state and federal laws, ordinances or governmental regulations, including but not limited to building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Property;

d. the usual printed exceptions and exclusions contained in such title insurance policies; and

e. matters caused by or on behalf of Buyer or its agents.

5.2 Intentionally Omitted

5.3 Title Review Following Execution of Agreement

If any update of the Title Commitment or the Survey after the date of this Agreement but prior to the Closing Date discloses new exceptions, matters or conditions which are (a) first discovered or disclosed to Buyer after the date of this Agreement, (b) not disclosed by the Title Commitment or Survey prior to the date of this Agreement and (c) not permitted or consented to by Buyer, or otherwise resulting from actions of Buyer or its agents (a "New Title Matter"), Buyer may notify Seller in writing (the "Gap Notice") of Buyer's objections to any such New Title Matter. If Buyer fails to deliver written notice to Seller of an objection to any such New Title Matter within five (5) days of being made aware of the existence of such New Title Matter, then Buyer shall be deemed to have accepted such New Title Matter, which shall constitute a Permitted Exception (as defined in Section 5.1). If Buyer sends a Gap Notice to Seller, then Seller shall have five (5) days after receipt of the Gap Notice to notify Buyer that Seller will either (a) cause such objectionable New Title Matter to be removed from title or insured over on or before the Closing, provided that Seller may extend the Closing for such period as shall be required to effect such cure (not to exceed sixty (60) days); or (b) elects not to cause such New Title Matter to be removed (a "Non-Removal Notice"). If Seller fails to notify Buyer of its election within said five (5) day period, then Seller shall be deemed to have delivered a Non-Removal Notice, then Buyer shall have five (5) days within which to notify Seller in writing that Buyer elects to either (i) nevertheless proceed with the purchase and take title to the Property subject to such disapproved New Title Matter, or (ii) terminate this Agreement. If Buyer fails to notify Seller in writing of its election within said five (5) day period, then Buyer shall be deemed to have elected to proceed with the purchase and take title to the Property subject to such New Title Matter. Upon the termination of this Agreement, 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. Notwithstanding the foregoing, in the event any such update of the Title Commitment or Survey is obtained on or after the date that is ten (10) business days prior to the Closing Date, Buyer shall have the right, at its option, on or prior to the Closing Date, to extend the Closing Date for up to ten (10) business days after such original Closing Date to accommodate the foregoing review and objection process.

5.4 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 in all material respects as of the Closing.
- (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 executed and delivered 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 executed and delivered a Leaseback Agreement with City in the form attached hereto as Exhibit E.

5.5 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, except in the event that Buyer is in default of its obligations under this Agreement (in which case the provisions of Section 9 shall apply), the Deposit shall be promptly delivered by Title Company to Buyer, and thereafter neither party shall have any further rights or obligations hereunder except as provided in Sections 4.3 [Entry and Indemnity], 8.2 [Brokers], or 10.4 [Authority of Buyer] or as otherwise expressly provided herein.

5.6 Buyer's Conditions to Closing

The Closing and Buyer's obligation to consummate the transactions contemplated by this Agreement and the exhibits attached hereto are subject to the satisfaction of the following conditions (which can be waived by Buyer):

(a) City's delivery of the items required to be delivered by City pursuant to Section 6.3 of this Agreement, not later than the Closing Date (unless otherwise provided).

(b) Title Company's issuance or commitment to issue on or before the Closing Date, an owner's policy of title insurance, in the amount of the Purchase Price, insuring Buyer as the fee simple owner of the Property to be conveyed hereunder, subject only to the Permitted Exceptions. Buyer shall satisfy or eliminate, on or before the Closing Date, those title requirements to be performed or otherwise satisfied by Buyer. Seller shall satisfy or eliminate, on or before the Closing Date, those title requirements to be performed or otherwise satisfied by Seller.

(c) City's representations and warranties contained in this Agreement shall be true and correct in all material respects as of the Closing, and City shall have otherwise performed in all material respects its obligations under this Agreement which are required to be performed by City prior to the Closing Date.

(d) Seller's delivery of actual possession of the Property, subject only to the Leaseback Agreement and the Leases.

(e) Seller shall use commercially reasonable efforts to obtain estoppel certificates from each tenant of the Property not inconsistent with City's representations and warranties herein in any material respect and otherwise substantially in the form attached hereto as Exhibit F or, if a tenant's lease requires a different form, in the form required by the tenant's lease, or as otherwise provided in this paragraph below. It shall be a condition to Buyer's obligation to close the sale and purchase of the Property that on or before the Closing, Buyer is able to obtain an estoppel certificate not inconsistent with City's representations and warranties herein in any material respect and otherwise substantially in such form from tenants occupying at

least one hundred percent (100%) of the area of the Property actually rented to tenants (collectively, the "Estoppel Threshold"). All estoppel certificates shall be dated no more than thirty (30) days prior to the Closing Date. An estoppel certificate, even though not in the required estoppel form, will be deemed reasonably acceptable to Buyer if it (i) contains the following information: confirming rent, security deposit, termination date and any extension options or rights of first refusal; that no rent has been paid more than one month in advance; that the Lease is in full force and effect and that the tenant has no knowledge of any landlord default; and that the Lease has not been amended, modified or supplemented except as described in the estoppel, (ii) is on the form required by the Lease, or (iii) is on the standard form of a national tenant which customarily issues its own form. If Seller is unable to obtain and deliver sufficient tenant estoppel certificates as required under this Section 5.6(e), or if the certificates received contain a statement that Seller is in default under a Lease or if the information contained in such tenant estoppel certificate is different than the information provided to Buyer (i.e. the termination date of such lease is later than the termination date disclosed to Buyer) or is inconsistent with City's representations and warranties herein in any material respect and Buyer objects thereto by written notice to Seller within five (5) business days after receipt by Buyer of the objectionable estoppel, but in any event on or before the Closing Date, then Seller will not be in default by reason thereof, and Seller may elect to extend the Closing Date by up to thirty (30) days in order to satisfy the requirement. If Seller still cannot satisfy the requirement at the end of such extended period, then Buyer may, by written notice given to Seller before the Closing, elect to terminate this Agreement and receive a refund of the Deposit or waive said condition. If Buyer so elects to terminate this Agreement, neither party shall have any further rights or obligations hereunder except as otherwise provided herein. If no such notice is delivered by Buyer, Buyer shall be deemed to have waived such condition.

(f) The Project Lease shall have been terminated prior to or effective upon the Closing Date.

(g) 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.

5.7 Failure of Buyer's Conditions Precedent

If any of the conditions set forth in Section 5.6 are not timely satisfied or waived by Buyer in its sole discretion, then:

(a) This Agreement and the rights and obligations of Buyer and City hereunder shall terminate, and this Agreement shall be of no further force or effect, except for those matters which, by the express terms of this Agreement, survive the termination of this Agreement; and

(b) Except in the event that Buyer is in default under this Agreement (in which case the provisions of Section 9 shall apply), the Deposit shall be promptly delivered by Title Company to Buyer.

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 on Friday, January 29, 2016 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, or shall cause Trustee to, deposit into escrow the following items:

(i) the duly executed and acknowledged Deed conveying the Real Property to Buyer, in the form attached hereto as Exhibit B;

(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 Lease(s) and Contract(s) in the form attached hereto as Exhibit D (the "Assignment of Leases and Contracts");

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

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

(vi) tenant estoppels satisfying the requirements of Section 5.6(e).

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

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

(v) four (4) duly executed counterparts of the Leaseback Agreement.

(c) City and Buyer shall each deposit such other instruments as are reasonably required by the Title Company (including a duly executed owner's title affidavit of City in form

reasonably acceptable to Buyer and 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, 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, refunds and assessments (prorated based on the payment period to which the same are attributable, regardless of whether then due and payable); 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 (except as specifically provided below), 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 or three hundred sixty-six (366)-day, as applicable, year. Any delinquent rents collected after the Closing shall be, first, paid to Buyer in respect of the month in which such amounts are collected (unless such month is the month in which Closing occurs); second, prorated among Buyer and City in respect of the month in which Closing occurs; third, paid to Buyer in respect of all months after the month in which Closing occurs; and fourth, paid to City. Buyer shall use all reasonable efforts to collect such delinquent rents. 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 Buyer's reasonable estimate of the cost to repair any casualty damage (less any cost of repair actually expended by City prior to the Closing) or the amount of any condemnation awards actually collected by City. If any condemnation awards have not been collected as of the Closing, then City shall assign such awards to Buyer, and Buyer shall not receive any credit against the Purchase Price with respect to such 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 escrow fees and recording charges and any other costs and charges of the escrow for the sale (the "Closing Costs"). Buyer shall pay any transfer taxes applicable to the sale and personal property taxes.

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 OF ITS OBLIGATIONS HEREUNDER AND BUYER IS NOT THEN IN DEFAULT OF ITS OBLIGATIONS HEREUNDER, THEN BUYER MAY ELECT, AS BUYER'S SOLE AND EXCLUSIVE REMEDY, UPON NOTICE TO CITY NOT MORE THAN THIRTY (30) DAYS AFTER THE ORIGINALLY SCHEDULED CLOSING DATE, EITHER (X) TO TERMINATE THIS AGREEMENT AND RECEIVE A REFUND OF THE DEPOSIT OR (Y) TO FILE SUIT TO OBTAIN SPECIFIC PERFORMANCE OF CITY'S OBLIGATION TO CONVEY THE PROPERTY, BUT NOT DAMAGES (AND BUYER'S FAILURE TO DELIVER A NOTICE ELECTING ONE OF THE REMEDIES DESCRIBED IN THIS SENTENCE SHALL BE DEEMED TO BE BUYER'S ELECTION TO TERMINATE THIS AGREEMENT AND RECEIVE A REFUND OF THE DEPOSIT); PROVIDED, THAT IF BUYER FILES SUIT FOR SPECIFIC PERFORMANCE BUT IS UNABLE TO OBTAIN THE SAME, THEN THEREAFTER THE DEPOSIT SHALL BE RETURNED TO BUYER. IF THE SALE IS NOT CONSUMMATED DUE TO ANY DEFAULT BY BUYER OF ITS OBLIGATIONS HEREUNDER AND CITY IS NOT THEN IN DEFAULT OF ITS OBLIGATIONS HEREUNDER, 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: JK BUYER: MW

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:

30 Van Ness Holdings LLC
c/o Related California
44 Montgomery Street, Suite 1050
San Francisco, CA 94104
Attention: Greg Vilkin

with a copy to:

The Related Companies
60 Columbus Circle
New York, NY 10023
Attention: Michael Winston

and a copy to:

Klein Law Firm
9230 W. Olympic Boulevard, Suite 202
Beverly Hills, CA 90212
Attention: Joe Klein

and a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Attention: Anthony J. Colletta

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. Notwithstanding the foregoing sentence, prior to Closing, Buyer may assign all (but not less than all) of its rights and interest under this Agreement to a Permitted Assign. "Permitted Assign" shall mean an entity controlling, controlled by, or under common control with Buyer, The Related Companies, L.P., a New York limited partnership, or Related Fund Management LLC. For purposes of the immediately preceding sentence, the term "control" and similar terms shall mean the ownership of greater than fifty percent (50%) of the voting or economic interests of the applicable entity.

