

Committee Item No. 7
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date May 18, 2017

Board of Supervisors Meeting

Date _____

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Department/Agency Cover Letter and/or Report
<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 checked="" type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date May 12, 2017
Completed by: Linda Wong Date _____

1 [Real Property Acquisition - 772 Pacific Avenue - Shew Yick Trust One, Robert Yick Trust
2 Two, and Robert Yick Non-Exempt Assets Trust - Affordable Housing Project - Below Fair
3 Market Value Purchase of \$5,000,000]

4 **Resolution authorizing the Real Estate Division, on behalf of the Mayor's Office of**
5 **Housing and Community Development, to acquire Real Property located at 772 Pacific**
6 **Avenue from Shew Yick Trust One (Trustees Robert Yick and Andy Ting), Robert Yick**
7 **Trust Two (Trustee Joseph Yick) and Robert Yick Non-Exempt Assets Trust (Trustee**
8 **Mark Shustoff), for the purchase at below fair market value of \$5,000,000 for use in**
9 **constructing affordable housing for San Franciscans.**

10
11 WHEREAS, The Mayor's Office of Housing and Community Development ("MOHCD") is
12 responsible for the funding and development of affordable housing in the City of and County of
13 San Francisco; and

14 WHEREAS, The City has been offered an opportunity to purchase real property, located
15 at 772 Pacific Avenue (the "Property"), for purposes of building affordable housing on the
16 Property; and

17 WHEREAS, The purchase price for the Property (Five Million Dollars (\$5,000,000)) is
18 below the current appraised fair market value; the current written appraisal is on file with the Clerk
19 of the Board of Supervisors in File No. 170522; and

20 WHEREAS, MOHCD has evaluated the Property and confirmed that it can utilize the
21 Property for development of permanently affordable housing; a letter from MOHCD dated
22 April 4, 2017, supporting the purchase is on file with the Clerk of the Board of Supervisors in File
23 No. 170522; and

24 WHEREAS, The Property currently contains a public restaurant Lessee,
25 paying \$22,500/month in rent through December 31, 2021 ("Rental Income"); and

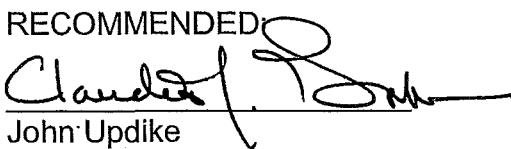
1 WHEREAS, The Rental Income through the lease term can be used to support the future
2 construction of affordable housing on the Property; now, therefore, be it

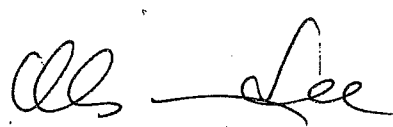
3 RESOLVED, That MOHCD has legal authority, is willing, and is in a position financially and
4 otherwise to assume immediate care and maintenance of the property, and that the Director of
5 MOHCD, and the Director of the Real Estate Division of the City's General Services Agency,
6 are hereby authorized, for and on behalf of the Board of Supervisors to do and perform any
7 and all acts and things which may be necessary to carry out the foregoing resolution,
8 including the preparing, making, and filing of plans, applications, reports, and other
9 documents; the execution, acceptance, delivery, and recordation of agreements, deeds and
10 other instruments pertaining to the transfer of said property; and the payment of any and all
11 sums necessary on account of the purchase price thereof, including fees or costs incurred in
12 connection with the transfer of said property for surveys, title searches, appraisals,
13 recordation of instruments, or escrow costs.

14 \$5,000,000 available
15 Index Code: MYR2SNDFAHF
16 Project Code: PMOIRR

17 
18 Ben Rosenfield
19 Controller

20 RECOMMENDED

21 
22 John Updike
23 Director of Property

24 
25 Olson Lee, Director
Mayor's Office of Housing and Community Development

Item 7
File 17-0522

Department: Real Estate Division
Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Real Estate Division, on behalf of the Mayor's Office of Housing and Community Development (MOHCD), to acquire real property located at 772 Pacific Avenue from Shew Yick Trust One (Trustees Robert Yick and Andy Ting), Robert Yick Trust Two (Trustee Joseph Yick) and Robert Yick Non-Exempt Assets Trust (Trustee Mark Shustoff), for the purchase at below fair market value of \$5,000,000 to develop affordable housing.

Key Points

- The City was approached by the current owners of the property who offered to sell it at below market rate. MOHCD evaluated the property and found that it was suitable for affordable housing. MOHCD is anticipating the property would be developed for approximately 60 permanently affordable housing units. Housing construction is anticipated to begin in early 2022.
- Prior to development of the affordable housing, the property will continue to be used for a restaurant, which will remain in operation until the end of the restaurant lease on December 31, 2021.
- The City will take the property "as-is." A 1,000-gallon gasoline underground storage tank remains on the site. No testing of the tank or soils has occurred to determine whether it has leaked. When construction begins in 2022, the City will be taking on the potential for any future remediation related to the tank and its removal.

Fiscal Impact

- The appraisal reports a fair market value of \$5,400,000. The appraisal notes that this value assumes that there is no soil remediation required and that the cost of removal of the tank is fairly nominal as part of the demolition of the larger improvements on the site.
- The City will receive monthly rent of \$22,500 from the on-site restaurant, which will total \$1,237,500 over the remainder of the lease.

Policy Consideration

- Remediation costs for a potential leak in the underground storage tank vary widely depending on the extent of the contamination but could add \$150,000 or more (including the cost of removal and disposal of the storage tank) to the construction costs. Assuming remediation costs of \$150,000, the total cost to the City for this acquisition, including purchase costs, is \$5,170,000 which is \$230,000 below the appraised market rate of \$5,400,000.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.3 states that before the Board of Supervisors approves any acquisition of real property, the Director of Real Estate shall determine the fair market value of such real property based on a review of available and relevant data. If the fair market value exceeds \$10,000, the Director of Real Estate shall obtain an appraisal of the subject property. If the appraisal determines the fair market value of the real property exceeds \$200,000, the Director of Real Estate shall obtain an appraisal review for such appraisal. Both the appraisal and appraisal review shall have effective dates not earlier than nine months before the legislation to acquire the subject property is submitted to the Board of Supervisors.

BACKGROUND

The property at 772 Pacific Avenue, owned by Shew Yick Trust One (Trustees Robert Yick and Andy Ting), Robert Yick Trust Two (Trustee Joseph Yick) and Robert Yick Non-Exempt Assets Trust (Trustee Mark Shustoff), is located on the north side of Pacific Avenue between Stockton Street and Grant Avenue in the Chinatown neighborhood of San Francisco. The property consists of a single parcel of land totaling 9,219 square feet. The property was formerly used to house an auto garage and a stainless steel fabrication shop. The property currently consists of a one-story plus mezzanine building which was built in 1919, and is now the site of the New Asia restaurant. The property is zoned Chinatown Residential - Neighborhood Commercial District and it sits on a block with both residential and commercial uses.

According to Ms. Sandi Levine, Project Manager in the City's Real Estate Division, the property came to the City's attention for possible purchase when the owners approached City officials and offered to sell it at below market rate. The property is located across the street from two other affordable housing projects which are currently managed by Chinatown Community Development Corp.

According to Ms. Mara Blitzer, Director of Housing Development for the Mayor's Office of Housing and Community Development (MOHCD), an evaluation was made of the property, its zoning and prior land use as well as the financing needs of the proposed project. The analysis found that the property would be suitable for affordable housing. MOHCD is anticipating the property would be developed for approximately 60 permanently affordable housing units at the location. The New Asia restaurant has a lease with the property owner through December 31, 2021 and will be allowed to continue operations until that time.

Construction on the affordable housing project is scheduled to occur in early 2022 shortly after the restaurant lease ends. Ms. Blitzer notes that in order to secure a property in a location where MOHCD would like to make an investment but for which no funds are available to begin construction right away, MOHCD is willing to "land bank" sites until such construction funds become available. Ms. Blitzer added that the terms of the existing lease with the New Asia restaurant and the estimates of availability of future funds aligned well in the case of this property.

According to Ms. Blitzer, the future housing construction assumes a building eight stories in height with residential uses on the 2nd through 8th floors and ground floor commercial. This also assumes a granting of the affordable housing density bonus. Housing is estimated to be a mix of 60 percent studio and 40 percent 1-bedroom units with their own bathroom and kitchen. The building would house approximately 150 people depending on the individual housing mix and assuming a maximum household size of 2 persons in a studio and 3 persons in a 1-bedroom. There will be on-site open space on the roof and a second floor terrace. There will be no parking.

The San Francisco Planning Department found this project, on balance, to be in conformity with the City General Plan.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Real Estate Division, on behalf of the Mayor's Office of Housing and Community Development, to acquire 772 Pacific Avenue from Shew Yick Trust One (Trustees Robert Yick and Andy Ting), Robert Yick Trust Two (Trustee Joseph Yick) and Robert Yick Non-Exempt Assets Trust (Trustee Mark Shustoff), for the purchase price of \$5,000,000 for use in constructing affordable housing for San Franciscans.

The New Asia restaurant currently on site will remain in operation until the end of its lease on December 31, 2021.

Property Appraisal

In a report dated April 19, 2017, R. Blum + Associates (retained by the San Francisco Real Estate Division) appraised the fair market value of the property at \$5,400,000, or \$400,000 more than the property purchase price of \$5,000,000. The appraised value was established by sales comparisons with six properties across an area bounded by Franklin Street to the West, Filbert Street to the North, Columbus Avenue and Kearny Street to the East and Market Street to the South. The appraisal concludes that the purchase price of \$5,000,000 would be slightly under the estimated market value of \$5,400,000.

Mateo Advisors, LLC (retained by the San Francisco Real Estate Division), performed an appraisal review dated May 9, 2017. The review concluded that the appraisal value is reasonable and supported based on the analysis performed. It also found that the appraisal conformed to the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

FISCAL IMPACT

Total estimated costs to the City to purchase the property are \$5,020,000 as shown below. According to Mr. Benjamin McCloskey, Deputy Director of Finance and Administration of MOHCD, the source of the funds for purchase and any closing costs is inclusionary housing fees.

Source of Funds	
Inclusionary Housing Fees	\$5,020,000
Use of Funds	
Property Purchase	\$5,000,000
Title Insurance, Escrow Fees & Other Miscellaneous	<u>20,000</u>
Total	\$5,020,000

Restaurant Income

The New Asia restaurant is to pay monthly rent to the City over the remainder of its lease through December 31, 2021. The current monthly rent is \$22,500, amounting to a total income to the City of \$1,237,500 over the 55 months remaining in the lease period. There are no contractual provisions for the rent rate to be increased during the remaining lease period.

Real Property Transfer Taxes and Property Taxes

According to the appraisal, the 2016-2017 taxes for the property are \$35,853. According to Mr. John Updike, Director of Real Estate, the restaurant will owe City Possessory Interest Taxes post-acquisition.

The seller will pay the Real Property Transfer Tax, estimated to be \$112,500.

POLICY CONSIDERATION

Possible Site Contamination from Underground Storage Tank

The appraisal report by R. Blum + Associates notes in its "Extraordinary Assumption" section that the subject property is impacted by an underground storage tank (UST). According to the Phase I environmental assessment of the site prepared by EBI Consulting on November 21, 2016, San Francisco Fire Department records indicate that a 1,000-gallon gasoline UST was installed in 1953 and permitted for continued operation in 1965. There were no records of its removal.¹ A site assessment dated March 15, 2017 by TR&A, Inc. (a construction and claim consultant retained by one of the current property owners) found a hinged fuel tank fill under the sidewalk in front of the property suggesting that the UST was abandoned in place (the tank, itself, was not seen). The appraisal notes that no testing of the tank or soils has occurred to determine whether it has leaked. The estimated market value of \$5,400,000 stated in the

¹ p.24.

appraisal report assumes that there is no soil remediation required and that the cost of removal of the tank is fairly nominal as part of the demolition of the larger improvements on the site.

The property is being sold to the City in “as is” condition. When construction on the affordable housing begins in 2022, the City will be responsible for any future remediation costs related to the tank and its removal.

According to Mr. Stanley DeSouza, Division Manager for the Site Assessment and Remediation Division of the Department of Public Works, there is a likelihood that there is some sort of leakage considering the age of the UST and the fact that it would have been single-walled. The extent of any leaks would determine the need for remediation and monitoring measures which would affect the overall cost. Mr. DeSouza said that UST extractions and disposals, by themselves, can cost anywhere from \$30,000 to \$80,000. The cost of additional site remediation needs due to a leak from a UST can vary widely but have the potential to bring costs up to around \$150,000 or more (including the cost of UST removal and disposal), depending on the extent of the contamination.²

If the eventual remediation cost were \$150,000, the total cost to the City for this acquisition, including purchase costs, is \$5,170,000, \$230,000 less than the appraised value of \$5,400,000.

RECOMMENDATION

Approve the proposed resolution.

² These are generalized estimates to aid in consideration of the possible fiscal impacts of the presence of the UST in this proposal. They are in no way specific to the conditions and circumstances of the property at 772 Pacific Avenue, which have not been fully evaluated. The estimates also do not consider other possible sources of contamination.