10.3 Amendments

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

10.4 Authority

Buyer represents and warrants to City that Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware. 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. City represents and warrants to Buyer that City is a municipal corporation duly organized, validly existing, and in good standing under the laws of the State of California. City further represents and warrants to Buyer that this Agreement and all documents executed by City which are to be delivered to Buyer at Closing: (a) are or at the time of Closing will be duly authorized, executed and delivered by City; (b) are or at the time of Closing will be legal, valid and binding obligations of City; and (c) do not and at the time of Closing will not violate any provision of any agreement or judicial order to which City is a party or to which City is subject. Notwithstanding anything to the contrary in this Agreement, the foregoing representations and warranties and any and all other representations and warranties of City contained herein or in other agreements or documents executed by City 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 Delaware limited liability company 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 of 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, which is the later of: (a) the date on which the City's Board of Supervisors and Mayor enact a resolution approving and authorizing this Agreement and the transactions contemplated hereby; or (b) the date of 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 November 9, 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.

10.25 City's Representations and Warranties

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

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

(b) No document or instrument furnished or to be furnished by the City to the Buyer 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.

(c) The only Leases in force for the Property are set forth in a tenant list attached hereto as Schedule 1 and made a part hereof, and to the best of City's knowledge, City has received no written notice of any default by City with respect to such leases which has not

been cured. City has provided Buyer with true, complete and correct copies of all such Leases (including any amendments, modifications and supplements thereto), and there are no amendments, modifications or supplements to such leases except as set forth on Schedule 1. Unless Buyer elects to terminate the Leases prior to expiration dates of the Leases, including options to extend, there are no tenant improvement costs, leasing commissions and free rent payable in the future with respect to Leases in existence on the Effective Date.

(d) To the best of City's knowledge, except as set forth in the Phase I Reports set forth on Schedule 1 [and the letter dated October 1, 2015 from 3E Company to the City], the Property (a) is free of Hazardous Materials, and (b) has not been used for the storage or disposal of any Hazardous Materials. The Phase I Reports set forth on Schedule 1 are the only reports in City's possession regarding Hazardous Materials at the Property.

(e) To the best of city's knowledge, except as set forth on Schedule 1, there are no contracts or agreements (including any service contracts and any union agreements or collective bargaining agreements) that will be binding on Buyer in its capacity as owner of the Property after the Closing other than the Leases.¹

(f) There are no suits, actions or proceedings related to the Property that are pending (in which service of process has been received by City) or, to the best of City's knowledge, threatened in writing against City.

(g) City has not received any written notice of, and to City's knowledge there is no, material violation of any law, ordinance, order, regulation or requirement applicable to the Property which remains outstanding.

(h) City has not entered into any agreement (written or oral) granting any rights of possession to any third party (other than pursuant to the Leases) and City has not executed any other agreement of sale, option agreement, right of first offer or right of first refusal with respect to the Property, except for this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

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

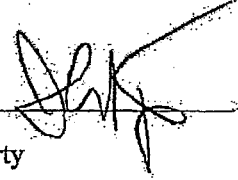
CITY:

CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation


BUYER:

30 VAN NESS HOLDINGS LLC,
a Delaware limited liability company

By:


JOHN UPDIKE
Director of Property

By:


Michael Winston
Authorized Signatory

Its: _____

APPROVED AS TO FORM FOR CITY:

DENNIS J. HERRERA, City Attorney

By:

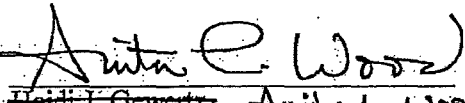

~~Heidi J. Gwartz~~ Anita L. Wood
Deputy City Attorney

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:

BEGINNING AT A POINT FORMED BY THE INTERSECTION OF THE EASTERLY LINE OF VAN NESS AVENUE WITH THE SOUTHERLY LINE OF FELL STREET; RUNNING THENCE SOUTHERLY ALONG THE EASTERLY LINE OF VAN NESS AVENUE 275 FEET TO THE NORTHERLY LINE OF OAK STREET; THENCE EASTERLY ALONG THE NORTHERLY LINE OF OAK STREET 24 FEET 10-1/4 INCHES TO ITS INTERSECTION WITH THE NORTHWESTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG THE NORTHWESTERLY LINE OF MARKET STREET 171 FEET 5-3/4 INCHES; THENCE NORTHERLY, PARALLEL WITH THE EASTERLY LINE OF VAN NESS AVENUE 174 FEET 9-3/4 INCHES TO THE SOUTHERLY LINE OF FELL STREET; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF FELL STREET 164 FEET TO THE POINT OF BEGINNING.

BEING A PORTION OF WESTERN ADDITION BLOCK NO. 70.

APN: Lot 004; Block 0835

EXHIBIT B

GRANT 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

**GRANT 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, and ratified pursuant to Resolution No. _____, adopted by the Board of Supervisors on _____, 2015 and approved by the Mayor on _____, 2015, City and 30 VAN NESS HOLDINGS LLC, a Delaware limited liability company ("Buyer") hereby agree as follows.

1. Grant Deed. City, through Trustee, hereby GRANTS to Buyer, its successors and assigns ("Grantee"), the following described 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.

2. Deed Restrictions. As a material part of the consideration for the grant 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 if the Property is redeveloped as a residential development, Buyer will develop the Property so as to provide on-site inclusionary units, as defined by Section 415 of City's Planning Code and administered by City's Mayor's Office of Housing and Community Development, for not less than (x) fifteen percent (15%) of the total number of residential units within the Project (should City maintain the existing bulk restrictions applicable to the Project), or (y) twenty percent (20%) of the total number of residential units within the Project (should City, in its regulatory capacity, increase the applicable bulk limits to permit a tower floor plate averaging 12,500 gross

square feet prior to final entitlements for the Project) (the percentage of residential units in clause (x) or (y), as applicable, being the "Minimum Affordable Units"). For the avoidance of doubt, the Minimum Affordable Units may be rental units, for-sale units or any combination thereof as the Buyer Parties may elect in their sole discretion.

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. (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

BUYER:

30 VAN NESS HOLDINGS LLC,
a Delaware limited liability company

By: _____
JOHN UPDIKE
Director of Property

By: _____

Its: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

DESCRIPTION CHECKED/APPROVED:

By: _____
[NAME]
City Engineer

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 30 VAN NESS HOLDINGS, a Delaware limited liability company ("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 (EXCEPT FOR CITY'S EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT OF PURCHASE AND SALE).

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: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT D

ASSIGNMENT AND ASSUMPTION OF LEASE(S) AND CONTRACT(S)

THIS ASSIGNMENT AND ASSUMPTION OF LEASE(S) AND CONTRACT(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 30 VAN NESS HOLDINGS LLC, a Delaware limited liability company ("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)") and certain contract(s) executed with respect to the Property as more fully described in Schedule 2 attached hereto (collectively, the "Contract(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) or the property owner's obligations under the Contract(s).

As of the Conveyance Date, Assignee hereby assumes all of the landlord's obligations under the Lease(s) and the property owner's obligations under the Contract(s) 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) or the property owner's obligations under the Contract(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:

30 VAN NESS HOLDINGS LLC,
a Delaware limited liability company

By: _____

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: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT E
LEASEBACK AGREEMENT

[See attached]

OFFICE LEASE

between

30 VAN NESS HOLDINGS LLC,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

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

January __, 2016

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EXHIBIT E – Legal Description

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of January 11, 2016, is by and between 30 VAN NESS HOLDINGS LLC, a Delaware limited liability company ("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:	January 11, 2016
Landlord:	30 VAN NESS HOLDINGS LLC
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 and all other costs and expenses of or related to the Building (as hereinafter more particularly set forth).
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, subject to the rights of tenants under the Existing Retail Leases (as defined in Section 22.1).
Rentable Area of Premises (Section 2.1):	Approximately 152,578 rentable square feet. City acknowledges that the Premises are delivered, and City accepts the same, "as is", and that no representation or warranty is being made by Landlord as to the Premises, their condition, or the Rentable Area thereof.
Term (Section 3):	Estimated commencement date: January 11, 2016 Expiration date: December 31, 2018

Extension Options (Section 3.4):

5 additional term(s) of 1 year (each), each exercisable by City by notice to Landlord given not less than 180 days in advance of each Extended Term, with rent increased by ten percent (10%) over the Base Rent in effect from the previous year at the time the Extended Term begins. The Extension Options are subject to termination pursuant to the provisions of Section 3.4.

Base Rent (Section 4.1):

Period	Per Year	Per Month
Commence ment Date - 12/31/2016	\$3,000,000	TBD
1/1/2017 - 12/31/2017	\$3,210,000	\$267,500
1/1/2018 - 12/31/2018	\$3,434,700	\$286,225

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 pursuant to the conditions included in Section 9.1 herein.

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 pursuant to the conditions included in Section 9.1 herein.

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 pursuant to the conditions included in Section 9.1 herein.

Notice Address of Landlord (Section 23.1):

30 Van Ness Holdings LLC

c/o Related Fund Management, LLC
60 Columbus Circle, 19th Floor
New York, New York 10023
Attention: Michael Winston

with copies to:

30 Van Ness Holdings LLC
c/o Related California
18201 Von Karman Avenue
Irvine, California 92612
Attention: Matthew Witte

and with copies to:

Levitt & Boccio, LLP
423 West 55th Street, 8th Floor
New York, New York 10019
Attention: Joel Maxman, Esq.

Key Contact for Landlord:

Matthew Witte

Landlord Contact Telephone No.:

(949) 660-7272

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: Heidi J. Gewertz
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):

Newmark Cornish & Carey

Other Noteworthy Provisions (Section 22):

Existing Retail Leases; Net Lease; "As Is" Condition

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 approximate rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. The land is more particularly described on Exhibit E. 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), subject, in any event, to the Existing Retail Leases.

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. The rights granted under this Section 2.5 are subject to the rights of tenants under the Existing Retail Leases.

2.6 Energy Consumption

City shall use commercially reasonable efforts to provide, no later than ten (10) business days following a written request by Landlord to City, and in no event later than thirty (30) business days, energy consumption data for the Premises and such other information as may be reasonably necessary for Landlord to comply with the requirements of the Nonresidential Building Energy Use Disclosure Program, as set forth in California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680, et seq.

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.

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 then-exercised Extended Term, in the case of the Second Extension Option and any subsequent Extension Options, to be extended; provided, however, (x) 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, or (y) if City is in material default after the giving of notice and the expiration of any applicable cure periods under this Lease on the day immediately preceding the commencement of such Extension Option, such Extension Option shall be null and void.

Notwithstanding anything to the contrary herein, upon the issuance of a temporary or permanent certificate of occupancy permitting City to commence occupancy of the office premises presently under construction located at 1580 Mission Street, San Francisco, California (the "Mission Premises"), (i) all then-unexercised Extension Options shall become null and void and (ii) notwithstanding that any Extension Options may have theretofore been exercised, the Term of this Lease shall expire and terminate as of the date which is the later to occur of (x) December 31, 2018 and (y) ninety (90) days following delivery of notice to City that a temporary or permanent certificate of occupancy for the Mission Premises has been issued.

3.5 Default under Agreements for Mission Premises

Notwithstanding anything to the contrary contained in this Lease, upon the occurrence of a default by City, as purchaser under that certain Conditional Purchase and Sale Agreement, dated as of December 10, 2014, between Goodwill SF Urban Development, LLC, as Developer, and City, or as Owner under that certain Construction Management Agreement to be entered into between City and Goodwill SF Urban Development, LLC, as Developer (in the form attached as Exhibit P to the aforementioned Conditional Purchase and Sale Agreement), both affecting the Mission Premises, which default remains uncured after the giving of any applicable notice and the expiration of any applicable cure period, then and in such event the Base Rent payable under this Lease shall immediately be increased to one hundred fifty percent (150%) of the then fair market rental value of the Premises ("Revised Terms") provided, however, that such Revised Terms shall not apply during the Initial Term.