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

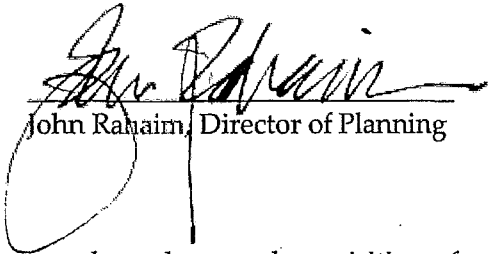
Date: May 1, 2017
Case No. Case No. 2017-004234GPR
City Purchase of 772 Pacific Avenue for
Use by the Mayor's Office of Housing and
Community Development

Block/Lot No.: 0161/015
Project Sponsor: John Updike, Director of Real Estate
City and County of San Francisco, Real Estate Division
25 Van Ness Ave. Suite 400
San Francisco, CA 94102

Applicant: Same as Above

Staff Contact: Jessica Look – (415) 575-6812
jessica.look@sfgov.org

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

Recommended
By: 
John Rahaim, Director of Planning

PROJECT DESCRIPTION

The Project is the City's proposed purchase and acquisition of a privately owned real estate parcel located at 772 Pacific Avenue that currently contains an established restaurant on the site for the purpose of developing affordable housing by the Mayor's Office of Housing and Community Development (MOHCD). MOHCD will allow the restaurant to continue operations through the end of their lease which terminates on 12/31/21. During the lease term, MOHCD will be planning the project and the build will commence in early 2022. MOHCD is aware of the presence of an underground fuel storage tank from previous land use, and intends to remove it as part of the anticipated future development of the site.

If the project is approved, MOHCD anticipates that it can develop the site with approximately 60 units of affordable housing. The mission of the Housing Division of the Mayor's Office of Housing and Community Development is to provide financing for the development, rehabilitation and purchase of affordable housing in San Francisco. The site has been offered for purchase by the City, at below fair market value, with the intention that affordable housing may be built on the site at the end of the lease term of the existing commercial occupant. The

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Planning
Information:
415.558.6377

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

ENVIRONMENTAL REVIEW

On April 10, 2017, the Environmental Planning division of the Department determined that the Project (City acquisition of AB 0161/015) is not defined as a project under CEQA Guidelines Sections 15060(c) and 15378 because it does not result in a physical change in the environment.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is the City's proposed purchase and acquisition of property containing an existing structure with the intention of developing affordable housing by the Mayor's Office of Housing and Community Development. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, in conformity with the following Objectives and Policies of the General Plan:

HOUSING ELEMENT

OBJECTIVE 1

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

POLICY 1.3

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

The proposed acquisition of the site will allow for 60 new affordable housing units.

POLICY 1.10

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

The proposed property is located in a transit-rich and walkable neighborhood.

OBJECTIVE 8

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

POLICY 8.1

Support the production and management of permanently affordable housing.

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

CHINATOWN AREA PLAN

Policy 3.2

Increase the supply of housing.

The Project, which includes the acquisition of 772 Pacific Avenue for development of affordable housing, is consistent with this policy.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

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

Eight Priority Policies Findings

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

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

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

The Project would have minimal adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses. The existing restaurant use may be eligible for relocation benefits, and the funding source for said benefits, if applicable, would be rental revenues post-acquisition.

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

The project would have a positive effect on the City's housing and neighborhood character, by adding 60 permanently affordable units of housing.

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

The Project would have a positive effect on the City's supply of affordable housing.

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

The project will have no adverse on Muni services as it is centrally located in high service corridors and minimal auto parking.

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

The Project would have no adverse effect the existing economic base in this area.

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

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

7. That landmarks and historic buildings be preserved.

The project will not have an impact on historic resources.

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

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

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

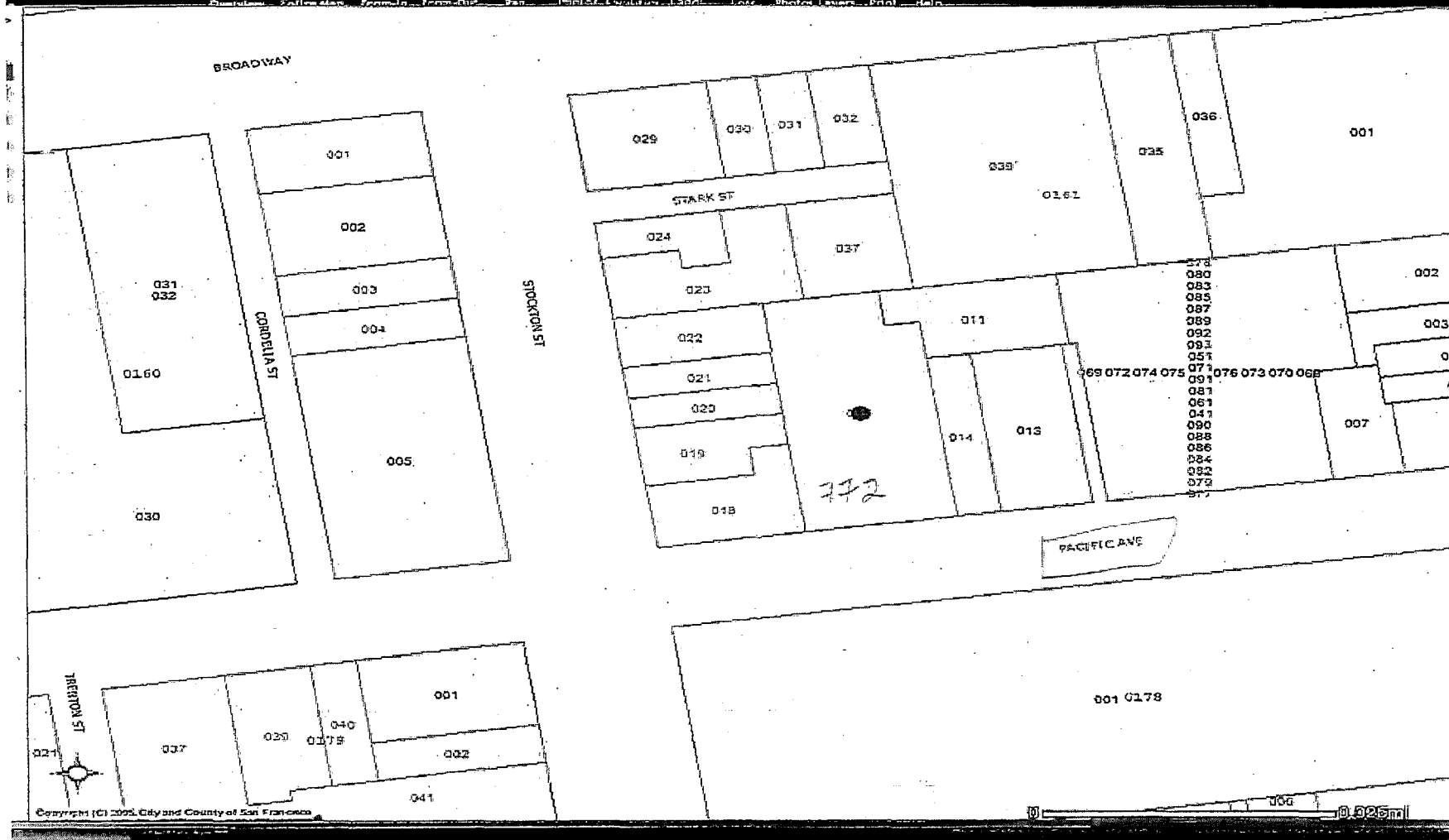
Location Map

Low Oblique Aerial Photo

cc: Sandi Levine, Real Estate

I:\Citywide\General Plan\General Plan Referrals\2017\2017-004234GPR - 772 Pacific Avenue\2017-004234GPR - 772 Pacific Avenue_01jl.docx

REIS



Go gle Maps

772 Pacific Avenue
SF, CA



Imagery ©2017 Google, Map data ©2017 Google 20 ft

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

Robert Yick and Andy Ting as Trustees of Shew Yick Trust One, and Joseph Yick and Mark Shustoff, as Trustees of Robert Yick Trust Two, and as Trustees of Robert Yick Non-Exempt Assets Trust,
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO
as Buyer

For the purchase and sale of

772 Pacific Avenue (Block/Lot 0161/015)
San Francisco, California

March 23, 2017

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LIST OF EXHIBITS

- EXHIBIT A - Real Property Description
- EXHIBIT B - Grant Deed
- EXHIBIT C - Assignment of Warranties and Guaranties and Other Intangible Property
- EXHIBIT D - Assignment of Lease
- EXHIBIT E - Tenant's Estoppel Certificate
- EXHIBIT F - Certificate of Transferor Other Than An Individual (FIRPTA Affidavit)
- EXHIBIT G - Designation Agreement

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE
(772 Pacific Avenue, San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of March 23, 2017 is by and between Robert Yick and Andy Ting as Trustees of Shew Yick Trust One, and Joseph Yick and Mark Shustoff, as Trustees of Robert Yick Trust Two and as Trustees of Robert Yick Non-Exempt Assets Trust ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City").

BOTH PARTIES ACKNOWLEDGE THE EXCHANGE OF SUFFICIENT CONSIDERATION by City, the receipt of which is hereby acknowledged by Seller, and the respective agreements contained hereinbelow, Seller and City agree as follows:

I. PURCHASE AND SALE

1.1 Property Included in Sale

Seller agrees to sell and convey to City, and City agrees to purchase from Seller, subject to the terms, covenants and conditions hereinafter set forth, the following:

(a) the real property consisting of approximately Nine Thousand Two Hundred and Nineteen (9,219) square feet of land, located in the City and County of San Francisco, commonly known as 772 Pacific Avenue (Block/Lot 0161/015) and more particularly described in Exhibit A attached hereto (the "Land");

(b) all improvements and fixtures located on the Land, including, without limitation, (i) that certain one-story commercial restaurant building containing approximately Thirteen Thousand Two Hundred and Seventy One (13,271) square feet of net rentable area and known as 772 Pacific Avenue, as well as all other buildings and structures located on the Land, all apparatus, equipment and appliances owned by Seller used in connection with the operation or occupancy of the Land and its improvements and together with all on-site parking (currently, zero parking spaces) (collectively, the "Improvements");

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

(d) There is no personal property related to this sale. There is a lease in place which expires December 31, 2021 and the City is buying the Property subject to that lease (the "Lease"). The tenant under the lease owns all fixtures, furnishing and equipment ("FFEs") pursuant to the lease.

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

2. PURCHASE PRICE

2.1 Purchase Price

The total purchase price for the Property is FIVE MILLION Dollars (\$5,000,000) (the "Purchase Price").

2.2 Payment

On the Closing Date (as defined in Section 6.2), City shall pay the Purchase Price, adjusted pursuant to the provisions of Article 7 [Expenses and Taxes], and reduced by any credits due City hereunder.

Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under Sections 6.3(h) and 6.3(i) [Seller's Delivery of Documents], City may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code"), or Section 18662 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by City shall be deemed to have been paid by City as part of the Purchase Price, and Seller's obligation to consummate the transaction contemplated herein shall not be excused or otherwise affected thereby.

2.3 Funds

All payments made by any party hereto shall be in legal tender of the United States of America, paid by Controller's warrant or in cash or by wire transfer of immediately available funds to Title Company (as defined below), as escrow agent.

3. TITLE TO THE PROPERTY

3.1 Conveyance of Title to the Property

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

3.2 Title Insurance

Delivery of title in accordance with the preceding Section shall be evidenced by the commitment of ~~Chicago Title Insurance Company~~ (the "Title Company") to issue to City an CLTA owner's form coverage policy of title insurance (the "Title Policy") in the amount of the Purchase Price, insuring fee simple title to the Land, the Appurtenances and the Improvements in City free of the liens of any and all deeds of trust, mortgages, assignments of rents, financing statements, creditors' claims, rights of tenants or other occupants (except for the tenants under the Lease provided by Seller and approved by City, provided such exception is limited to the interest of such tenants as tenants only without any rights or options to purchase any of the Property), and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant to Section 5.1(a) below.

Title Co.

Stewart Title
Guaranty Co.

1

3.4 Assignment of Lease

4. BUYER'S DUE DILIGENCE INVESTIGATIONS

Notwithstanding anything in this Agreement to the contrary, City shall have the right to terminate this Agreement at any time during the Due Diligence Period upon written notice to Seller. Upon such termination, neither City nor Seller shall have any further rights or obligations hereunder, except as otherwise expressly provided herein and further except that City shall assign to Seller all inspection reports covered under this Section to the extent they are assignable and to the extent Seller has reimbursed City for all of the fees and expenses associated with the completion of all such inspection reports except that City will provide the Phase II environmental report to Seller without charge or reimbursement. This Section is subject to, and shall not serve to modify or limit, any right or remedy of City arising under Section 5.1 [City's Conditions to Closing] of this Agreement.

with respect to the representations, warranties and covenants of Seller contained herein and the satisfaction of the Conditions Precedent including, without limitation, the drilling of test wells and the taking of soil borings. City hereby agrees to indemnify and hold Seller harmless from any damage or injury to persons or property caused by any act or omission of City or its Agents during any such entries onto the Property prior to the Closing, except to the extent such damage or injury is caused by the acts or omissions of Seller or any of its Agents. The foregoing Indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions or the non-negligent aggravation of pre-existing environmental conditions on, in, under or about the Property, including the Improvements. In the event this Agreement is terminated for any reason other than Seller's default hereunder, City shall restore the Property to substantially the condition it was found subject to applicable laws. This

indemnity shall survive the termination of this Agreement or the Closing, as applicable, provided that Seller must give notice of any claim it may have against City under such indemnity (i) within six (6) months of such termination if the claim is brought by a third party against Seller or (ii) within three (3) months of such termination or the Closing Date, as applicable, if the claim involves damage to Seller's Property or any other claim not brought by a third party against the Seller.

5.1 City's Conditions to Closing

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

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

(i) Within ten (10) days after the date City and Seller execute this Agreement, City shall obtain a current extended coverage preliminary report on the Real Property, issued by Title Company, accompanied by copies of all documents referred to in the report (collectively, the "Preliminary Report");

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

(iii) City may at its option arrange for an "as-built" survey of the Real Property and Improvements prepared by a licensed surveyor (the "Survey"). Such survey shall be acceptable to, and certified to, City and Title Company and in sufficient detail to provide the basis for and the Title Policy without boundary, encroachment or survey exceptions.