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. At the request of Landlord, Base Rent shall be payable when due by wire transfer or ACH transfer of funds to an account or accounts from time to time designated by Landlord. 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 Late Charges

City and Landlord acknowledge that this Lease is directly connected to the Landlord's purchase of the Property and Rent payments from City under this Lease are connected to Landlord's ability to acquire the Property. Because of this unique arrangement, if Rent is not paid by City within thirty (30) days following the date when due ("30-Day Grace Period"), City shall pay to Landlord, as Additional Rent, (a) a late charge in the amount of five cents (\$0.05) for each dollar of the amount unpaid when due and (b) interest thereon from the due date until actually paid at a rate equal to the lesser of (i.) the maximum rate permitted by law; or the (ii.) the sum of five percent (5%) in excess of the rate from time to time publicly announced by Citibank, N.A. or its successor as its 'prime rate' ("Late Charges"). In the event that the City exceeds the 30-Day Grace Period more than twice within any 12-month period during the Term, Late Charges shall apply after five (5) days following the date when due going forward through the remainder of the Term. Landlord's acceptance of any late charge or interest shall not constitute a waiver of City's default with respect to the overdue amount or prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease, at law or in equity. The provisions of this Section 4.2 shall not in any way extend the due dates provided for in this Lease.

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 cost incurred by Landlord for (1) 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 home office employees of Landlord or its agents, (3) fees, charges and other costs of all independent contractors engaged by Landlord (it being acknowledged and agreed that Landlord has no obligation to engage any such persons, since all contractor costs are to be paid by City), and (4) Landlord's accounting and legal expenses.

(b) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by City in connection with the management, operation, maintenance, repair and replacement, as determined by City to be reasonably required for continued operation, of the Building and all systems, equipment and appurtenances thereof or as may be required pursuant to any Existing Retail Leases, 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 replacements, as determined by City to be reasonably required for continued operation or as may be required pursuant to any Existing Retail Leases, 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, repair or replacement, as determined by City to be reasonably required for continued operation, of the Building and all systems, equipment and appurtenances thereof or as may be required pursuant to any Existing Retail Leases. By way of explanation but not of limitation, City shall be solely responsible for, and Operating Costs shall include, the management, operation, maintenance, repair and replacement, as determined by City to be reasonably required for continued operation, of the Building and all systems, equipment and appurtenances thereof or as may be required pursuant to any Existing Retail Leases, and all costs and expenses associated therewith throughout the Term, excluding solely (i) Real Estate Taxes (as defined in Section 4.4(c) below) and (ii) Landlord Costs (as defined in Section 4.4(a) above). Notwithstanding the foregoing, City shall not be obligated to pay any type of management fee to Landlord.

(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 Real Estate Taxes and Landlord Costs, as required pursuant 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

Landlord shall provide City 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 similarly situated, 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. Landlord 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 similarly-situated tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation. Notwithstanding the foregoing, City acknowledges that the Existing Retail Leases may include rules and regulations that differ from those applicable to City pursuant to this Lease.

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 (as defined in Section 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. City agrees that it shall complete any Alterations that are commenced and shall obtain, and deliver to Landlord copies of, any required sign-offs and/or close-outs of building permits and any amendments to the Premises' or the Building's certificate of occupancy required in connection with such 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.

City shall use its commercially-reasonable efforts to minimize interference with or disruption to the use and occupancy of the Building by Landlord and the retail tenants of the Building during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work within the Building, and the performance of any of City's maintenance, repair or replacement obligations pursuant to this Lease. City shall use commercially reasonable efforts to promptly remedy any such interference or disruption upon receiving Landlord's notice thereof.

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 ten (10) working 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 Landlord may dispose of the same in any manner Landlord may elect, at City's sole cost and expense), and (ii) will repair any damage caused by the removal of City's Personal Property, and (iii) will not enter the Building or the Premises unless and until it delivers to Landlord a certificate, naming Landlord as additional insured, evidencing liability insurance in an amount reasonably required by Landlord. 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, within ten (10) days after the Expiration Date.

7.4 Alteration by Landlord

Landlord shall use its commercially-reasonable 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 use commercially reasonable efforts to 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 and, to the extent necessary, replace, 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 and any other 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. 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. City acknowledges that Landlord has no obligation to provide any utilities or other services of any kind to the Premises or the Building; provided, however, that City will continue to provide utilities and services for any leases executed subsequent to Landlord's acquisition of the Property from City (the "Subsequent Leases"), provided that Subsequent Leases require utilities and services at a comparable level as the Existing Retail Leases and there is no material change in such obligations to provide utilities and services. Accordingly, Landlord shall be responsible for any incremental costs associated with any material change in obligations due to material changes in the provisions of utilities and services under Subsequent Leases.

9.2 Services

(a) Janitorial Service

City shall provide at its cost janitorial and trash removal services for the Building at its sole cost in a manner consistent with the janitorial and trash removal services 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.

(c) Management and Other Services

City shall at its cost provide management and other services for the Building (including, without limitation, to all other current and future tenants of the Building) in a manner consistent with the management and other services 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.

9.6 Leasing; Collection of Rents

Notwithstanding that City shall, subject to such conditions included in Section 9.1 above, provide management and other services for the Building, Landlord shall have the sole right to collection of rents from other current and future tenants of the Building, to exercise rights and remedies against such tenants, to collect rents from such tenants, and to enter into leases or other agreements with respect to all portions of the Building other than the Premises.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

City has been in possession and occupancy of the Premises and the Building prior to the Commencement Date and is fully aware of their condition. Accordingly, City acknowledges and agrees that Landlord makes no representations or warranties of any kind or nature with respect to the Premises, or the Building, including, without limitation, as to whether or not: (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 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 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. City shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems 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; provided, however, that to the extent any Subsequent Leases impose any obligations on Landlord that are materially greater than those required by the Existing Retail Leases, Landlord shall be responsible for any incremental costs associated with such materially-greater obligations due to the provisions of such Subsequent Leases. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, arising out of any such failure, whenever occurring, to comply with applicable Laws as provided in 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 including, without limitation, any Alterations performed prior to the Commencement Date. 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) or Section 10.1, 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 to 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 the request of the holder of the Encumbrance, the City shall enter into a subordination and nondisturbance agreement with such holder in the form required by such holder, 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 attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord, which attornment shall be upon and subject to the customary caveats and carveouts required by such holder or 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 at a cost less than or equal to Landlord's Insurance coverage. If the costs for repairs, in Landlord's reasonable judgment, exceed such coverage, Landlord will notify City and shall give the City the option to fund the actual difference between such coverage and repair costs. City shall respond in

writing within ten (10) working days of receipt of such notice, to accept or decline such offer. If City declines to accept Landlord's offer, this Lease shall terminate as of the date which is thirty (30) days after such notice is given by City; if within such ten (10) working days following receipt of Landlord's notice City fails to respond to Landlord's notice and agree to fund the aforesaid cost difference, this Lease shall terminate as of the date which is thirty (30) days after such notice is given by Landlord. If a casualty occurs and Landlord reasonably estimates that the repair will not be completed prior to the expiration date of the term, then this Lease shall terminate as of the date which is thirty (30) days after notice of such estimate is given by Landlord to City. 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, and, notwithstanding anything to the contrary in the preceding paragraph of this Section 12, Landlord shall have no obligation to restore the Premises or any portion of the Building. 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) Base Rent shall be reduced by an amount that is in the same ratio to the Base 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. If City shall so assign this Lease or sublet all or any portion of the Premises, City shall pay to Landlord an amount equal to fifty percent (50%) of the excess, if any, of (x) all consideration received by or on behalf of City arising out of or in connection with such assignment or subletting, including, without limitation, all sublease rental or assignment consideration, over (y) (i) all actual and reasonable out-of-pocket expenses of such transaction (i.e., brokerage commissions, and the cost of work performed by City specifically for such assignee or subtenant), and (ii) in the case of a sublease, the Base Rent payable under this Lease for the subleased premises. All amounts payable under this Section 14 shall be paid to Landlord as and when payable under the assignment or sublease. City shall have the right from time to time, upon notice to but without the consent of Landlord and without being obligated to pay the aforesaid fifty percent (50%) of net profits, 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 and such transfer shall not be considered a sublease under this Section 14 or 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 or any other charges or sums payable by City pursuant to this Lease, 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.

Landlord's rights hereunder, shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

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 thirty (30) 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 thirty (30) day period, such thirty (30) 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. 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.

15.4 City's Right of Self-Help

If Landlord fails to timely perform Landlord's obligations under this Lease to pay real estate taxes and/or to maintain insurance and such failure continues for thirty (30) days after notice from City to Landlord specifying such failure, then City shall have the right to give Landlord a second (2nd) notice of such failure which notice shall set forth, in bold-faced all capital letters in typeface of at least 16 points, that if Landlord fails to perform such obligations within fifteen (15) days following its receipt of such second (2nd) notice, City shall have the right to perform such obligations on Landlord's behalf and at Landlord's expense. If Landlord subsequently fails to perform such obligations within fifteen (15) days following its receipt of such second (2nd) notice, City may, but shall not be obligated to, pay such real estate taxes and/or maintain such insurance, and Landlord shall reimburse Tenant for the actual, reasonable, out-of-pockets costs so incurred by City in performing such obligations.

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 any breach of any representations or warranties made by City 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 material 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 evidencing the insurance required above "Landlord's Insurance". 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 no event shall Landlord be obligated to insure any of City's Personal Property or any Alterations made by City.

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 twelve (12) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, (e) altering, improving or repairing the Premises and any portion of the Building, and (f) performing any predevelopment studies or investigations, 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 Landlord shall use commercially reasonable efforts not to cause any interference or interruption in its use of the Premises arising therefrom.

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 ten (10) working 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

City acknowledges that it has been in possession and occupancy of the Premises and the Building prior to the Commencement Date, that it is fully familiar with the condition of the Premises and the Building, and that it accepts the same, "as is", on the Commencement Date. City acknowledges and agrees that no representation or warranty of any kind or nature is being made by Landlord as to whether or not: (a) the Property is in violation of any Environmental Laws; (b) the Property is now, or has 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 consists of any landfill or contain any underground storage tanks; (d) the Building consists of any asbestos-containing materials or building materials that contain any other Hazardous Material, or the Premises or the common areas of the Building contain any lead-based paints; (e) there has been and is any Release of any Hazardous Material in the Building or in, on, under or about the Property; or (f) the Property is 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. City 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 or other portions of the Building for their intended purposes.

21.3 Landlord's Environmental Indemnity

Landlord has no obligation to Indemnify City or its Agents against any and all Claims arising during or after the Term of this Lease in connection with any presence or Release of Hazardous Material, unless Landlord or its Agents cause such Release. However, Landlord shall use commercially reasonable efforts to notify City if Landlord learns of any Release of Hazardous Materials and shall use commercially reasonable efforts to assist City with enforcing any applicable requirements and provisions of the Existing Retail Leases.

21.4 City's Covenants

City shall be solely responsible for compliance of the Building and the Property with Environmental Laws and for any Release that occurs during the Term or that occurred prior to the Commencement Date. 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 prior to, 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 include any Claims resulting from the aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to the Commencement Date.