City shall advise Seller, prior to the date ten (10) days after complete execution of this Agreement, what exceptions to title, if any, City is willing to accept (the "Accepted Conditions of Title"). City's failure to so advise Seller within such period shall be deemed approval of title. Seller shall have ten (10) days after receipt of City's notice of any objections to title to give City: (A) evidence satisfactory to City of the removal of all objectionable exceptions from title or that such exceptions will be removed or cured on or before the Closing; or (B) notice that Seller elects not to cause such exceptions to be removed. If Seller gives notice under clause (B), City shall have ten (10) business days to elect to proceed with the purchase or terminate this Agreement. If City shall fail to give Seller notice of its election within such ten (10) days, City shall be deemed to have elected to proceed with this Agreement. If Seller gives notice pursuant to clause (A) and fails to remove any such objectionable exceptions from title prior to the Closing Date, and City is unwilling to take title subject thereto, Seller shall be in default hereunder and City shall have the rights and remedies provided herein or at law or in equity.

(b) City represents, warrants and acknowledges that City will be concluding the purchase of the Property based solely upon City's inspection and investigation of the Property and all documents and facts related thereto, and that City will be purchasing the Property in an "AS-IS" condition, with all faults. Except to the extent specifically provided to the contrary in this Agreement, and without in any way limiting the foregoing, City acknowledges and agrees that: (i) Seller has not made any representations or warranties on which

City is relying as to any matters concerning the Property including, without limitation, (A) the quality, nature, adequacy and/or physical condition of the Property, including soils, geology and any groundwater; (B) the existence, quality, nature, adequacy and/or physical condition of utilities serving the Property; (C) the development potential of the Property, and the Property's use, merchantability, or fitness, suitability, value or adequacy of the Property for any particular purpose; (D) the zoning or other legal status of the Property or any other public or private restrictions on use of the Property; (E) the compliance of the Property or its operation with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity; (F) the presence of Hazardous Materials on, under or about the Property or the adjoining or neighboring property; (G) the condition of title to the Property; and (H) the economics of the operation of the Property; (i) City shall bear and assume the risk that its experience with, and its investigations and inspections of, the Property may not have revealed adverse or undesirable physical or other conditions (including, without limitation, environmental matters, subsurface conditions or development limitations) or other matters affecting the Property, or any portion or component thereof, or its value, utility or develop ability; and (ii) City explicitly has taken into account and assumes such risk of unknown, and/or undiscovered adverse conditions in making its decision to purchase the Property on the terms set forth herein, such as the age and condition of the Property and the possibility the Property may have asbestos and asbestos-containing materials, and lead-based paint.

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

If any of City's investigations reveal any contamination of the Property with any Hazardous Material, then City may, at its sole election, by written notice to Seller on or before the end of the Due Diligence Period: (i) request that Seller, at Seller's sole cost, complete before the Closing through duly licensed contractors such activities as are necessary to cleanup, remove, contain, treat, stabilize, monitor or otherwise control Hazardous Material located on or under the Property in compliance with all governmental laws, rules, regulations and requirements and in accordance with a written remediation plan approved by City in its sole discretion and by all regulatory agencies with jurisdiction; or (ii) terminate this Agreement. If City notifies Seller of its election to request that Seller remediate the contamination as provided in clause (i) above, Seller shall have fifteen (15) days after receipt of City's notice, to elect, at Seller's sole option, to provide City with: (iii) Seller's election to remediate the contamination before the Closing pursuant to clause (i) above; or (iv) Seller's election to terminate this Agreement. Seller's failure to provide notice to Buyer within such fifteen (15)-day period shall be deemed notice of election to remediate under clause (iv) above. If Seller chooses to remediate the contamination as provided in clause (iii) above the Closing may be extended for a reasonable time to enable Seller to complete such remediation, provided any such extension shall be subject to City's and Seller's prior written approval, which either party may give or withhold in its sole discretion.

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

(d) City's review and approval, within the Due Diligence Period, of
(f) the following documents, all to the extent such documents exist and are either in the

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

(e) City's review and approval, within the Due Diligence Period, of:
(i) the Lease and other occupancy agreements; (ii) tenant correspondence files; and
(iii) a current rent roll for the Property, prepared by Seller and listing for the single tenant the name, location of leased premises, rent, obligation for reimbursement of expenses, amount of security deposit and rent paid more than thirty (30) days in advance, lease commencement date, lease termination date, lease expansion or extension options, option rent, and cost of living or other rent escalation clauses, any free rent, operating expense abatements or other unexpired concessions, and a description of any uncured defaults.

(f) Seller's obtaining and delivering to City, before the Closing Date, tenant estoppel certificates in form and substance satisfactory to City from any and all tenants occupying any portion of the Property. Such certificates shall be substantially in the form attached hereto as Exhibit E and shall be dated no earlier than thirty (30) days prior to the Closing Date. Notwithstanding the foregoing, to the extent Seller is unable, despite its best efforts, to obtain an estoppel certificate from the tenant Seller may, but shall not be obligated to, warrant and represent to City, with respect to such missing estoppel certificates, as of the date represented and warranted: (A) that the Lease for that tenant is in full force and effect; (B) the amount of the tenant's security deposits; (C) the dates through which rent has been paid; and (D) that neither that tenant nor Seller is in default under the Lease. City shall be obligated to accept such a certification in lieu of any such missing estoppel certificates. The representations and warranties in the certificate of Seller shall survive the Closing.

(g) Seller shall not be in default in the performance of any covenant or agreement to be performed by Seller under this Agreement, and all of Seller's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct as of the Closing Date. At the Closing Seller shall deliver to City a certificate certifying that each of Seller's representations and warranties contained in Section 8.1 [Representations and Warranties of Seller] below are true and correct as of the Closing Date.

(h) The physical condition of the Property shall be substantially the same on the Closing Date as on the date of City's execution of this Agreement, reasonable wear and tear and loss by casualty excepted (subject to the provisions of Section 9.1 [Risk of Loss]), and, as of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding, pending or threatened, which

5.2 Cooperation with City

Seller shall cooperate with City and do all acts as may be reasonably requested by City with regard to the fulfillment of any Conditions Precedent including, without limitation, execution of any documents, applications or permits, but Seller's representations and warranties to City shall not be affected or released by City's waiver or fulfillment of any Condition Precedent. Seller hereby irrevocably authorizes City and its Agents to make all inquiries with and applications to any person or entity, including, without limitation, any regulatory authority with jurisdiction as City may reasonably require to complete its due diligence investigations.

5.3 Seller Right to Terminate

If the Closing does not occur on the Closing Date, due to breach by or failure of timely performance by City, Seller may terminate this Agreement by written notice to City. Seller may thereupon enforce any or all of its rights under this Agreement. City shall pay to Seller any title, escrow, legal and inspection fees incurred by Seller, and any other expenses incurred by Seller in connection with the performance of its due diligence review of the Property.

6. ESCROW AND CLOSING

6.1 Opening of Escrow

On or before the Effective Date (as defined in Article 11 [General Provisions]), the parties shall open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Seller and City agree to execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

6.2 Closing Date

The consummation of the purchase and sale contemplated hereby (the "Closing") shall be held and delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Title Company located at 455 Market Street, Suite 2100, San Francisco, California, on May 8, 2017, or on such earlier date as City and Seller may mutually agree (the "Closing Date"), subject to the provisions of Article 5 [Conditions Precedent]. The Closing Date may not be extended without the prior written approval of both Seller and City, except as otherwise expressly provided in this Agreement. In the event the Closing does not occur on or before the Closing Date, Title Company shall, unless it is notified by both parties to the contrary within five (5) days after the Closing Date, return to the depositor thereof items which may have been deposited hereunder. Any such return shall not, however, limit the provisions hereof or otherwise relieve either party hereto of any liability it may have for its wrongful failure to close.

6.3 Seller's Delivery of Documents

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

- (a) a duly executed and acknowledged Deed;
- (b) four (4) duly executed counterparts of the Assignment of Lease;

Stewart Title Guaranty Company
100 Pine St., Ste 450
San Francisco, CA 94111

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(c) duly executed tenant estoppel certificates as required pursuant to Section 5.1(g) hereof;

(d) to the extent in Seller's possession originals or otherwise copies of the Documents, the Lease, and any other items relating to the ownership or operation of the Property not previously delivered to City;

(e) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit F, and on which City is entitled to rely, that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code;

(f) a properly executed California Franchise Tax Board Form 590 certifying that Seller is a California resident if Seller is an individual or Seller has a permanent place of business in California or is qualified to do business in California if Seller is a corporation or other evidence satisfactory to City that Seller is exempt from the withholding requirements of Section 18662 of the State Tax Code;

(g) such resolutions, authorizations, or other partnership documents or agreements relating to Seller and its partners as City or the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;

and (h) closing statement in form and content satisfactory to City and Seller;

(i) the duly executed certificate regarding the continued accuracy of Seller's representations and warranties as required by Section 5.1 hereof.

6.4 City's Delivery of Documents and Funds

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

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

6.5 Other Documents

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

Agreement shall be substantially in the form attached hereto as Exhibit G and, in any event, shall comply with the requirements of Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

6.6 INTENTIONALLY OMITTED

7. EXPENSES AND TAXES

7.1 Rent and Other Apportionments

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

(a) Rent

Rent under the Lease shall be apportioned as of the Closing Date, regardless of whether or not such rent has been paid to Seller. With respect to any rent arrearage arising under the Lease, after the Closing, City shall pay to Seller any rent actually collected which is applicable to the period preceding the Closing Date; provided, however, that all rent collected by City shall be applied first to all unpaid rent accruing on and after the Closing Date, and then to unpaid rent accruing prior to the Closing Date. City shall not be obligated to take any steps to recover any rent arrearage, and Seller shall not be permitted to do so. This section in no way limits Seller's right or ability to enforce and collect any rent arrearage due as of the Closing Date, including if extended.

(b) Leasing Costs

Seller shall pay all leasing commissions and tenant improvement costs accrued in connection with any Lease executed on or before the Closing (including, without limitation, leasing commissions attributable to expansion or extension options which are not exercised until after the Closing). City shall be entitled to a credit against the Purchase Price for the total sum of all security deposits paid to Seller by tenants under the Lease, and any interest earned thereon, as well as for any free rent, operating expense abatements, or other unexpired concessions under the Lease to the extent they apply to any period after the Closing.

(c) Other Tenant Charges

Where the Leases contain tenant obligations for taxes, common area expenses, operating expenses or additional charges of any other nature, and where Seller shall have collected any portion thereof in excess of amounts owed by Seller for such items for the period prior to the Closing Date, there shall be an adjustment and credit given to City on the Closing Date for such excess amounts collected. City shall apply all such excess amounts to the charges owed by City for such items for the period after the Closing Date and, if required by the Lease, shall rebate or credit tenants with any remainder. If it is determined that the amount collected during Seller's ownership period exceeded expenses incurred during the same period by more than the amount previously credited to City at Closing, then Seller shall promptly pay the deficiency to City.

(d) Utility Charges

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

(e) Other Apportionments

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

7.2 Closing Costs

City shall pay the cost of the Survey, the premium for the Title Policy and the cost of the endorsements thereto, and escrow and recording fees. There are no transfer taxes applicable to the sale. Seller shall be responsible for all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section or elsewhere in this Agreement shall be allocated in accordance with the closing customs for San Francisco County, as determined by Title Company.

7.3 Real Estate Taxes and Special Assessments

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

7.4 Preliminary Closing Adjustment

Seller and City shall jointly prepare a preliminary Closing adjustment on the basis of the Lease and other sources of income and expenses, and shall deliver such computation to Title Company prior to Closing.

7.5 Post-Closing Reconciliation

If any of the foregoing prorations cannot be calculated accurately on the Closing Date, then they shall be calculated as soon after the Closing Date as feasible. Either party owing the other party a sum of money based on such subsequent prorations shall promptly pay such sum to the other party.

7.6 Survival

The provisions of this Section shall survive the Closing.

8. REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of Seller

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

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

without limitation, any earthquake, life safety and handicap laws (including, but not limited to, the Americans with Disabilities Act).

(b) The Lease, Assumed Contracts, Documents and Other Information furnished to City are all of the relevant documents and information pertaining to the condition and operation of the Property to the extent available to Seller, and are and at the time of Closing will be true, correct and complete copies of such documents [and the Lease and Assumed Contracts are and at the time of Closing will be in full force and effect, without default by (or notice of default to) any party].

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

(d) Seller does not have knowledge of any condemnation, either instituted or planned to be instituted by any governmental or quasi-governmental agency other than City, which could detrimentally affect the use, operation or value of the Property.

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

(f) There are no easements or rights of way which have been acquired by prescription or which are otherwise not of record with respect to the Property, and there are no easements, rights of way, permits, licenses or other forms of agreement which afford third parties the right to traverse any portion of the Property to gain access to other real property. There are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

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

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

(i) Seller are the duly acting Trustees of Trusts validly existing under the laws of the State of California; this Agreement and all documents executed by Seller which are to be delivered to City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by Seller, are, or at the Closing will be, legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, are, and at the Closing will be, sufficient to convey good and marketable title (if they purport to do so), and do not, and at the Closing will not,

violate any provision of any agreement or judicial order to which Seller is a party or to which Seller or the Property is subject.

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

(k) Seller knows of no facts nor has Seller failed to disclose any fact that would prevent City from using and operating the Property after Closing in the normal manner in which it is intended.

(l) Seller hereby represents and warrants to and covenants with City that the following statements are true and correct and will be true and correct as of the Closing Date: (i) neither the Property nor to the best of Seller's knowledge any real estate in the vicinity of the Property is in violation of any Environmental Laws; (ii) the Property is not now, nor to the best of Seller's knowledge has it ever been, used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material; (iii) there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property; (iv) there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store Hazardous Material located in, on or under the Property, or if there have been or are any such tanks or wells located on the Property, their location, type, age and content has been specifically identified in Seller's Environmental Disclosure; (v) the Property does not consist of any landfill or of any building materials that contain Hazardous Material; and (vi) the Property is not subject to any claim by any governmental regulatory agency or third party related to the release or threatened release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from or to other property. As used herein, the following terms shall have the meanings below:

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

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

any fraction thereof; natural gas or natural gas liquids; and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. Section 3011 et seq.

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

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

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

(o) There are no free rent, operating expense abatements, incomplete tenant improvements, rebates, allowances, or other unexpired concessions (collectively referred to as "Offsets") or any termination, extension, cancellation or expansion rights under the Lease (with the exception of those summarized in Schedule 2 attached hereto); and all of the Lease are absolutely net (including the full pass-through of management fees), except for replacement of major capital items, such as roof, foundation and structural components. Seller has paid in full any of landlord's leasing costs incurred by Seller in connection with any tenant improvements.

(p) No brokerage or similar fee is due or unpaid by Seller with respect to any Lease. No brokerage or similar fee shall be due or payable on account of the exercise of, without limitation, any renewal, extension or expansion options arising under the Lease.

(q) The copies of the Lease delivered by Seller to City on or before the commencement of the Due Diligence Period contain all of the information pertaining to any rights of any parties to occupy the Property, including, without limitation, all information regarding any rent concessions, over-standard tenant improvement allowances or other inducements to lease. None of the tenants of the Property has indicated to Seller either orally or in writing its intent to terminate its respective Lease prior to expiration of the respective term of such Lease.

8.2 Indemnity

Seller on behalf of itself and its successors and assigns, hereby agrees to indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all liabilities, claims, demands, damages, liens, costs, penalties, losses and expenses, including, without limitation, reasonable attorneys' and consultants' fees, resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in connection with this Agreement. The indemnification provisions of this Section shall survive beyond the Closing, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement. Seller does not agree to indemnify City, and shall not be

obligated to indemnify, reimburse or defend City, for any claim, cost or expense related to the underground storage tank previously disclosed in writing by Seller to City, nor to any soil contamination, remediation or damage.

9. RISK OF LOSS AND POSSESSION

9.1 Risk of Loss

If any of the Property is damaged or destroyed prior to the Closing Date, or if condemnation proceedings are commenced against any of the Property, then the rights and obligations of Seller and City hereunder shall be as follows:

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

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

(c) If the cost of such damage or destruction would equal or exceed the Threshold Damage Amount, or if condemnation proceedings are commenced against any of the Property, then, City shall have the right, at its election, either to terminate this Agreement in its entirety, or only as to that portion of the Property damaged or destroyed or subject to condemnation proceedings (in which case there shall be an equitable adjustment to the Purchase Price), or to not terminate this Agreement and purchase the Property (or the portion not damaged or affected by condemnation, as the case may be). City shall have ten (10) days after Seller notifies City that an event described in this Subsection (c) has occurred to make such election by delivery to Seller of an election notice. City's failure to deliver such notice within such ten (10)-day period shall not be deemed City's election to terminate this Agreement. If this Agreement is terminated in its entirety or in part pursuant to this Subsection (c) by City's delivery of notice of termination to Seller, then City and Seller shall each be released from all obligations hereunder pertaining to that portion of the Property affected by such termination. If City elects not to terminate this Agreement, Seller shall notify City of Seller's intention to repair such damage or destruction, in which case this Agreement shall remain in full force and effect, or notify City of Seller's intention to give City a credit against the Purchase Price at the Closing in the amount reasonably determined by City and Seller (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction and, in the event of a result of such condemnation proceeding, the value of any Property taken as a result of such proceeding, in which case this Agreement shall otherwise remain in full force and

effect, and Seller shall be entitled to any proceeds of insurance or condemnation awards. Any repairs elected to be made by Seller pursuant to this Subsection shall be made within one hundred eighty (180) days following such damage or destruction and the Closing shall be extended until the repairs are substantially completed. As used in this Section, the cost to repair or restore shall include the cost of lost rental revenue, including additional rent and base rent.

9.2 Insurance

Through the Closing Date, Seller shall maintain or cause to be maintained, at Seller's sole cost and expense, a policy or policies of property insurance in amounts equal to the full replacement value of the Improvements, insuring against all insurable risks, including, without limitation, fire, vandalism, malicious mischief, lightning, windstorm, water, and other perils customarily covered by casualty insurance and the costs of demolition and debris removal. Seller shall furnish City with evidence of such insurance upon request by City. Seller does not and will not maintain earthquake insurance.

9.3 Possession

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

10. MAINTENANCE; CONSENT TO NEW CONTRACTS

10.1 Maintenance of the Property by Seller

Between the date of Seller's execution of this Agreement and the Closing, Seller shall maintain the Property in good order, condition and repair, reasonable wear and tear excepted, shall perform all work required to be done by the landlord under the terms of any Lease, and shall make all repairs, maintenance and replacements of the Improvements and otherwise operate the Property in the same manner as before the making of this Agreement, as if Seller were retaining the Property.

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

After the Effective Date, Seller shall not enter into any Lease or contract, or any amendment thereof, or permit any tenant of the Property to enter into any sublease, assignment or agreement pertaining to the Property, or waive any rights of Seller under any Lease or Assumed Contract, without in each instance obtaining City's prior written consent thereto, which consent in the case of any Lease shall include approval of the financial condition of the proposed tenant, the configuration of the space to be leased, and the terms of such Lease or contract. City agrees that it shall not unreasonably withhold or delay any such consent. Seller shall terminate prior to the Closing, at no cost or expense to City, any and all management agreements affecting the Property that City does not agree in writing prior to the Closing to assume.

11. GENERAL PROVISIONS

11.1 Notices

Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, against receipt, (ii) one (1) day after being deposited with a reliable overnight courier service, or (iii) two (2) days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

City:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: 772 Pacific Ave
Facsimile No.: (415) 552-9216

with copy to:

Deputy City Attorney
Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Re: [772 Pacific Ave]
Facsimile No.: (415) _____

Seller:

Robert Yick and Andy Ting, Trustees
c/o Daniel Conrad
1550 Bryant Street, Suite 760
San Francisco, CA 94103
Facsimile No.: (415) 359-0073

Joseph Yick and Mark Shustoff, Trustees
c/o Edward Koplowitz
MacInnis Donner & Koplowitz
465 California Street, Suite 222
San Francisco, CA 94104
Facsimile No.: (415) 433-1917

or to such other address as either party may from time to time specify in writing to the other upon five (5) days prior written notice in the manner provided above. For convenience of the parties, copies of notices may also be given by telefacsimile, to the telephone number listed above, or such other numbers as may be provided from time to time. However, neither party may give official or binding notice by facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice.

11.2 Brokers and Finders

Seller has a written agreement with two (2) licensed real estate brokers. Seller will pay its brokers out of Seller's proceeds. City is not responsible to pay any commission or compensation to Seller's brokers. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his or her claim shall be responsible for such commission or fee and shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section shall survive the Closing.

11.3 Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns.

11.4 Amendments

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

11.5 Continuation and Survival of Representations and Warranties

All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement are intended to be, and shall remain, true and correct as of the Closing, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective parties contained herein or made in writing pursuant to this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing, or, to the extent the context requires, beyond any termination of this Agreement. All statements contained in any certificate or other instrument delivered at any time by or on behalf of Seller in conjunction with the transaction contemplated hereby shall constitute representations and warranties hereunder.

11.6 Governing Law

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

11.7 Merger of Prior Agreements

The parties intend that this Agreement (including all of the attached exhibits and schedules, which are incorporated into this Agreement by reference) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings including, without limitation, the Proposal to Purchase letter dated January 12, 2017 between the parties hereto. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

11.8 Parties and Their Agents: Approvals

The term "Seller" as used herein shall include the plural as well as the singular. If there is more than one (1) Seller, then the obligations under this Agreement imposed on Seller shall be joint and several. As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through City's Director of Property unless otherwise provided herein, subject to applicable law.

11.9 Interpretation of Agreement

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

of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

11.10 Attorneys' Fees

In the event that either party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

11.11 Sunshine Ordinance

Seller understands and agrees that under the City's Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (Gov. Code Section 6250 et seq.), this Agreement and any and all records, information, and materials submitted to the City hereunder public records subject to public disclosure. Seller hereby acknowledges that the City may disclose any records, information and materials submitted to the City in connection with this Agreement.

11.12 Conflicts of Interest

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

11.13 Notification of Limitations on Contributions

Through its execution of this Agreement, Seller acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to: (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract

until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Seller acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Seller further acknowledges that the prohibition on contributions applies to each Seller, each member of Seller's board of directors, and Seller's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Seller; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Seller. Additionally, Seller acknowledges that Seller must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Seller further agrees to provide to City the names of each person, entity or committee described above.

11.14 Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to Seller, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Seller, its successors and assigns, or for any obligation of City under this Agreement. Seller, being four (4) trustees, shall have no personal liability, but liability solely in their trustee capacities.

11.15 INTENTIONALLY OMITTED

11.16 Counterparts

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

11.17 Effective Date

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

11.18 Severability

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

11.19 Agreement Not to Market Prior to Effective Date

Seller agrees that unless and until this Agreement is terminated pursuant to its terms, or after the Closing Date, and any agreed upon extensions, Seller shall not negotiate with any other parties pertaining to the sale of the Property and shall not market the Property to third parties.

11.20 Acceptance of Agreement by Seller

This Agreement shall be null and void unless Seller accepts it and returns to City four (4) fully executed counterparts hereof on or before 5:00 p.m. San Francisco Time on _____ 20__.

11.21 Cooperative Drafting.

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

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

[SIGNATURES ON FOLLOWING PAGES]

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

SELLER:

Shew Yick Trust One

By: 

Its: Trustee

Robert C. Yick

By: _____

Its: Trustee _____

Robert Yick Trust Two

By: _____

Its: Trustee _____

By: _____

Its: Trustee _____

Robert Yick Non-Exempt Assets Trust

By: _____

Its: Trustee _____

By: _____

Its: Trustee _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

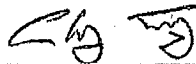
JOHN UPDIKE
Director of Property

Date: _____

SELLER:

Shew Yick Trust One

By: _____
Its: Trustee _____

By:  3/27/17
Its: Trustee ANDY TANG

Robert Yick Trust Two

By: _____
Its: Trustee _____

By: _____
Its: Trustee _____

Robert Yick Non-Exempt Assets Trust

By: _____
Its: Trustee _____

By: _____
Its: Trustee _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property


Date: _____

Shew Yick Trust One

By: _____
Its: Trustee

By _____
Its Trustee

Robert Yick Trust Two

By: 
 Its: Trustee Joseph Yick

By _____
Its Trustee

Robert Yick Non-Exempt Assets Trust

By: Trusted Joseph Yick

By: _____
Its: **Trustee** _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: JOHN UPDIKE
Director of Property

Date: _____

SELLER:

Shew Yick Trust One

134

Its Trustee

By:

His: Trustee

Robert Yick Trust Two

Bv:

1st Trustee

By:

List Trustee Mark A. Shustoff

Robert Yick Non-Exempl Assets Trust

Bv

19: Trustee

115

1000

Date:

CITY

CITY AND COUNTY OF SAN FRANCISCO,
A municipal corporation

By:

JOHN UPDIKE
Director of Property

Dates:

SELLER:

Shew Yick Trust One

By Its Trustee

By: _____
Its: Trustee

Robert Yick Trust Two

By
Its Trustee

By Its Trustee

Robert Yick Non-Exempt Assets Trust

By
Its Trustee

By _____
Its Trustee

Date:

CITY

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: JOHN UPDIKE
Director of Property

Date: _____

EXHIBIT A

REAL PROPERTY DESCRIPTION

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

Commencing at a point on the Northerly line of Pacific Avenue, distant thereon 68 feet Easterly from the Easterly line of Stockton Street; running thence Easterly and along said line of Pacific Avenue 69 feet 5-1/2 inches; thence at a right angle Northerly 117 feet 6 inches; thence at a right angle Westerly 15 feet 8-1/2 inches; thence at a right angle Northerly 20 feet; thence at a right angle Westerly 53 feet; thence at a right angle Southerly 28 feet 9 inches; thence at a right angle Westerly 9 inches; thence at a right angle Southerly 108 feet 9 inches to the point of commencement.

Being a part of 50 Vara Lot No. 89;

Assessor's Lot 015 Block 016;

(End of Legal Description)

EXHIBIT B

GRANT DEED

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

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

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

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

GRANT DEED

(Assessor's Parcel No. _____)

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

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

(SIGNATURES ON FOLLOWING PAGE)

State of California

County of San Francisco

)
) ss
)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal) _____

CERTIFICATE OF ACCEPTANCE

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

Dated: _____

By: _____
John Updike
Director of Property

EXHIBIT C

ASSIGNMENT OF WARRANTIES AND GUARANTIES AND OTHER INTANGIBLE PROPERTY

THIS ASSIGNMENT is made and entered into as of this ____ day of _____, 20____, by and between _____, a
_____, ("Assignor"), and the CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation ("Assignee").

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

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

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

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

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

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

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

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

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

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

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

[SIGNATURES ON FOLLOWING PAGE]

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

ASSIGNOR:

a _____

By: _____
[NAME]

Its: _____

By: _____
[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation.

By: _____
John Updike
Director of Property

APPROVED AS TO FORM:

DENNIS I. HERRERA, City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT D

ASSIGNMENT OF LEASE

THIS ASSIGNMENT is made and entered into as of this ____ day of _____, 20____, by and between _____, a ("Assignor"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Assignee").