22. SPECIAL PROVISIONS

22.1 Existing Retail Leases

City represents that all of the leases presently affecting the Building, including any amendments thereto, are listed in Schedule 1 of that certain Purchase and Sale Agreement dated 2015, 2015 (the "Existing Retail Leases"). City acknowledges that its rights under this Lease are subject to the terms and conditions of the Existing Retail Leases.

22.2 Net Lease

It is the intention of Landlord and City that (a) Base Rent be an absolutely net return to Landlord throughout the Term without any abatement, diminution, reduction, or deduction whatsoever, and (b) City shall pay all costs, expenses and charges of every kind relating to the Premises and the Building that may arise or become due or payable during the Term or attributable to a period falling within the Term consistent with such terms included in Section 4.4(b) of this Lease; provided, however, City shall not be responsible for Landlord Costs or Real Estate Taxes, each of which shall be the sole responsibility of Landlord, as provided in this Lease.

22.3 "As Is" Condition

City acknowledges that it has been in possession and occupancy of the Premises and the Building prior to the Commencement Date, that it is fully familiar with the condition of the Premises and the Building, and that it accepts the same, "as is", on the Commencement Date. City acknowledges and agrees that no representation or warranty of any kind or nature is being made by Landlord as to the Premises or the Building or the condition of all or any portion thereof.

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) business days after the date when it is mailed if sent by first-class, certified mail, one (1) business 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, and City shall use reasonable efforts to inform Landlord whenever applicable law so provides otherwise. Landlord shall be entitled to rely upon any consent or approval of the Director of Property, or his or her designee, unless City notifies Landlord prior to the issuance of such consent or approval that applicable law, including the Charter of the City and County of San Francisco, requires that such consent or approval be issued by another person or entity. 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 to the best of Landlord's knowledge does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

City represents and warrants to Landlord that the execution and delivery of this Lease by City has been duly authorized and to the best of City's knowledge does not violate any provision of any agreement, law or regulation to which City 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. City represents to Landlord that no commission is due to the broker identified in the Basic Lease Information. In the event that the broker identified in the Basic Lease Information claims a commission, the same shall be the sole responsibility of City, and Landlord shall have no liability therefor and City shall Indemnify Landlord from any and all Claims incurred by Landlord in defending against the same. 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. This Lease may not be amended or modified nor may any terms, covenants or conditions of this Lease be waived except by an agreement in writing, signed by the Party against which enforcement of such amendment, modification or waiver is sought, and provided further, that any such amendments or modifications is subject to approval by the City's Board of Supervisors. 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 prior, written 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 prior, written consent, the rent payable by City during the period of such holding over shall be (i) during the first ten (10) days of such holding-over, the then fair market rental value of the Premises and (ii) from and after the eleventh (11th) day of such holding-over, at one hundred fifty percent (150%) of the then fair market rental value of the Premises, and such tenancy shall otherwise be on the terms and conditions contained herein. Notwithstanding the foregoing, if (1) an Extended Term shall have commenced, (2) Landlord shall have given City notice ("Landlord's C/O Notice") that a temporary or permanent certificate of occupancy for the Mission Premises has been issued, (3) Landlord shall not have received a permit to demolish or renovate any portion of the Building, and (4) City shall have exercised continuing, good-faith, diligent efforts to vacate the Premises but shall have been unable to do so by the ninetieth (90th) day following delivery of Landlord's C/O Notice (such 90th day, the "Required Vacate Date"), then from the Required Vacate Date until the date (the "Outside Date") which is the earlier to occur of (x) the date Landlord shall have received a permit to demolish or renovate any portion of the Building or (y) the ninetieth (90th) day following the Required Vacate Date, the rent payable by City shall be the rent that City was required to pay during the period immediately preceding the Required Vacate Date, and from and after the Outside Date, the rent payable by City shall be one hundred fifty percent (150%) of the then fair market rental value of the Premises.

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. City's rights under this Section 23.17 are subject to rights of tenants under the Existing Retail Leases.

23.18 Quiet Enjoyment and Title

Landlord covenants and represents that on the Commencement Date it will have 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. 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 bankruptcy or insolvency 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 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 Non-Liability of Landlord's Officers, Employees, Agents, Etc.

Notwithstanding anything to the contrary in this Lease, no officer, director, shareholder, member, manager, partner, principal, employee, agent or contractor of Landlord shall be personally liable to City, its successors and assigns, in the event of any default or breach by Landlord or for any amount which may become due to City, its successors and assigns, or for any

obligation of Landlord under this Lease. The liability of Landlord under this Lease shall be limited to Landlord's estate in the Property (including, without limitation, any proceeds thereof).

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 represents that funds have been appropriated for payments due through June 30, 2016. City shall use its reasonable efforts to give Landlord reasonable advance notice of such termination. If funds are not so appropriated and City fails to timely pay the Base Rent and/or other charges and sums under this Lease, Landlord may (without limitation of any other rights or remedies it may have under this Lease or at law or in equity) terminate this Lease.

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 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, subject to the rights of tenants under the Existing Retail Leases, 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 (which locations shall be subject to Landlord's approval, not to be unreasonably withheld).

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. Promptly following the expiration or sooner termination of this Lease, Landlord and City shall execute and deliver a termination of the Memorandum of Lease, in recordable form, to be recorded in the Official Records of the City and County of San Francisco.

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 A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[SIGNATURES ON FOLLOWING PAGE]

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

LANDLORD:

30 VAN NESS HOLDINGS LLC, a Delaware
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: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT A

FLOOR PLANS OF PREMISES

CONSISTING OF 7 PAGES OF PLANS

[See Attached]

8188

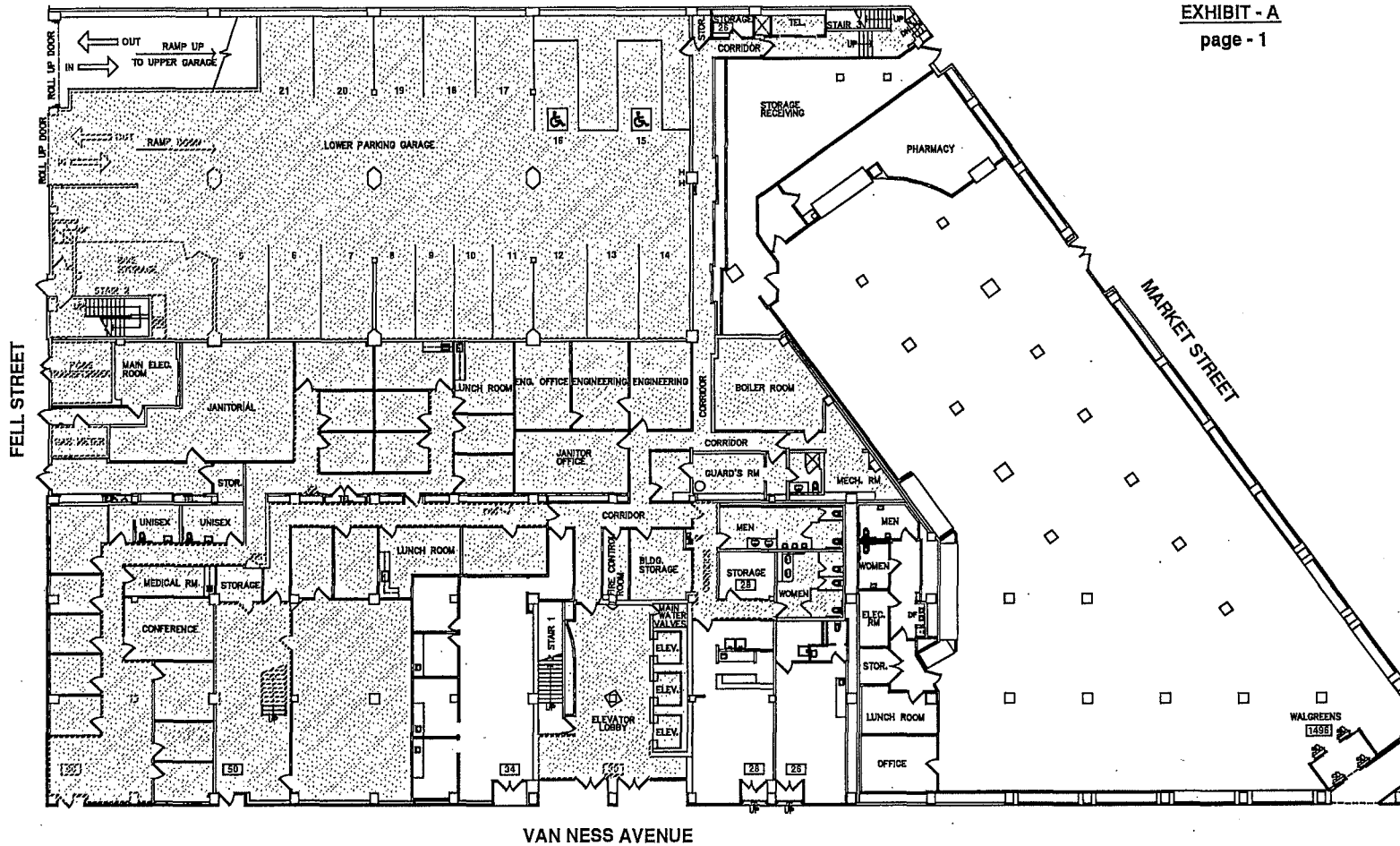


EXHIBIT - A
page - 1



25 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.554.8550
FAX: 415.552.9210
Email: RealEstate.DSA-311@sf.gov

30 VAN NESS AVENUE
SAN FRANCISCO, CA

REVISION		
NO.	DATE	DESCRIPTION



ISSUE: ISSUE

DATE: 08/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: JIGELMAN

CHECKED BY: L.GIOVANNELLI

PROJECT NUMBER: 0615

FIRST FLOOR

TITLE:

A-1

SHEET:

8188

6818
FELL STREET

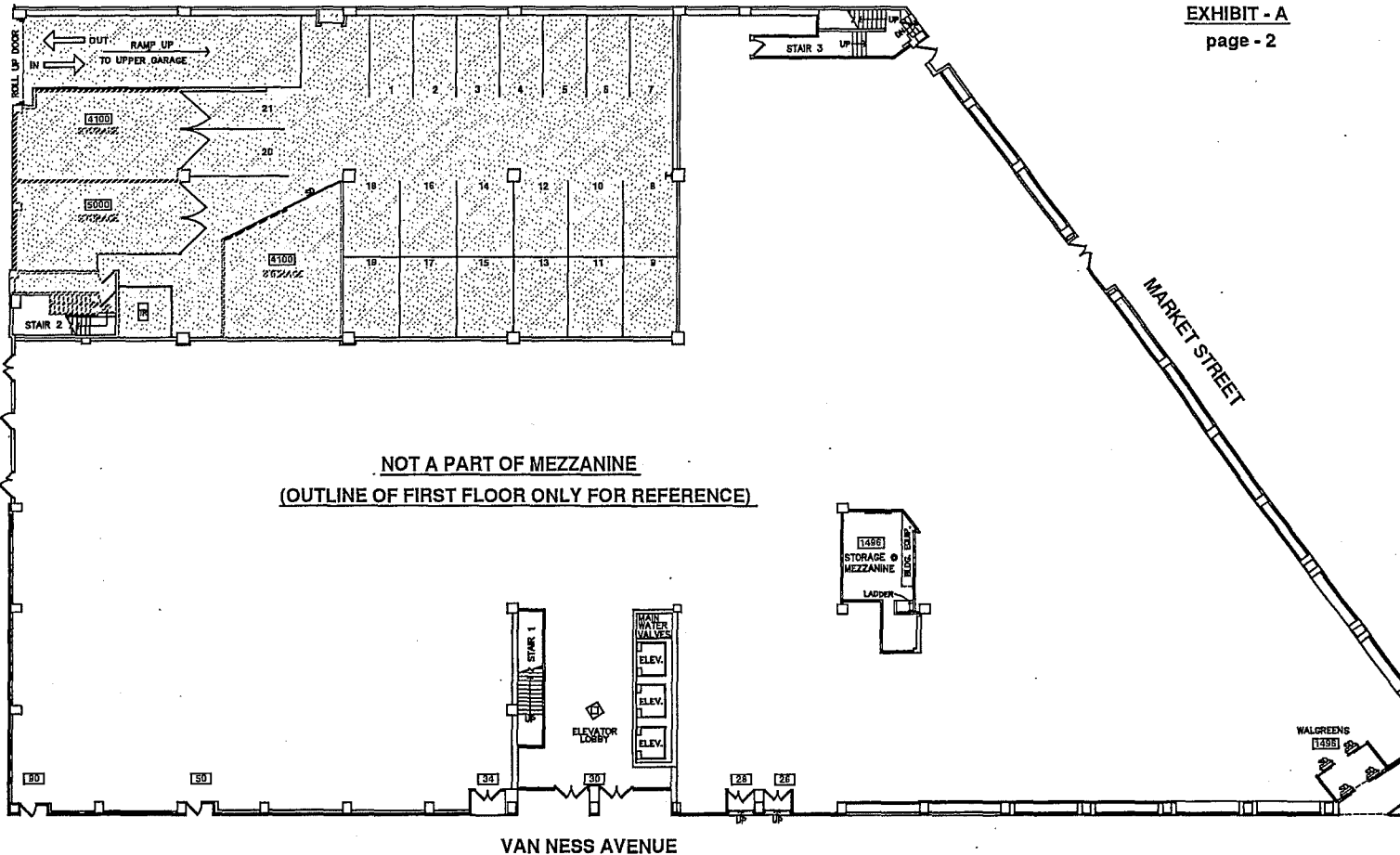


EXHIBIT - A
page - 2



25 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.554.9850
FAX: 415.552.0216
Email: RealEstate@SFR-311@sf.gov.org

30 VAN NESS AVENUE
SAN FRANCISCO, CA

REVISION			
NO.	DATE	BY	DESCRIPTION



ISSUE ISSUE

DATE: 09/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: J. GELMAN

CHECKED BY: L. GIOVANNELLI

PROJECT NUMBER: 0515

MEZZANINE
FLOOR

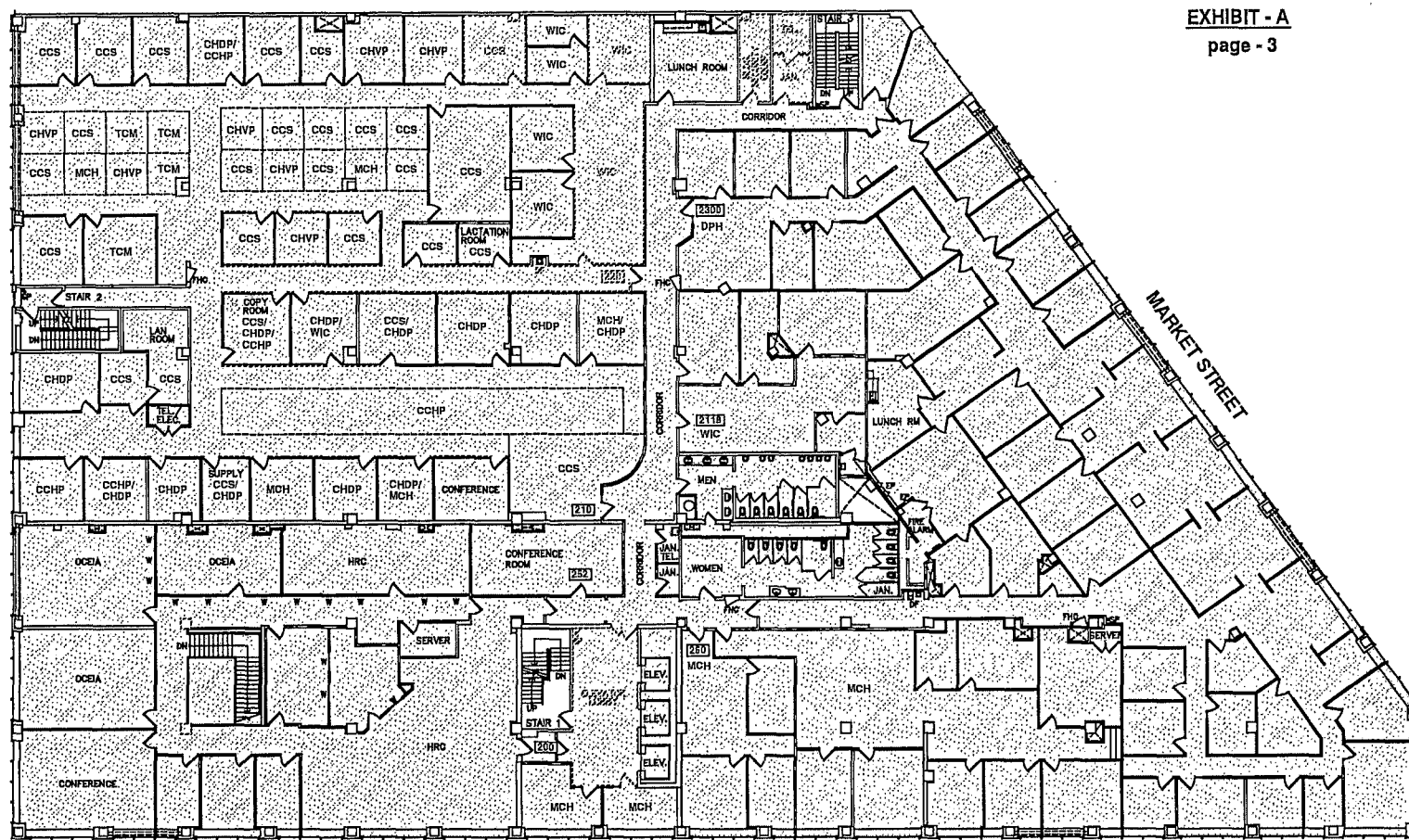
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A-M

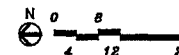
SHEET:



FELL STREET



TENANT'S LEGEND

CITY & COUNTY of
SAN FRANCISCO

page - 3



25 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.354.9850
FAX: 415.352.9218
Email: ResilEstate.GSA311@alpoov.com

30 VAN NESS AVENUE
SAN FRANCISCO, CA

[illegible]

ISSUE: ISSUE

DATE: 06/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: J.GELMAN

CHECKED BY: J. UPDIKE

PROJECT NUMBER: 0015

SECOND
FLOOR

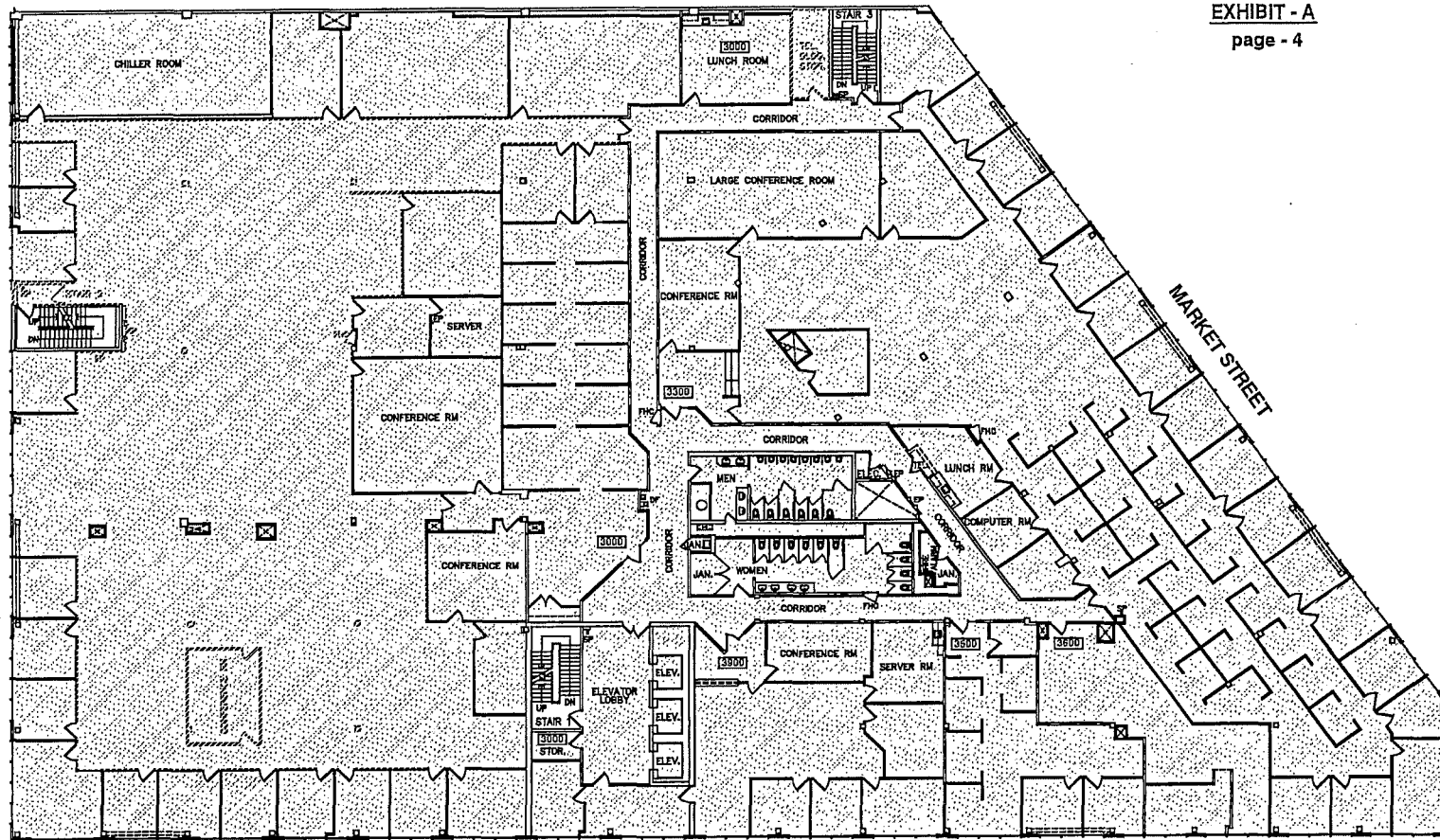
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A-2

SHEET

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 03-23-2001 BY 60322 UCBAW

1618
FELL STREET



VAN NESS AVENUE

TENANT'S LEGEND



CITY & COUNTY of
SAN FRANCISCO



EXHIBIT - A
page - 4



City and County of San Francisco
REAL ESTATE DIVISION

29 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.554.8800
FAX: 415.552.5219
Email: RealEstateGSA311@sf.gov