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

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Assignor represents and warrants that as of the date of this Assignment and the Effective Date the attached Schedule 1 includes all of the Lease and occupancy agreements affecting any of the Property. As of the date hereof and the Effective Date, there are no assignments of or agreements to assign the Lease to any other party.
2. Assignor hereby agrees to indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the Effective Date (as defined below) and arising out of the landlord's obligations under the Lease.
3. Except as otherwise set forth in the Purchase Agreement (as defined below), effective as of the Effective Date (as defined below), Assignee hereby assumes all of the landlord's obligations under the Lease and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the Effective Date (as defined below) and arising out of the landlord's obligations under the Lease.
4. Any rental and other payments under the Lease shall be prorated between the parties as provided in the Purchase Agreement between Assignor, as Seller, and Assignee, as City, dated as of _____ (the "Purchase Agreement").
5. In the event of any litigation between Assignor and Assignee arising out of this Assignment, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, attorneys' fees.
6. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.
7. This Assignment shall be governed by and construed in accordance with the laws of the State of California.
8. For purposes of this Assignment, the "Effective Date" shall be the date of the Closing (as defined in the Purchase Agreement).

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

[SIGNATURES ON FOLLOWING PAGE]

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

ASSIGNOR:

a. _____

By:

[NAME]

Its:

By:

[NAME]

Its:

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By:

JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By:

Heidi L. Gewertz
Deputy City Attorney

EXHIBIT E

TENANT'S ESTOPPEL CERTIFICATE

DATE: _____

TENANT: _____

PREMISES: _____

LEASE DATE: _____

COMMENCEMENT DATE: _____

EXPIRATION DATE: _____

TERM IN MONTHS: _____

DATE RENT AND OPERATING EXPENSE
PARKING: _____

PAYMENTS ARE DUE: _____

OPTIONS: Check if you have any of these
options or rights, and provide details in
Sections 5 or 9 below.

Extension Option

Termination Option

Expansion Option

Purchase Option

CURRENT MONTHLY PAYMENTS: _____

BASE RENTAL: _____

TAXES: _____

OP. EXP. CAP: _____

Check here if you have rental escalations and provide details in Section 6 below:

SECURITY DEPOSIT: _____

THE UNDERSIGNED, AS TENANT OF THE ABOVE REFERENCED PREMISES
("PREMISES") UNDER THE LEASE DATED AS OF THE ABOVE REFERENCED LEASE
DATE, BETWEEN
("LANDLORD") AND TENANT, HEREBY CERTIFIES, REPRESENTS AND WARRANTS

TO THE CITY AND COUNTY OF SAN FRANCISCO ("CITY"), AND ITS ASSIGNEES, AS FOLLOWS:

1. Accuracy. All of the information specified above and elsewhere in this Certificate is accurate as of the date hereof.
2. Lease. The copy of the Lease attached hereto as Exhibit A is a true and correct copy of the Lease. The Lease is valid and in full force and effect. The Lease contains all of the understandings and agreements between Landlord and Tenant and has not been amended, supplemented or changed by letter agreement or otherwise, except as follows (if none, indicate so by writing "NONE" below):
3. Premises. The Premises consist of _____, and Tenant does not have any options to expand the Premises except as follows (if none, indicate so by writing "NONE" below):
4. Acceptance of Premises. Tenant has accepted possession of the Premises and is currently occupying the Premises. There are no unreimbursed expenses due Tenant including, but not limited to, capital expense reimbursements.
5. Lease Term. The term of the Lease commenced and will expire on the dates specified above, subject to the following options to renew or rights to terminate the Lease (if none, indicate so by writing "NONE" below):
6. Rental Escalations. The current monthly base rental specified above is subject to the following escalation adjustments (if none, indicate so by writing "NONE" below):
7. No Defaults/Claims. Neither Tenant nor Landlord under the Lease is in default under any terms of the Lease nor has any event occurred which with the passage of time (after notice, if any, required under the Lease) would become an event of default under the Lease. Tenant has no claims, counterclaims, defenses or setoffs against Landlord arising from the Lease, nor is Tenant entitled to any concession, rebate, allowance or free rent for any period after this certification. Tenant has no complaints or disputes with Landlord regarding the overall operation and maintenance of the property within which the Premises are located (the "Property"), or otherwise.
8. No Advance Payments. No rent has been paid in advance by Tenant except for the current month's rent.
9. No Purchase Rights. Tenant has no option to purchase, or right of first refusal to purchase, the Premises, the Property or any interest therein (if none, indicate so by writing "NONE" below):
10. Notification by Tenant. From the date of this Certificate and continuing until, Tenant agrees to notify City immediately of the occurrence of any event or the discovery of any fact that would make any representation contained in this Certificate inaccurate as of the date hereof or as of any future date.
11. No Sublease/Assignment. Tenant has not entered into any sublease, assignment or any other agreement transferring any of its interest in the Lease or the Premises.
12. No Notice. Tenant has not received notice of any assignment, hypothecation, mortgage, or pledge of Landlord's interest in the Lease or the rents or other payments payable thereunder, except those listed below (if none, indicate so by writing "NONE" below):

13. Hazardous Materials. Tenant has not used, treated, stored, disposed of or released any Hazardous Materials on or about the Premises or the Property. Tenant does not have any permits, registrations or identification numbers issued by the United States Environmental Protection Agency or by any state, county, municipal or administrative agencies with respect to its operation on the Premises, except for any stated below, and except as stated below no such governmental permits, registrations or identification numbers are required with respect to Tenant's operations on the Premises. For the purposes hereof, the term "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; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids, and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. Section 3011 et seq.

14. Reliance. Tenant recognizes and acknowledges it is making these representations to City with the intent that City, and any of its assigns, will fully rely on Tenant's representations.

15. Binding. The provisions hereof shall be binding upon and inure to the benefit of the successors, assigns, personal representatives and heirs of Tenant and City.

16. Due Execution and Authorization. The undersigned, and the person(s) executing this Certificate on behalf of the undersigned, represent and warrant that they are duly authorized to execute this Certificate on behalf of Tenant and to bind Tenant hereto.

EXECUTED BY TENANT ON THE DATE FIRST WRITTEN ABOVE.

By:

[NAME]

[TITLE]

By:

[NAME]

[TITLE]

EXHIBIT F

**CERTIFICATE OF TRANSFEROR
OTHER THAN AN INDIVIDUAL
(FIRPTA Affidavit)**

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the transferee of certain real property located in the City and County of San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by _____,

(“Transferor”), the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Transferor's U.S. employer identification number is _____ and

3. Transferor's office address is _____

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

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

Dated: _____ 20____

On behalf of

[NAME]

a

By: _____

[NAME]

Its: _____

EXHIBIT G

DESIGNATION AGREEMENT

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

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

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

C. Pursuant to Subsection 2(b)(1) of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No. _____, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

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

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

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

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

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

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

SELLER:

Attn: _____
Facsimile No.: () _____

CITY:

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

TITLE COMPANY:

Attn: _____
Facsimile No.: () _____

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

[SIGNATURES ON FOLLOWING PAGE]

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

SELLER:

Attn: _____

Facsimile No.: () _____

By: _____

Its: _____

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

JOHN UPDIKE
Director of Property

Date: _____

Title Company:

_____ TITLE INSURANCE
COMPANY

Date: _____

By: _____

Its: _____

APPRAISAL OF:

772 PACIFIC AVENUE

SAN FRANCISCO, CALIFORNIA

PREPARED FOR:

CITY AND COUNTY OF SAN FRANCISCO

REAL ESTATE DIVISION

SAN FRANCISCO, CALIFORNIA

17-RBA-027

APRIL 2017

April 19, 2017

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

Re: 17-RBA-027, Appraisal
772 Pacific Avenue
San Francisco, California

Dear Mr. Updike:

At your request and authorization, R. Blum and Associates has prepared an appraisal of the above referenced property. The subject property is located on the north side of Pacific Avenue between Stockton Street and Grant Avenue in the Chinatown neighborhood of San Francisco. The property consists of a single parcel of land totaling 9,219 square feet. The site is improved with a one-story plus mezzanine building which was built in 1919 and is currently operated as the New Asia restaurant. Total building area is approximately 13,271 square feet. The improvements cover the entire site. The existing improvements are leased through December 31, 2021. The property interest appraised is leased fee.

The client for this appraisal is Mr. John Updike, Director of Property with the City and County of San Francisco Real Estate Division. The intended user of the appraisal is the City and County of San Francisco. The intended use is for internal analysis in connection with existing or future real estate negotiations. The purpose of this appraisal is to conclude the current as-is market value of the leased fee interest in the property. ***This report should not be used or relied upon by any other parties for any reason.***

EXTRAORDINARY ASSUMPTION

- 1.** The subject property is impacted by an underground storage tank. No testing of the tank or soils has occurred to determine whether it has leaked. The concluded value in this report assumes that there is no soil remediation required and that the cost of removal of the tank is fairly nominal as part of the demolition of the larger improvements on the site.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

VALUE CONCLUSION

Based on the research and analysis contained in the attached report, and subject to the limiting conditions and assumptions contained therein, it is the opinion of the undersigned that the market value of the leased fee interest in the subject property, in its present as-is condition, as of April 12, 2017, is:

FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS

(\$5,400,000)

It is our opinion that the above values could be achieved within a 12-month exposure period.

The property is currently under contract to be purchased by the City and County of San Francisco for a price of \$5.0 million. This is slightly lower than the concluded value above. The property was not formally marketed and the buyer is taking on the risk of removal of an underground tank and possible remediation of any contaminated soils. The concluded value in this report assumes that there is no remediation required.

CERTIFICATION

I, the undersigned, hereby certify that, to the best of my knowledge and belief: the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions; I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved; I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; my engagement in this assignment was not contingent upon developing or reporting predetermined results, my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; my analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and is in compliance with FIRREA; I have made a personal inspection of the property that is the subject of this report; Robert Dawson provided significant professional research assistance to the person signing this report. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report Ronald Blum has completed the requirements under the continuing education program of the Appraisal Institute. In accordance with the Competency Provision in the USPAP, I certify that my education, experience and knowledge are sufficient to appraise the type of property being valued in this report.

Mr. John Updike

3

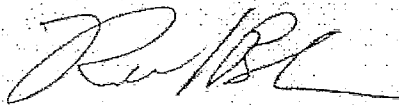
April 19, 2017

We have not previously appraised or provided any other valuation services regarding this property within the past three years.

I am pleased to have had this opportunity to be of service. Please contact me if there are any questions regarding this appraisal.

Sincerely,

R. BLUM AND ASSOCIATES

A handwritten signature in dark ink, appearing to read 'R. Blum', with a stylized flourish at the end.

Ronald Blum, MAI
Certified General Real Estate Appraiser
State of California No. AG009958

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ADDENDA

**Preliminary Title Report
Comparable Photographs
Qualifications and License of Appraiser**

I. REPORT SUMMARY

A. Property Appraised

The subject property is located on the north side of Pacific Avenue between Stockton Street and Grant Avenue in the Chinatown neighborhood of San Francisco. The property consists of a single parcel of land totaling 9,219 square feet. The site is improved with a one-story plus mezzanine building which was built in 1919 and is currently operated as the New Asia restaurant. Total building area is approximately 13,271 square feet. The improvements cover the entire site. The existing improvements are leased through December 31, 2021. The property interest appraised is leased fee.

B. Client, Intended Use and Intended User

The client for this appraisal is Mr. John Updike, Director of Property with the City and County of San Francisco Real Estate Division. The intended user of the appraisal is the City and County of San Francisco. The intended use is for internal analysis in connection with existing or future real estate negotiations. The purpose of this appraisal is to conclude the current as-is market value of the leased fee interest in the property. *This report should not be used or relied upon by any other parties for any reason.*

C. Reporting Format

This appraisal is presented in a narrative report.

D. Scope of Appraisal

The scope of work for this summary appraisal assignment report is to utilize the appropriate approaches to value in accordance with Uniform Standards of Professional Appraisal Practice to arrive at a market value conclusion. Specific steps include the inspection of the subject property (interior and exterior) and the research, analysis and verification of comparable data to arrive at value indication as put forth in this report. The Sales Comparison and Income Approaches are considered to be the best indicators for the subject property and are utilized. Land value is also concluded using a Sales Comparison Approach.

E. Effective Date of Appraisal and Report Date

The effective date of the appraised value is April 12, 2017.

The date of this report is April 19, 2017.

F. Definition of Terms

1. Market Value (OCC 12 CFR 34.42 (f)) (OTS 12 CFR, Part 564.2 (f))

“Market Value” means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interest;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. Fee Simple Interest (The Appraisal of Real Estate, 13th Edition, 2008, p.114)

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

3. Leased Fee Interest (The Appraisal of Real Estate, 14th Ed., 2013, p.72)

The ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires.

G. Value Conclusions

Based on the research and analysis contained in this report, and subject to the limiting conditions and assumptions contained herein, it is the opinion of the appraiser that the market value of the leased fee interest in the subject property, in its present as-is condition, as of April 12, 2017, is:

FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS

(\$5,400,000)

It is our opinion that the above values could be achieved within a 12-month exposure period.

H. Assumptions and Limiting Conditions

This appraisal report and all of the appraiser's work in connection with this appraisal assignment are subject to the limiting conditions below. Any use of the appraisal by any party, regardless of whether such use is authorized or intended by the appraiser, constitutes acceptance of all such limiting conditions and terms.

Extraordinary Assumption

1. The subject property is impacted by an underground storage tank. No testing of the tank or soils has occurred to determine whether it has leaked. The concluded value in this report assumes that there is no soil remediation required and that the cost of removal of the tank is fairly nominal as part of the demolition of the larger improvements on the site.