30 VAN NESS AVENUE
SAN FRANCISCO, CA

REVISION			
NO.	DATE	BY	DESCRIPTION



ISSUE: ISSUE

DATE: 06/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: JOELMAN

CHECKED BY: JUPDIKE

PROJECT NUMBER: 0615

THIRD
FLOOR

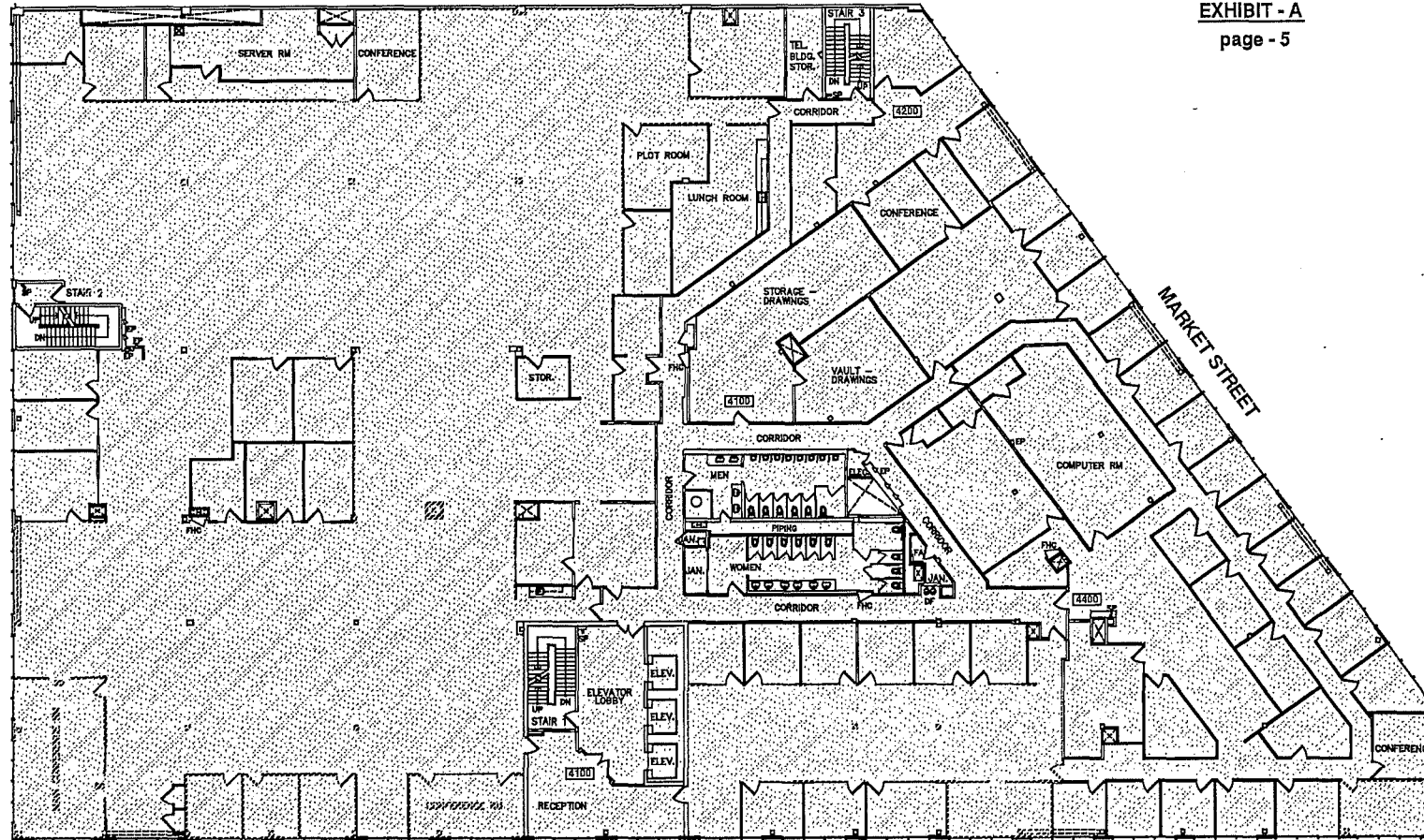
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SHEET:

DATE: 06/23/2015


8192
FELL STREET

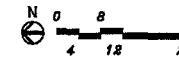


VAN NESS AVENUE

EXHIBIT - A
page - 5

TENANT'S LEGEND

 CITY & COUNTY of
SAN FRANCISCO



25 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.854.9550
FAX: 415.382.9219
Email: RealEstate.GSA.311@sf.gov.org

30 VAN NESS AVENUE
SAN FRANCISCO, CA

REVISION			
NO.	DATE	BY	DESCRIPTION



ISSUE: ISSUE

DATE: 06/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: J.GELMAN

CHECKED BY: J.UPOKE

PROJECT NUMBER: 0915

FOURTH
FLOOR

TITLE:

A-4

SHEET:

EXHIBIT - A
page - 6



25 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.554.9850
FAX: 415.652.9218
Email: Res/Estate.USA.311@sf.gov.org

30 VAN NESS AVENUE
SAN FRANCISCO, CA

[illegible]

ISSUE: ISSUE

DATE: 08/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: J. GELMAN

CHECKED BY: J. UFDIKE

PROJECT NUMBER: 0015

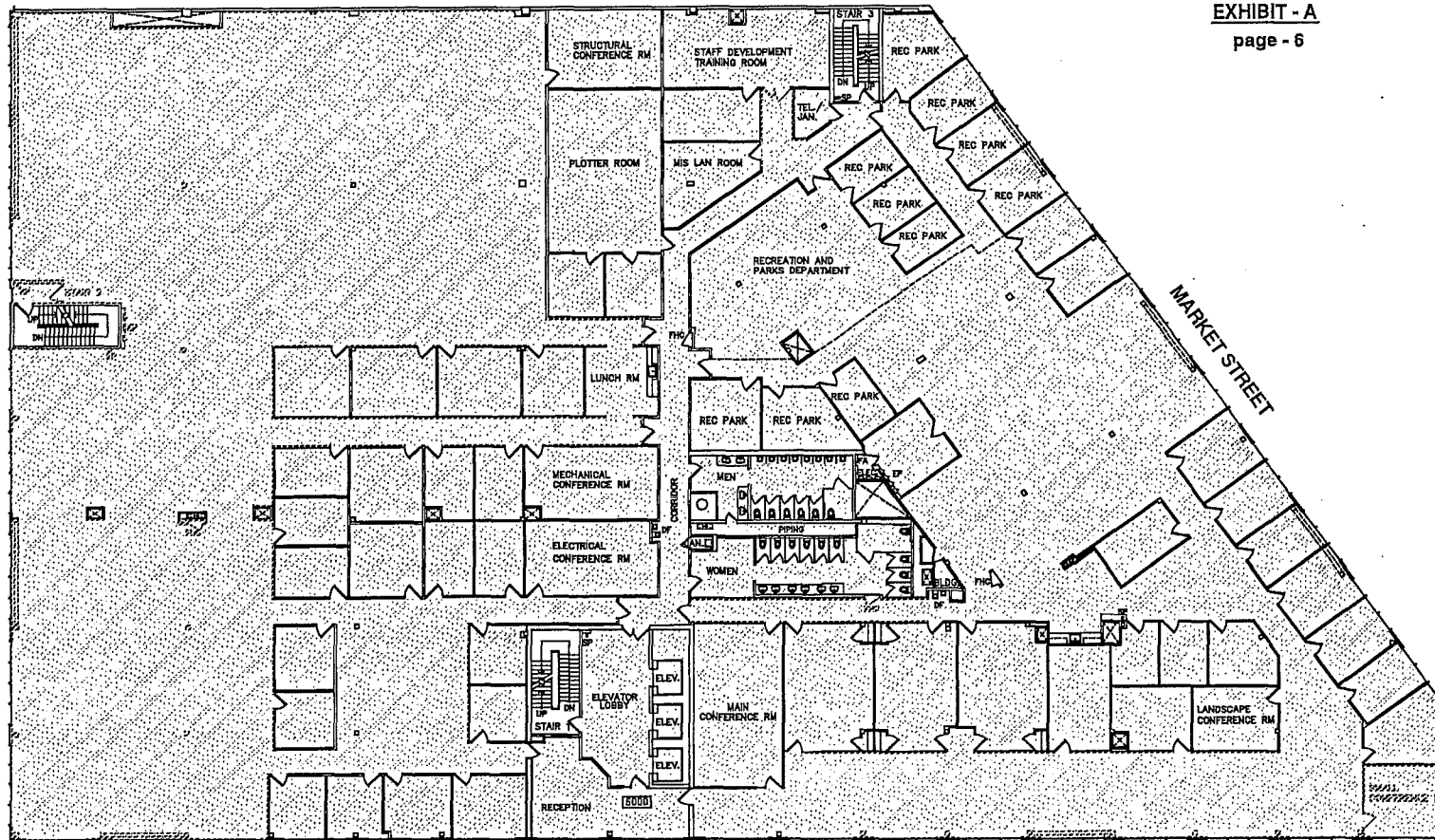
FIFTH
FLOOR

TITLE:

A-5

SHEET:

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE BY THE FOLLOWING DATE AND TIME: 05/01/2001 10:00 AM



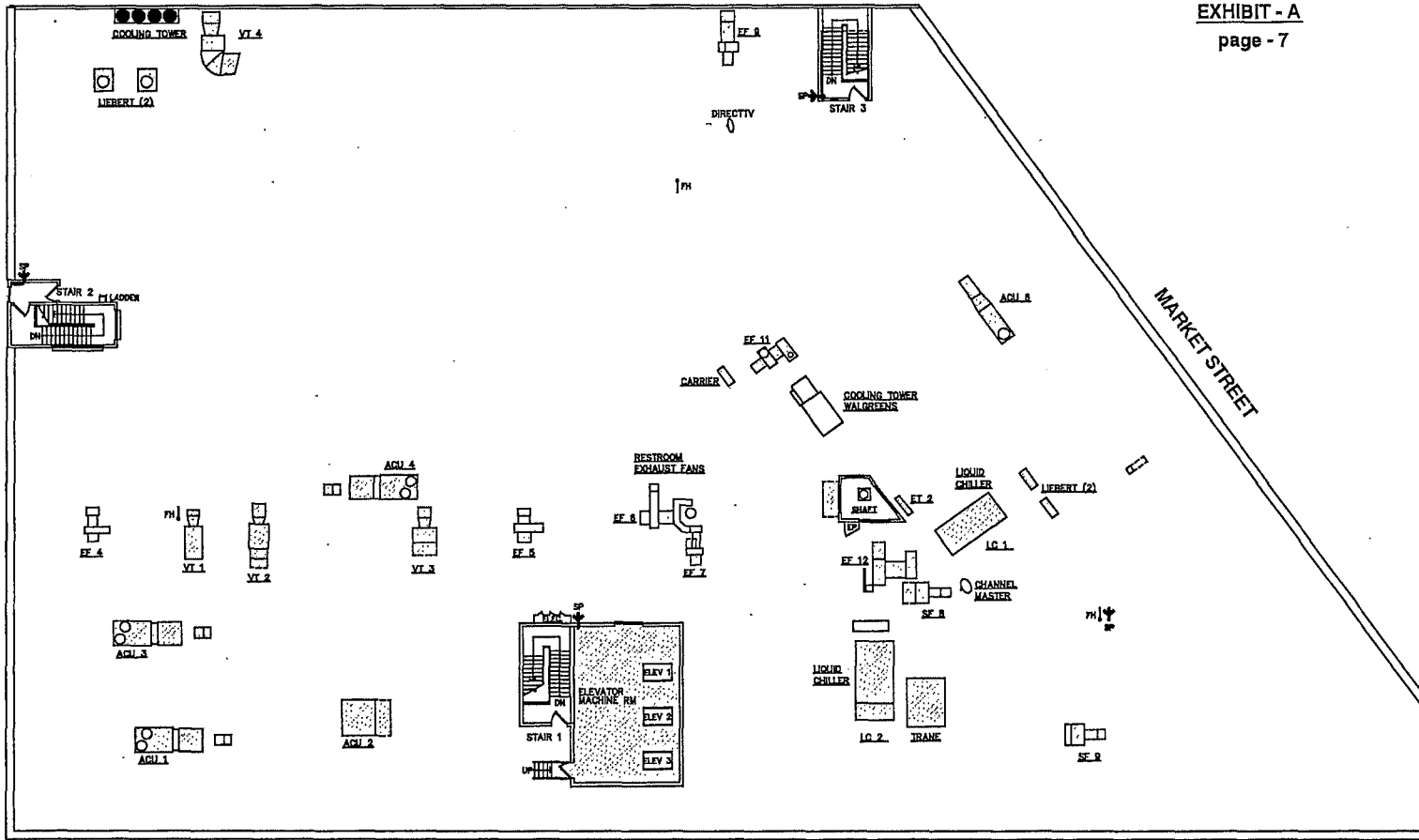
VAN NESS AVENUE

TENANT'S LEGEND

CITY & COUNTY of
SAN FRANCISCO

8194

FELL STREET



VAN NESS AVENUE

EXHIBIT - A
page - 7

TENANT'S LEGEND

- CITY & COUNTY OF SAN FRANCISCO



25 VAN NESS AVENUE, SUITE 400
SAN FRANCISCO, CA 94102
PHONE: 415.554.9000
FAX: 415.552.0210
Email: RealEstate.CSA311@sf.gov.org

30 VAN NESS AVENUE
SAN FRANCISCO, CA

REVISION	NO.	DATE	BY	DESCRIPTION



ISSUE: ISSUE

DATE: 09/23/2015

SCALE: 1/8"=1'-0"

DRAWN BY: J. GELMAN

CHECKED BY: J. UPDIKE

PROJECT NUMBER: 0515

ROOF
PLAN

TITLE:

A-R

SHEET:

REVISIONS

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 30 VAN NESS HOLDINGS LLC (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 30 Van Ness located at 30 Van Ness Avenue, San Francisco, CA 94102.

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,

30 VAN NESS HOLDINGS LLC

By: _____
Name: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

BUILDING RULES AND REGULATIONS

[To be Inserted Prior to Commencement Date]

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 30 VAN NESS HOLDINGS LLC, a Delaware 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 December 31, 2018, subject to five (5) options to extend (subject to the terms and conditions of the Lease) for a period of one (1) year each, 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:

30 VAN NESS HOLDINGS LLC, a Delaware
limited liability company

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: _____
Heidi J. Gewertz
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)

EXHIBIT E

Legal Description of Property

[to be attached]

EXHIBIT F
TENANT ESTOPPEL

[], 2015

[]
[]
[]

Attention: []

Re: [Lease], dated [], by and between the City and County of San Francisco, or its predecessor in interest, as landlord ("**Landlord**"), and [], a [], as tenant, or its predecessor in interest, [as amended by the agreements described on **Exhibit A** hereto] (collectively, the "**Lease**"), at Unit/Suite No. [], 30 Van Ness Street, San Francisco, California (the "**Property**")

Ladies and Gentlemen:

The following statements are made with the knowledge that Landlord and its successors and assigns, present and future owners of direct or indirect interests in the Property and present and future mortgage lenders to the Property owner or present or future mezzanine lenders to the direct or indirect owners of the Property owner (collectively, the "**Benefited Parties**") may rely on them.

The undersigned ("**Tenant**"), as tenant under the Lease, hereby certifies to Landlord, as well as to each of the Benefited Parties, as follows with respect to the premises demised under the Lease (the "**Premises**"):

1. The Lease constitutes the entire agreement between Landlord and Tenant with respect to the Premises. The Lease has not been amended, modified or supplemented [(except as set forth on **Exhibit A**)] and is in full force and effect and enforceable against Tenant in accordance with its terms. [If applicable: The guaranty, dated [], that [] executed and delivered in connection with the Lease has not been amended or modified and remains in full force and effect.]

2. The amount of the security deposit delivered under the Lease is \$[] and said security deposit is in the form of [cash/letter of credit]. No portion of the security deposit has been applied by Landlord and not replenished by Tenant.

3. No notice has been given by Tenant alleging that Landlord is in default under the Lease, and to Tenant's knowledge, Landlord is not in default or breach in the performance of any covenant, agreement or condition contained in the Lease and no event has occurred which, with the passage of time, the giving of notice or both would constitute a default or breach by Landlord under the Lease.

4. Tenant has not assigned, transferred, pledged or otherwise encumbered its interest under the Lease, or subleased or licensed any portion of the Premises, except as follows:

5. There exists no defenses or offsets to the enforcement of the Lease by Landlord. Tenant is not entitled to any abatements, offsets, credits or deductions of the fixed rent[, **percentage rent**] or additional rent due under the Lease. Tenant has no present right to cancel or terminate the Lease under the terms thereof or otherwise.

6. Tenant has accepted possession and is in occupancy of the Premises [, **except as described in Section 4 hereof.**] All construction obligations, including tenant improvement work, required to be performed by Landlord within the Premises to make the same ready for Tenant's occupancy or otherwise has been completed, and all work allowances required to be paid by Landlord to Tenant have been paid in full in accordance with the terms of the Lease, except as follows:

7. The term of the Lease commenced on [] and expires on [] [, **subject to Tenant's remaining unexercised option[s] to the extend the term of the Lease for [an/ ()] additional period[s] of years [each]].**

8. Under the Lease, Tenant is obligated to pay current base rent at the rate of \$[] per month. [**Tenant is obligated to pay percentage rent equal to []% of [gross/net] sales in excess of [\$].**] All base rent [**and percentage rent**] payable under the Lease and all additional rent billed under the Lease have been paid through the date of this estoppel[, **except for unpaid charges of [\$].**] No base rent, [**percentage rent,**] additional rent or other charges due under the Lease have been paid for more than one (1) month in advance of the date any such charge is due under the Lease.

9. Tenant's proportionate share of operating expenses and taxes is equal to _____ percent (%) of the increases in operating expenses and taxes over a _____ Base Year. All additional rent (consisting of \$ _____ per month for estimated increases in operating expenses and taxes) due under the Lease have been paid through the date of this estoppel.

10. No notice has been received by Tenant alleging that Tenant is in default under the Lease and, to Tenant's knowledge, Tenant is not in default or breach in respect of Tenant's obligations under the Lease and no event has occurred which, with the passage of time, the giving of notice or both would constitute a default or breach by Tenant under the Lease.

11. There are no actions, whether voluntary or otherwise, pending against Tenant [**or Guarantor**] under the bankruptcy laws of the United States or any state thereof. To the best of Tenant's knowledge, there are no claims or actions pending or threatened against Tenant [**and/or Guarantor**] which if decided against Tenant [**and/or Guarantor**] would materially and adversely affect Tenant's [**and/or Guarantor's**] ability to perform Tenant's [**and/or Guarantor's**] obligations under the Lease [**and Guaranty, as applicable**].

12. Tenant has no options to purchase, rights of first offer or rights of first refusal with respect to the Property or any part thereof or any interest therein. Tenant has no right to lease additional space in the Property except as set forth in the Lease.

13. This certificate has been duly authorized, executed and delivered by the Tenant and, as such, is binding on Tenant.

Tenant acknowledges that Landlord and each of the Benefited Parties shall have the right to rely hereon and the certifications made herein shall inure to the benefit of each such party, their affiliates and their respective successors and assigns.

[Signature page follows]

Dated: _____, 2015

[TENANT NAME],
a [ENTITY NAME]

By: _____
Name:
Title

SCHEDULE 1

Summary of Lease, Amendments, Side Letters and Other Modifications

Date	Item	Document Name
4/30/2015	30 Van Ness OM (high res)	30 Van Ness OM hi rez.pdf
5/12/2015	30 Van Ness OM (low res)	30 Van Ness OM.pdf
5/6/2015	30 Van Ness Argus Model	30 Van Ness - Argus.SF
5/7/2015	Alta Survey	ALTA Survey.1.pdf
5/7/2015	2012 BOMA drawings	JD-5DATA.pdf
5/7/2015	2012 BOMA drawings	JD-4DATA.pdf
5/7/2015	2012 BOMA drawings	JD-3DATA.pdf
5/7/2015	2012 BOMA drawings	JD-2DATA.pdf
5/7/2015	2012 BOMA drawings	JD-1DATA.pdf
5/7/2015	2010 BOMA study	BOMA 2010 Method A 091512.xls
5/7/2015	CAD drawings	JD-1.dwg
5/7/2015	CAD drawings	JD-Roof.dwg
5/7/2015	CAD drawings	JD-Mezz.dwg
5/7/2015	CAD drawings	JD-5.dwg
5/7/2015	CAD drawings	JD-4.dwg
5/7/2015	CAD drawings	JD-3.dwg
5/7/2015	CAD drawings	JD-2.DWG
5/7/2015	Construction cost estimates	Construction Cost.pdf
5/7/2015	Phase I Environmental	Environmental Site Assessment Report.pdf
5/7/2015	Property Condition Report	Property Condition Assessment.pdf
5/7/2015	Seismic Report	30 Van Ness SHR.pdf
5/7/2015	Available Debt Guidance	Available Debt Guidance 30 Van Ness.pdf
5/21/2015	Boston Café Lease docs	Boston Cafe Notice.pdf
5/21/2015	Boston Café Lease docs	28 Van Ness Boston Deli Lease and Abstract.pdf
5/21/2015	Herbst Foundation Lease docs	30 Van Ness Suite 3600 Herbst Foundatation Lease and Abstract.pdf
5/21/2015	Herbst Foundation Lease docs	6th Amendment Herbst.pdf
5/21/2015	Irene Koga Lease docs	Irene Koga Lease and Abstract.pdf
5/21/2015	Walgreens Lease docs	Walgreens Co Lease and Abstract.pdf
5/21/2015	Structural Report Appendices	30 Van Ness SHR Appendices.pdf
10/13/2015	Walgreen's Amendment	Walgreens Amendment.pdf
10/15/2015	Loss Runs (as of Sept 2015)	30 Van Ness Loss Runs - as of Sept 31 2015.pdf
10/19/2015	2012 BOMA drawings	2012 BOMA.zip
10/29/2015	Multifamily Sales Comps	N/A
11/4/2015	Herbst Amendment	Suite 3600 Amendment.pdf

EXHIBIT G

ASSIGNMENT OF INTANGIBLES

THIS ASSIGNMENT AND ASSUMPTION OF LICENSES, PERMITS AND INTANGIBLES AGREEMENT (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 30 VAN NESS HOLDINGS LLC, a Delaware limited liability company ("Assignee").