The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

Standard Limiting Conditions

2. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.
3. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than as stated in this report. The property is appraised assuming responsible ownership and competent management.
4. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for their accuracy can be assumed by the appraiser.
5. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.
6. No survey of the property has been made or reviewed by the appraiser unless noted in this report. No responsibility is assumed in connection with such matters.

Illustrative material, including maps and plot plans are included only to assist the reader in visualizing the property.

7. The appraiser assumes that there are no hidden or unapparent physical deficiencies or adverse conditions of the property, including soil contamination, which would make it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
8. In this assignment, the existence (if any) of potentially hazardous materials used in the construction or maintenance of the improvements or disposed of on the site, or affecting it from off site, has not been considered except as noted within the report. The appraiser is not qualified to detect such substances and this report should not be considered as an environmental assessment of the property; the client is advised to retain an expert in this field.
9. Any projections of income and expenses in this report are not predictions of the future. Rather, they are an estimate of current market thinking of what future income and expenses will be. No warranty or representation is made that these projects will materialize.
10. The appraiser is not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification, only in its entirety, and only for the contracted intended use.
12. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the appraiser. The appraiser, client, firm, and any reference to the Appraisal Institute or the MAI designation shall be identified without written consent of the appraiser.

II. AREA AND NEIGHBORHOOD DESCRIPTION

A. San Francisco and the Bay Area

While San Francisco covers a relatively small land area of approximately 45 square miles, it is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fifth largest metropolitan center in the United States with a population exceeding 7,200,000. It has a relatively stable economic base which will likely expand in the future. Principal economic activities include finance, high technology, manufacturing, and transportation. The population within San Francisco proper was approximately 866,583 as of January 1, 2016, according to estimates prepared by the California Department of Finance, a 1.1 percent increase of one year earlier.

The economic outlook for San Francisco and the Bay Area is positive. According to the Association of Bay Area Governments (ABAG) Projections 2009, San Francisco will have 606,540 jobs by 2015, up from an estimated 568,730 jobs in 2010. The largest employment sectors in 2010 in San Francisco were financial and professional services (181,680 jobs) and health, educational and recreational services (198,800 jobs). These sectors comprise approximately 67 percent of total jobs in San Francisco. Also according to ABAG's 2009 Projections, San Francisco's mean household income was \$102,000 as of 2010, up from \$97,400 in 2005. ABAG projects income will rise to \$107,900 by 2015, and \$113,800 by 2020.

The California Employment Development Department reports San Francisco unemployment at 3.3 percent as of September 2016, the same rate as one year prior. The State unemployment rate was 5.3 percent in September 2016, down from approximately 5.6 percent in September 2015.

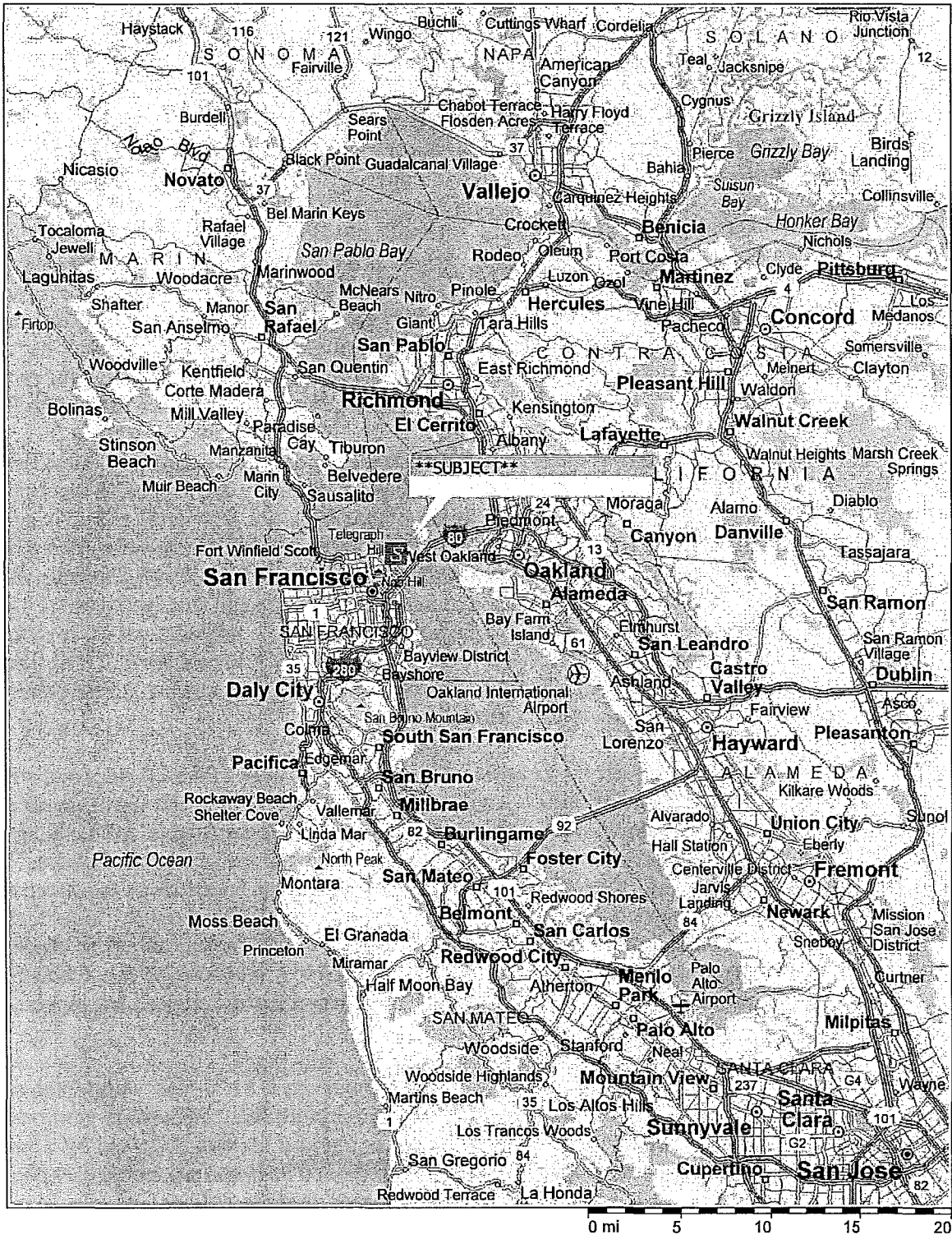
According to ABAG's 2009 Projections, San Francisco's mean household income was \$102,000 as of 2010, up from \$97,400 in 2005. ABAG projects income will rise to \$107,900 as of 2015, and \$113,800 in 2020.

The economic outlook for San Francisco and the Bay Area is favorable. On a regional basis, the Bay Area has a diversified economic base which helps insulate it from national economic fluctuations. Employment patterns within San Francisco are generally oriented toward office activities. These activities, as opposed to functions such as heavy industry, have traditionally been less vulnerable to changes in the business cycle.

B. Neighborhood Description and Immediate Environs

The subject property is located in the Chinatown neighborhood of downtown San Francisco. Chinatown is situated in the northeast section of San Francisco, adjacent and generally south, of the residential communities of North Beach, Nob Hill, Russian Hill, and Telegraph Hill. San Francisco's Financial District is generally

REGIONAL MAP



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 Certain mapping and direction data © 2012 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from
 Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks
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located to the south and south/east of Chinatown. The historic boundaries between Chinatown and the adjacent neighborhoods of Nob Hill, Russian Hill, and particularly North Beach, have become blurred over the past 30 years as Chinatown residents, property owners, and store keepers move into the surrounding areas around the central core of Chinatown. This central core is generally bounded by Powell Street to the west, Kearny Street to the east, Bush Street to the south, and Broadway to the north.

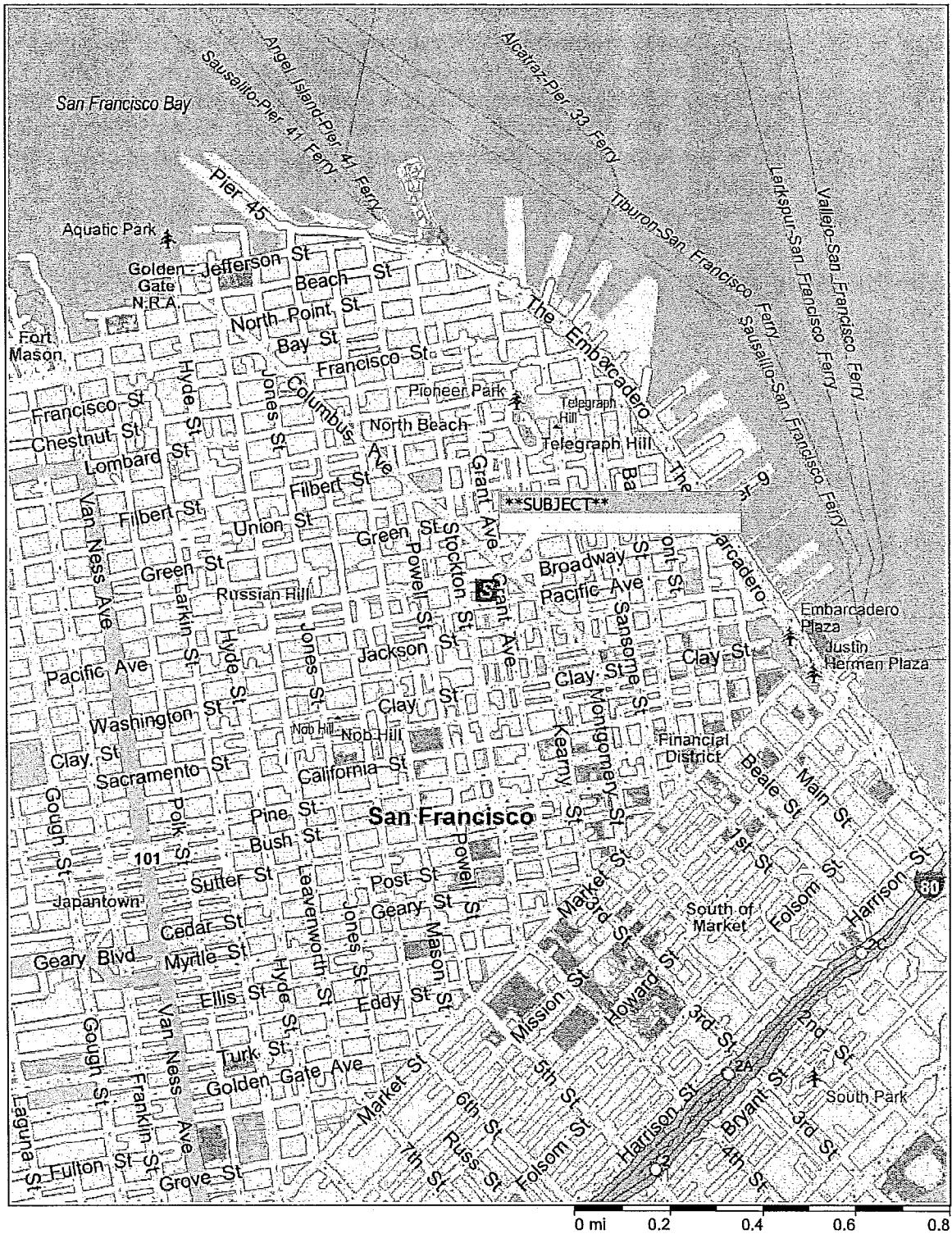
The Chinatown District is an intensely developed and populated district that functions as a community center, as well as a residential neighborhood and a major tourist attraction. The San Francisco Financial District also began to expand westward towards Chinatown. The increase in commercial activity in Chinatown due to both internal growth and the expansion of the Financial District has put pressure on existing housing and commercial spaces in Chinatown, fueling the expansion of Chinatown northward into North Beach and westward to Russian Hill.

Chinatown is one of the most densely populated neighborhoods in the United States. The housing stock generally consists of older, relatively less expensive apartments and hotels. Approximately 20 percent of the population is reported to live in group quarters, while the citywide rate is just over three percent. Group quarters refers to residential hotels, hospitals, convalescent facilities, dormitories and housing other than traditional apartments, condominiums or single family homes. The neighborhood is served by MUNI bus lines and a new underground MNI subway line known as the Central Subway project which will extend the T Third line to provide a direct link between the Bayshore and Mission Bay neighborhoods, through downtown, to Chinatown.

The subject property is located toward the northern edge of the Chinatown district, on the north side of Pacific Avenue between Stockton Street and Grant Avenue in the heart of the district. Grant Avenue and Stockton Streets are both active commercial streets with a variety of restaurants, retail stores, and food shops. The subject's block of Pacific Avenue is commercial on the north side of the street, and has higher density residential uses on the south side. This property, identified as 795 Pacific Avenue is part of the Ping Yuen complex, a public housing development serving the Chinatown area which is managed by the Chinatown Community Development Center. These properties are undergoing upgrading renovations between 2016 and 2019.

Pacific Avenue in the vicinity of the subject property is a two-lane, westbound, one-way street with metered street parking on the south side. Immediate environs of the subject property include a two-story commercial building followed by a three-story building with commercial uses on the ground floor and residential uses above. Further east is a six-story building housing medical offices and the Mirawa Shopping Center on the ground floor, and below-grade parking on the lower level. To the west of the subject property is a three-story building with retail uses on the

AREA MAP



Copyright © and (P) 1988–2012 Microsoft Corporation and/or its suppliers. All rights reserved. <http://www.microsoft.com/streets/>
 Certain mapping and direction data © 2012 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from
 Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks
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 Applied Geographic Solutions. All rights reserved. Portions © Copyright 2012 by Woodall Publications Corp. All rights reserved.

ground floor and residential uses above. This property is located on the northeast corner of Stockton Street and Pacific Avenue, and is within the busy Stockton Street shopping district which is comprised primarily of food stores. The Ping Yuen residential building on the subject's block is five-stories and covers most of the city block to the south of the subject. The northeast corner of the site adjoins a parking lot for the Royal Pacific Motor Inn which fronts Broadway north of the subject property.