WITNESSETH

WHEREAS, Assignor, as seller, and Assignee, as buyer, have entered into that certain Agreement for Sale of Real Estate, dated as of November ___, 2015 (as the same may be amended, modified and/or supplemented from time to time, the "Agreement"); and

WHEREAS, under the Agreement, Assignor has agreed to assign to Assignee, and Assignee has agreed to accept and assume, any and all of Assignor's right, title and interest in and to any and all (i) existing warranties and guaranties issued to Seller in connection with the Real Property (as defined in the Agreement) or Personal Property (as defined in the Agreement), and (ii) all permits, licenses, approvals and authorizations related to the Real Property or Personal Property (collectively, the "Assigned Property"), in each case, to the extent such Assigned Property is assignable.

NOW, THEREFORE, effective as of the date written above, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

Assignor hereby assigns, sells, transfers, sets over and delivers unto Assignee as of the date written above, all of its rights, title and interest in and to the Assigned Property.

Assignee hereby assumes from and after the date written above the performance of all of the terms, covenants and conditions of the Assigned Property on Assignor's part to be performed thereunder.

This Assignment shall be binding upon, and inure to the benefit of, Assignor and Assignee and their respective successors and assigns.

If either party hereto fails to perform any of its respective obligations under this Assignment or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Assignment, 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 Assignment, 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 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.

This Assignment may be executed in any number of counterparts, each of which shall be deemed an original, and all of which, 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:

30 VAN NESS HOLDINGS LLC,
a Delaware limited liability company

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: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT H

SAMPLE ADDITIONAL AFFORDABLE UNIT COST CALCULATION

[To be inserted prior to Closing]

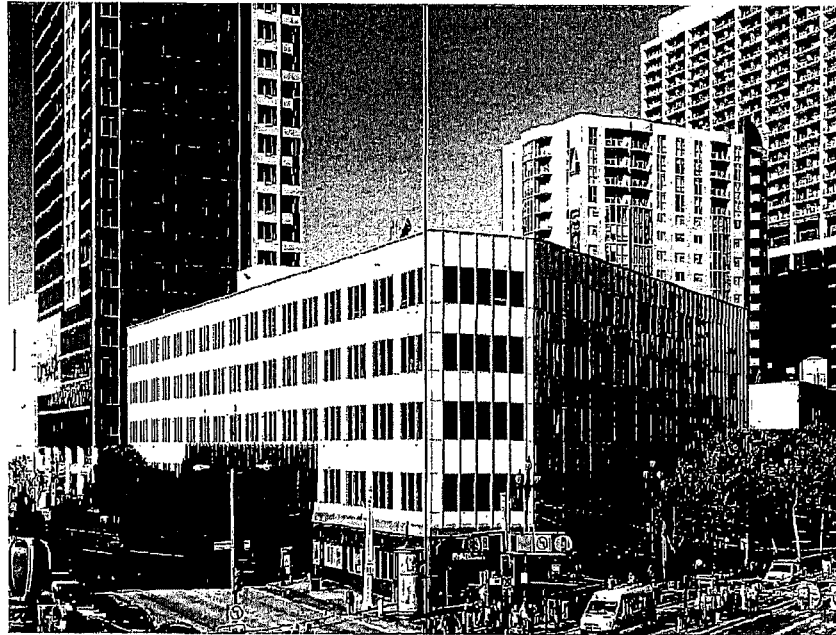


Sale of 30 Van Ness

Budget and Finance Committee
December 2, 2015

30 Van Ness: Current

- Built in 1908 / 1964
- 150,000 sf of City Offices
 - Public Works
 - Public Health
 - DEM
 - Rec. Park
- Zoned at 400' under Market Octavia Area Plan
- \$60M+ in capital repairs & improvements needed



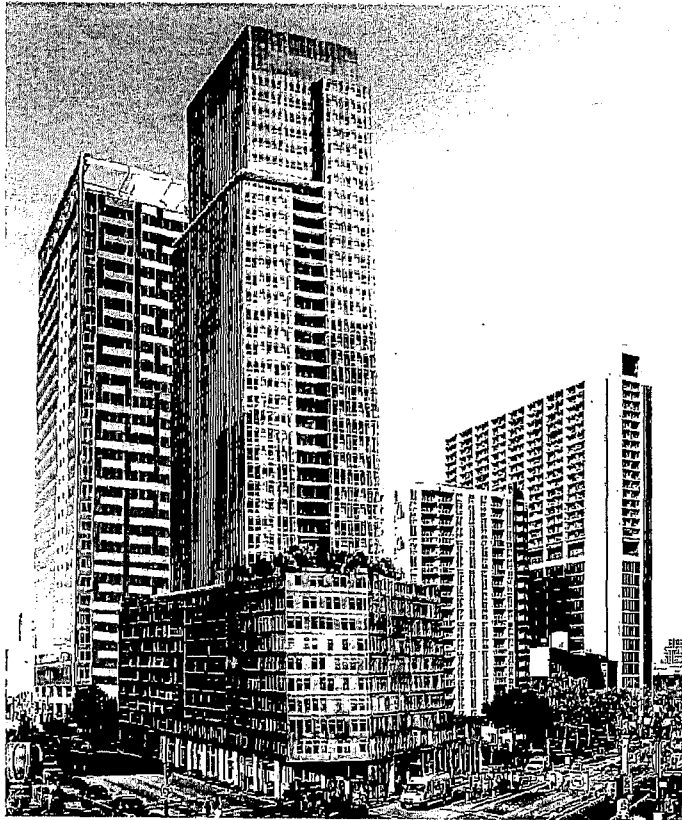
Sale of 30 Van Ness - Timeline to Date

October 2001	August 2012	November 2014	April 2015	May 2015	July 2015	Fall 2015	Today
Purchased for \$32M	Appraisal \$43.5M	Notified Board of Intent to Sell	Building Listed for Sale	Board Update Land Use Committee	Board Approved Use of Proceeds & Adopted Planning Department Findings	Negotiated Purchase & Sale Agreement \$90M+	

Sale of 30 Van Ness - Deal Summary

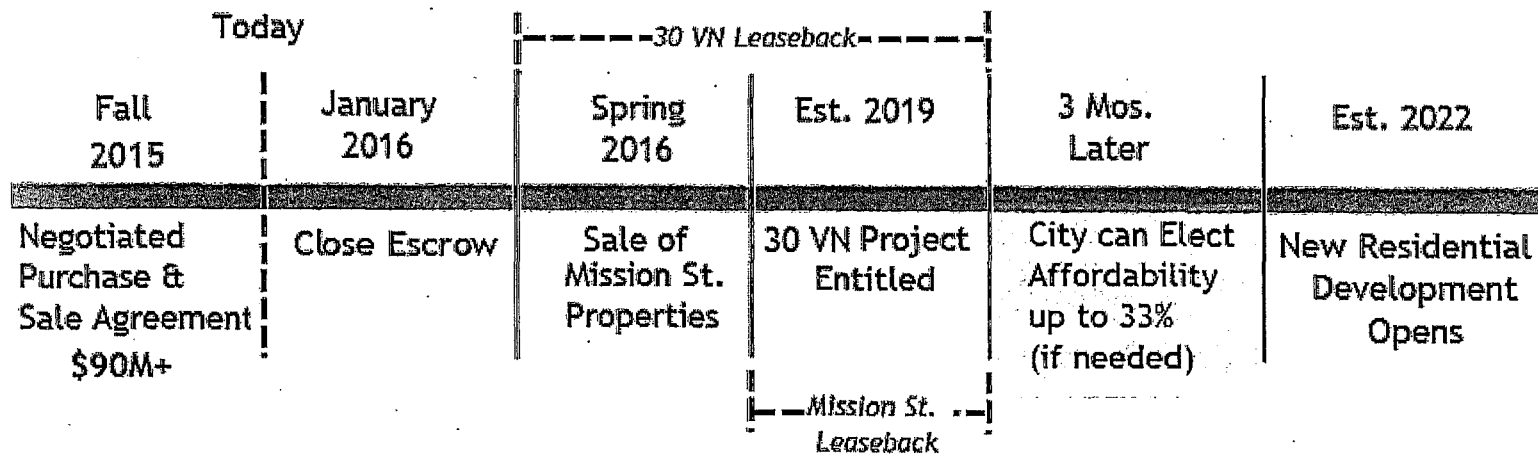
- **\$90M+ Effective Sales Price**
 - \$80M Sales Price (\$7.5M already Deposited)
 - + \$2M Transfer Tax
 - + \$8M Above code Affordability
(*additional \$13.3M added if 80/20 used*)
- 80/20 Pre-Entitlement
- City Leaseback through at least 2019 at ~50% of FMR
- City can Elect Additional Affordability up to 33% Post-Entitlement

30 Van Ness: If Re-developed (Est. 2022)



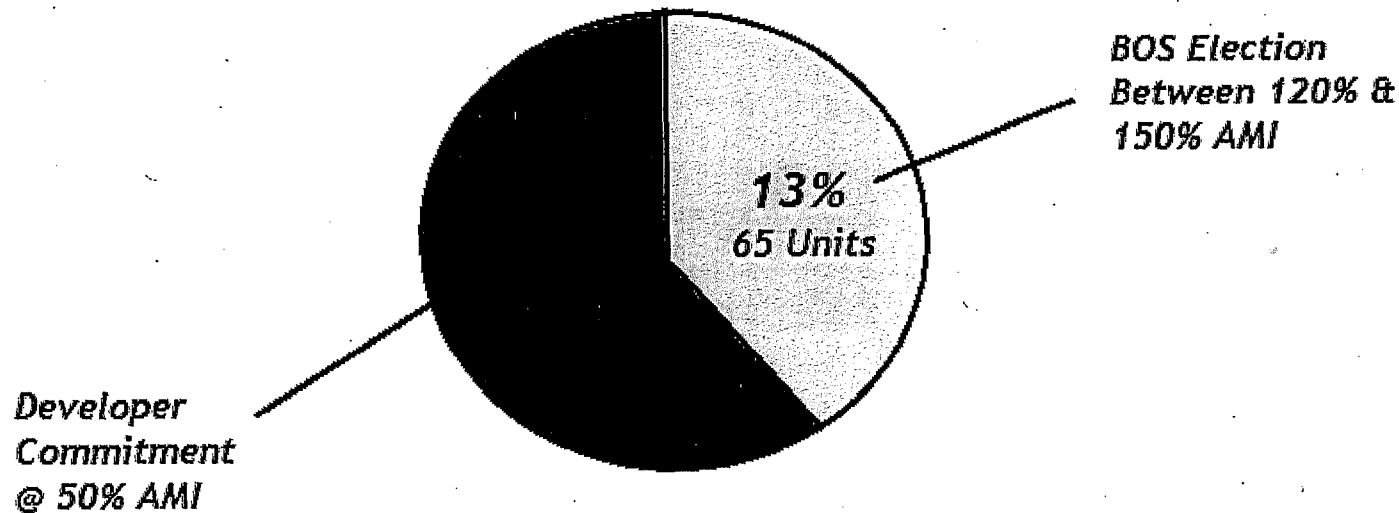
- 500 - 600 Residential Units
 - 20% @ 50%-55% AMI
 - 13% @ 120%-150% AMI
(On-Site Affordable Units)
- Ground Level Retail
- Direct Access to Muni
- Critical element of the
“Four Corners” revitalization

Sale of 30 Van Ness - Timeline Ahead



Sale of 30 Van Ness: Pathway to 33% On-Site

33% Affordable On-Site Units
165 Affordable Units



***Sources of Funds for Additional Affordability

- Direct fees from 30VN per Planning Code Sec. 416 & 424: ~\$15M
- Excess proceeds from sales of other City properties

Thank You