The subject property has a good location within the Chinatown district, on a mixed block which houses both residential and commercial uses. The overall outlook for the neighborhood and immediate environs is positive.

III. MARKET OVERVIEW

A. Residential Market Overview

The City of San Francisco has traditionally been one of the most expensive housing in the country, and although it was impacted by the downturn following the financial crisis, the market has since recovered strongly. This was largely fueled by the migration of technology companies to San Francisco. As a result, several developers have brought formerly rented units back to the for sale market as many of the newer projects have sold out and there is very limited net inventory remaining. In addition, an unprecedented amount of speculative residential construction is now underway in many areas of San Francisco.

Sales Trends

According to the Real Estate Report, a real estate data provider which culls data from the MLS, the median price for a single family home in San Francisco in January of 2017 was \$1,015,000. This represents a decrease of 13.1 percent as compared to January 2016. The average price was \$1,301,460 in January 2017, down 17.1 percent as compared to January 2016. In terms of sales volume, 179 single family homes were sold in San Francisco during the month of January 2017, up from 104 homes sold in January 2016.

For condominium, loft and TIC units, the city-wide median price for January 2017 was \$935,000. This represents a decrease of 11.8 percent as compared to January 2016. The average price was \$1,107,383 in January 2017, down 5.3 percent as compared to January 2016. A total of 157 attached housing units were sold in San Francisco in January 2017, up from 149 attached units sold in January 2016. The average sale/list price ratio for condominiums, lofts and TICs in San Francisco for January 2017 was 101.0 percent, down from 103.3 percent in January 2016. The average time on market for attached housing in January 2017 was 58 days, up from 50 days in January 2016.

Supply Trends

According to The San Francisco Planning Department's 2015 Q4 Development Pipeline Summary (most recent available), there are approximately 8,691 housing units currently under construction. A total of 26,063 housing units are approved for construction, although many of these will not be built in the near future. An additional 27,760 housing units within 712 projects are currently under planning review. Many of the new condominium projects are located in Bayview/Hunter's Point/Candlestick (where the Bayview Waterfront Project is predominantly located), Treasure Island and Park Merced, areas which have land available for new development. Most of the buildings which are under construction are in the South of Market / Mission Bay, Mid-Market, Upper Market, the Mission, and Hayes Valley. Approximately 80 percent of these units are rentals and will likely impact the high end rental market when they are completed. Construction financing is currently available for these projects. The condominium market is expected to remain strong as the future

supply is much more limited than apartments. Changes in economic conditions or interest rates could affect future demand.

Apartment Trends

According to Cushman & Wakefield's Bay Area Multi-Family Market Report for the third quarter of 2016 (most recent available), the vacancy rate for San Francisco was 4.3 percent, up from 4.1 percent in the third quarter 2015. The overall average asking rent was \$3,499 per unit per month, down from \$3,623 in the third quarter 2015. The average rent based on unit type was \$2,809 for studios, \$3,317 for one-bedroom units, \$3,459 for two-bedroom, one-bath units, \$4,650 for two-bedroom, two-bath units, and \$4,556 for three-bedroom, two-bath units. According to Cushman & Wakefield, San Francisco is the most expensive market in the region and rivals Manhattan as the priciest market in the United States. Verbal reports indicate that rents are stabilizing, and may moderate due to new supply coming on line. Many projects recently started offering concessions as vacancy has increased.

Conclusion

Overall, the San Francisco for-sale housing and rental markets are extremely strong but there is some moderation of both for-sale prices and rents. The dramatic increases in prices and rental rates over the last several years appear to be ending. Vacancy is expected to increase as a result of new projects being completed. The underlying fundamentals in San Francisco, including strong demand and high barriers to development, should help San Francisco perform better than other parts of the country. The outlook remains positive due to very high prices and rents, but there is continued risk due to the current position in the market cycle. Some additional reduction in rental rates and sale prices is likely.

B. Marketing and Exposure Period Analysis

The exposure period is defined as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." Thus it is assumed to have occurred prior to the appraisal date. In contrast the marketing period is the estimated time that it would take to consummate the sale after the appraisal date.

The subject property is a leased restaurant building / future development site in the heart of the Chinatown district. There would be significant demand if the property were offered for sale, both from investors and developers. Considering the attributes of the property, an exposure period of 12 months to allow for marketing, due diligence, and close of escrow. The marketing period is also concluded at 12 months.

IV. PROPERTY DESCRIPTION

A. Site Description

The current subject property is a largely rectangular parcel, missing a small portion of the northeast corner of the site and a small notch in the northwest corner. The site has 69.5 feet of frontage on Pacific Avenue and a depth ranging from 117.5 to 137.5 feet. Total site area is approximately 9,219 square feet, or 0.21 acres. Topography of the site slopes down to the east somewhat. The property is identified by the San Francisco County Assessor as Block 0161, Lot 015.

The precise nature and condition of subsurface soils is not known; however, judging from the condition and appearance of the subject improvements and the adjacent properties, it is assumed that soil conditions are satisfactory for the construction of conventional office building improvements. All streets adjacent to the subject are fully paved and contain curbs, sidewalks, gutters and street lighting. The property is served with typical urban utilities, including public water and sewer systems. Local companies supply electricity, gas, and telephone service.

B. Ownership and Sales History

According to a preliminary title report prepared by Stewart Title Guaranty Company, ownership of the subject property is currently vested in Robert Calvin Yick and Andy Ting, trustees of Shew Yick Trust One, under agreement dated October 13, 1980, as to an undivided 50 percent interest; Richard Tong Surviving Trustee of the Robert Yick Non-Exempt Assets Trust under agreement dated October 13, 1980, as to an undivided 39 percent interest; and Richard Tong Surviving Trustee of the Robert Yick Trust Two under agreement dated October 13, 1980, as to an undivided 11 percent interest. This property has been owned by related entities since prior to 1988. The property subject to a purchase and sale agreement between the ownership and the City and County of San Francisco. That document, dated March 23, 2017, was reviewed. The purchase price is \$5,000,000. The property is being sold in as-is condition. With regards to any contamination from hazardous material, the City may request that the seller cleanup the property or terminate the agreement. If the City requires the seller to remediate, the seller has the option to terminate the contract. Close of escrow was to be by May 8, 2017. According to the broker and a representative of the City, they intend to purchase the property in as-is condition and will take on the potential for any future remediation related to the tank and its removal. The property was not formally marketed, although brokers are acting in a consulting capacity.

The pending purchase price is slightly lower than the concluded value in this report. The property was not formally marketed and the buyer is taking on the risk of removal of an underground tank and possible remediation of any contaminated soils. The concluded value in this report assumes that there is no remediation required. The comparables support the concluded value and for the reasons discussed herein, a concluded value above the negotiated purchase price is considered reasonable.

ASSESSOR'S MAP

ASSESSOR-RECORDER'S OFFICE

SHEET 1 **161**

50 VARA BLK. 110

LOTS MERGED

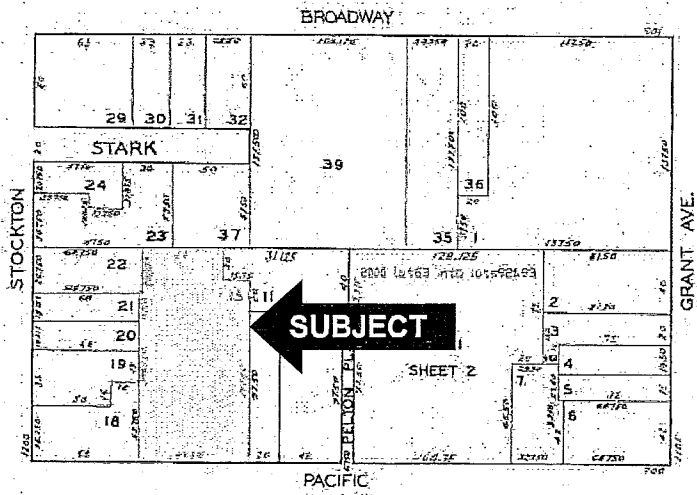
LOT 3	10	15	25
LOT 4	10	15	25
LOT 5	10	15	25
LOT 6	10	15	25
LOT 7	10	15	25
LOT 8	10	15	25
LOT 9	10	15	25
LOT 10	10	15	25

REVISED '57

1	15
2	100
3	185

Revised 2002

© COPYRIGHT SAN FRANCISCO
CITY & COUNTY ASSESSOR 1995
(2002 info lot#72692 for 2000 roll)



225 PACIFIC AVE
A CONDOMINIUM
UNIT 2 TOWN AREA

30	408	0.70
35	407	0.50

ASSESSED 110,030
BLK TOTAL 110,030 50 FT

There have been no transfers of the property, other than between related entities, in the last three years.

C. Easements and Restrictions

According to the preliminary title report referenced above, the subject property is impacted by a parapet agreement from 1985, and a minor sidewalk encroachment from 2008 which relates to out-swinging doors. These items are not considered significant. A deed of trust from 2012 in the amount of \$200,000 is also noted. None of these items are considered to impact the utility or market value of the property.

D. Environmental Observations

A Phase I Environmental Site Assessment was prepared by EBI Consulting on November 21, 2016. A copy of that report was reviewed. The consultants discovered records from the San Francisco Fire Department that permits were granted in 1953 and 1965 for an underground storage tank (UST) beneath the sidewalk at the subject property. There is no visual evidence of a UST at the property according to the report, and no records of the tank having been removed. They also found some possible asbestos-containing materials in the form of spray applied ceiling texture, joint compounds and other materials. The consultant recommended a geophysical survey with radar or magnetometer to determine whether the UST remains on site. An asbestos operations and maintenance plan is also recommended for some suspect asbestos containing materials they found on site.

A subsequent investigation by TR&A Inc. was performed and a letter dated March 15, 2017 was reviewed. This consultant discovered a hinged fuel tank fill which suggests that a UST on the site was abandoned in place. This is located on the eastern portion of the subject sidewalk. No additional information was provided regarding this tank or the possible cost of its removal. It is also possible that there could be some additional costs related to contaminated soil if the tank exists and leaked. The City intends to purchase the property in as-is condition and will take on the liability of any remediation in the future when the site gets developed.

The reader is referred to the Limiting Conditions in Chapter I of this report which assumes the site and building are clean of any toxic contaminants. The value considers the cost to remove the tank as part of the demolition of the improvements, not assumes there is no soil remediation required.

No wetlands were observed on the subject property.

E. Flood Zone and Seismic Information

In 2013, the City of San Francisco began to participate in the National Flood Insurance Program. As of the appraisal date, maps have not yet been published. These are not expected until 2015 or later. Because San Francisco does not currently have maps, no federally sponsored flood insurance is available and is not required by law. Officials at the

local office of the Federal Emergency Management Agency (FEMA) have indicated that, if San Francisco were a participant in the federal program, the majority of the city, including the subject property, would be designated Flood Zone D, which identifies areas of undetermined flooding. This will likely change in the future.

According to governmental geological evaluations, the entire San Francisco Bay Area is located in a seismic zone. No active faults, however, are known to exist on the subject property. Inasmuch as similar seismic conditions generally affect competitive properties, no adverse impact on the subject property is considered. The subject is not located in an Alquist Priolo earthquake zone.

F. Assessed Valuation and Real Estate Taxes

The subject property is currently assessed for ad valorem taxes in the amount of \$3,010,588, of which \$1,474,249 is for land, and \$1,536,339 is for improvements.

Under California law, real property assessment can only be increased a maximum of 2 percent per year. Reassessment is permitted upon a change of ownership typically based on the estimated market value multiplied by a tax rate of one percent plus any outstanding bond assessment payments. The 2016 – 2017 tax rate for the subject property is 1.1792 percent plus special assessments. Total 2016-2017 taxes are \$35,852.88 which includes special assessments of \$352.04.

G. Zoning

The subject property is zoned CRNC, or Chinatown-Residential – Neighborhood Commercial District. Properties in this zone allow for a variety of retail sales and restaurant uses with other commercial uses allowed with conditional approval. The subject property has a 65 foot height limit. Commercial uses are allowed up to a 2.0 to 1 FAR with conditional uses required for uses over 2,500 square feet (or 5,000 square feet for restaurants). No parking is required and is allowed up to one car for each two units. Residential development is allowed on all floors up to a density of one space per 200 square feet of lot area (up to 46 units). Group housing is allowed at up to one bedroom per 140 square feet of lot area.

The subject property has a historical rating of B according to the Planning Department and a Survey Rating of D by the Foundation for San Francisco Architectural Heritage, which stands for Minor or No Importance. Demolition of the improvements would likely be legally allowed.

H. Improvements Description

The subject property is currently improved with a one-story, plus mezzanine building which is currently improved as the New Asia restaurant. The construction type was not visible. Public records indicate that it is wood or steel frame, but visible bolting on the front of the building suggests that it might be at least in part brick or masonry. That would

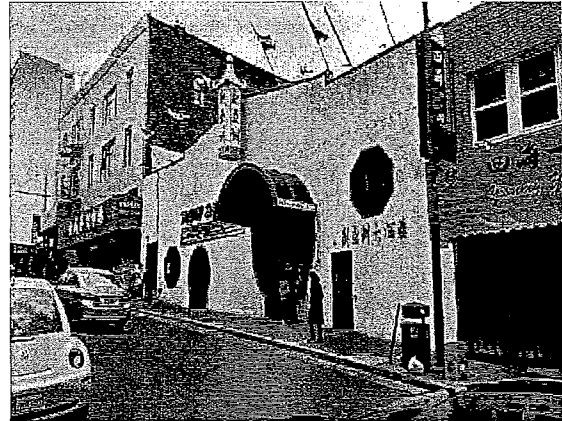
AERIAL VIEW



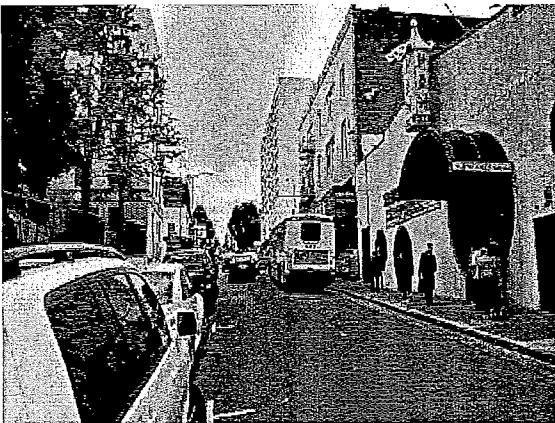
SUBJECT PHOTOGRAPHS



Northeasterly View of Subject



Northwesterly View of Subject



Westerly View Along Pacific Avenue

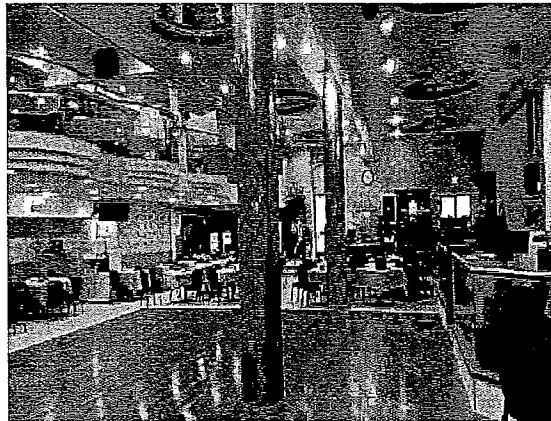


Interior View - Ground Level

SUBJECT PHOTOGRAPHS



Interior View - Ground Level



Interior View - Ground Level



Interior View - Mezzanine



Interior View - Kitchen

be consistent with the age of the building. The mezzanine structure appears to be wood frame.

The improvements were built in 1919 and was once used as an automotive repair garage and a cab company until 1958, and as a contractor's shop / storage use after 1958. It was reportedly converted into a restaurant in 1971. The exterior is painted ceramic and stone tile. There are four separate man doors leading onto Pacific Avenue. Two have tiled decorative circular openings for guests, one of which is covered by an awning, and both are recessed. The westernmost door leads to a hallway used for loading to the kitchen and storage of trash receptacles. The easternmost door provides ADA accessibility.

The ground level is improved as a large banquet room with dance floor and raised stage. The commercial kitchen is located on the west side of the space and at the back of the space. A U-shaped mezzanine provides additional banquet space at the back and east side of the building, which is open to the main level. The west side mezzanine houses two restrooms, and some storage space. There are two closed rooms at the back of the main mezzanine which are used for storage and not available for inspection. Some management offices are located at the front of the building on the eastern mezzanine.

The interior finishes include terrazzo flooring on the main level. The ground floor has 18 foot ceilings (except for area covered by the mezzanine). The ceilings have affixed acoustical tiles, with HVAC ductwork above the ceiling. The roof was not inspected but no leaks were observed. Other floor coverings include ceramic tile in the kitchen, wall-to-wall carpeting and vinyl. The kitchen includes a number of wok and cooking stations with hoods, prep areas, walk-in cooler and freezer, and dishwashing area. There is a single restroom on the ground floor, apparently to satisfy ADA requirements and two restrooms on the mezzanine. There is no elevator so the mezzanine is not handicap accessible. There are two stairways leading to this level.

Based on public records, total building area is approximately 13,271 square feet. The building has full site coverage, which suggests the mezzanine is approximately 4,052 square feet. Based on measurements made on site, this may understate the mezzanine slightly which may be due to the exclusion of some of the office, storage or utility areas. For valuation purposes, the mezzanine area per public records is considered reasonable and is used.

The subject property is improved as a large restaurant / banquet facility. The interior improvements are older and in average to below average condition. They are currently functional but any alternate user would likely anticipate a significant renovation to include new ADA restrooms, new interior finishes, an elevator leading to the mezzanine and significant upgrades to the kitchen.

The building has a chronological age of 98 years. The effective life is concluded to be 45 years. The effective age is concluded to be 40 years. The remaining economic life is concluded to be 5 years which could be extended with ongoing maintenance. As

demonstrated in this report, based on land value the building could be at the end of its economic life with the existing restaurant facility an interim use until redevelopment occurs.

I. Leased Status

The subject property is currently the subject of a lease which dates from 2002. The lessee is Hon So, Inc., and Hon Keung So, an individual, and Candy Mei-Yiu So, an individual. Each party was jointly and severally liable for all terms and conditions of the lease. The premises are comprised of the entire building. The original lease term expired on December 31, 2011, and the tenant is within their 10 year renewal option period which expires on December 31, 2021. The space was leased in as-is condition with all renovation costs to be paid by the tenant. The landlord shall be under no obligation to make any repairs to the premises, except for the roof and foundations. If the sewer lines leading to the premises need repair, the landlord and tenant shall share the expenses equally. The lessee is responsible for property taxes, including any increase due to sale, and building insurance.

The rent for the renewal option was to be based on \$20,000 per month increased by the CPI rate from January 1, 2004 through December 31, 2011, with continued annual CPI increases over the option term, not to exceed 5 percent in any one year. The current lease rate, which initiated on January 1, 2017 at \$22,500 per month, was apparently the result of a negotiation between the parties in November 2016. The future rent for the balance of the term was apparently subject to further negotiation so it appears that the CPI increase referenced in the lease is no longer valid.

V. HIGHEST AND BEST USE AND VALUATION METHODOLOGY

The highest and best use is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

A. As If Vacant

In determining the highest and best use of the entire subject site as if vacant, the four tests are applied to the subject. These include: legal permissibility, physical possibility, financial feasibility and maximum productivity.

1. Legal Permissibility

The zoning for the subject property allows for development of commercial and residential uses, or mixed uses with a height limit of 65 feet. The maximum residential density allows up to 46 units, although it is possible that this could be increased as a result of affordability or other approval.

2. Physical Possibility

The subject property has a single street frontage. The physical characteristics do not limit legally allowed development.

3. Financial Feasibility

The site is located in a central Chinatown location. Residential development with ground floor commercial use would be financially feasible. Construction of affordable housing would also be feasible with public subsidy. There is strong demand for affordable housing in this location.

4. Maximum Productivity and Conclusion

The maximally productive use of the subject site if vacant would be to develop a residential building, most likely as affordable housing, possibly with ground floor commercial use.

B. As Improved

In considering the highest and best use of the subject property as improved, the same tests are considered.

The subject property is improved with a one-story, plus mezzanine, restaurant building. As demonstrated in this report, the market value as a development site is higher than the market value as improved, so future demolition and redevelopment is considered to be the

highest and best use of the property as improved. The improvements are currently leased through 2021, or slightly more than four years. This period would allow for the redevelopment of the site to be entitled and this rental income is considered to provide interim carrying income until redevelopment occurs.

C. Methodology

The valuation of any parcel of real estate is derived principally through three approaches to market value. From the indications of these analyses and the weight accorded to each, an opinion of value is reached. Each approach is more particularly described below.

1. *Cost Approach*

This approach is the summation of the estimated value of the land, as if vacant, and the reproduction of replacement cost of the improvements. From these are deducted the appraiser's estimate of physical deterioration, functional obsolescence and economic obsolescence, as observed during inspection of the property and its environs. The Cost Approach is based on the premise that, except most unusual circumstances, the value of a property cannot be greater than the cost of constructing a similar building on a comparable site (principal of substitution). The

2. *Sales Comparison Approach*

This approach is again based on the principal of substitution, i.e., the value of a property is governed by the prices generally obtained for similar properties. In analyzing the market data, it is essential that the sale prices be reduced to common denominators to insure, as far as possible, that comparable units are being used for comparison. The difficulty in this approach is that two commercial properties are very rarely exactly alike.

3. *Income Approach*

An investment property is typically valued in proportion to its ability to produce income. Hence, the Income Approach involves an analysis of the property in terms of its ability to provide a net annual income. This estimated income is then capitalized at a rate commensurate with the risks inherent in ownership of the property, relative to the rate of return offered by other investments.

The subject property is valued using the Sales Comparison Approach as improved. Land is also valued using a Sales Comparison Approach. The Cost Approach is not considered relevant in valuing the subject property. The Income Approach is considered to be a secondary indicator and a rudimentary Income Approach analysis is included in the reconciliation chapter. The valuation analysis is further discussed in the following chapter.

VI. LAND VALUATION

Land is valued using a Sales Comparison Approach. Details of transactions considered most comparable to the subject were researched and analyzed to extract unit prices which, when applied to the subject, provide a value indication. The sales are described in the following paragraphs and are presented in tabular form on the following page.

A. Comparable Land Sales

Comparable 1 is the property located at 500 Turk Street, at the northwest corner of Larkin Street, in San Francisco. Site area is 18,906 square feet, or 0.43 acres. The site is partially improved with a one-story, 6,177 square foot, tire and auto service facility that was built in 1935. The property is zoned RC-4 and is within the North of Market Residential Special Use District. The height limit of 80 feet. According to the listing agent, the property was fully leased to one tenant at \$10,000 per month on an industrial gross basis. Reportedly, the lease had approximately five years remaining and the buyer paid the tenant \$76,000 to terminate the lease after three years.

In December 2016, Turk 500 Associates, LP (Tenderloin Neighborhood Development) purchased this property from Frederick S. Rolandi, III for \$12,250,000. Adding the reported real estate commissions and lease buyout paid by purchaser increases the price to \$12,571,000, or \$665 per square foot of land area and \$103,893 per proposed unit. The buyer intends to redevelop the site with an affordable residential development to include 121 residential units over ground level retail space and no onsite parking. According to the listing agent, the property was not marketed and the price was negotiated in May 2016. Reportedly, it will take approximately two years to obtain approvals for the proposed development.

Comparable 2 is the property located at 838 Grant Avenue in San Francisco. The property also has frontage along Walter U. Lum Place. The improvements consist of a six-story plus lower level and mezzanine, reinforced concrete building that was built in 1966. The building contains approximately 63,126 rentable square feet, including lower level which is at street level along Walter U. Lum Place. The improvements are situated on an 8,250 square foot site, indicating a floor area ratio of 765 percent. The property is zoned CVR, or Chinatown Visitor Retail and has a height limit of 50 feet. According to the listing agent, the seller had previously owner occupied the lower level and second floor of the building. In addition, the fifth and sixth floors, which were previously leased as a restaurant/banquet facility, were vacant at the time of sale. The ground level was leased to various retail tenants and the third and fourth floors were leased to various office tenants. All the leases were reportedly on month-to-month lease terms.

In August 2016, JL Realty Partners, LLC purchased this property from Chong Investments, Inc. for \$17,250,000 million. Deducting the contributory value of the existing improvements, estimated at \$200 per square foot of building area, indicates a land allocation of \$561 per square foot of land area. The buyer is an investor that intends to renovate and possibly convert portions of the building to hotel and/or office use.

Table 1

COMPARABLE LAND SALES

Appraisal of 772 Pacific Avenue
San Francisco, California

No. Location	Sale Date	Land Area	Sale Price	Price Per SF Per Unit	Planned Development	Zoning Height Limit Res. Density	Grantor/ Grantee/ Document No.
1 500 Turk St. San Francisco APN: 0741-002	12/16	18,906 SF 0.43 AC	\$12,250,000 \$245,000 (1) \$76,000 (2) \$12,571,000 (unentitled)	\$665 \$103,893	Site proposed for an 8-story building with 121 residential units over retail. Project to be 100% affordable.	RC-4 / North of Market Residential SUD 80' 279 DU/AC (proposed)	Frederick S. Rolandi, III/ Turk 500 Assoc., LP #377413
2 838 Grant Ave. San Francisco APN: 0209-005	8/16	8,250 SF 0.19 AC	\$17,250,000 (\$12,625,200) (3) \$4,624,800 (unentitled)	\$561 \$112,800	Site improved with a 6-story, partially vacant, 63,126 SF building leased to various office and retail tenants on month-to-month lease terms.	CVR 50' 218 DU/AC (allowed)	Chong Investments, Inc./ JL Realty Partners, LLC #305638
3 2525 Van Ness Ave. San Francisco APN: 0527-004	2/16	11,025 SF 0.25 AC	\$5,750,000 \$1,000,000 (4) \$6,750,000 (unentitled)	\$612 \$250,000	Site improved with a two-story, office building. Buyer to redevelop site with a 7-story, mixed-used project to include 27 residential units over 1,484 SF retail and parking garage.	RC-3 65' 109 DU/AC (proposed)	Eddie & Simon Wong/ Van Ness Homes, LLC #196872
4 824 Hyde St. San Francisco APN: 0280-017	8/15	2,812 SF 0.06 AC	\$1,800,000 (unentitled)	\$640 \$120,000	Proposed for a 5-story building with 15 residential units.	RC-4 80' 232 DU/AC (proposed)	Owen & Mildred Conley/ 824 Hyde St. Inv., LLC #125671
5 1024 Pacific Ave. San Francisco APN: 0158-010 & -010A	10/14	2,380 SF 0.05 AC	\$1,475,000 (unentitled)	\$620 \$245,833	Site improved with a vacant, one-story plus basement building built in 1921.	RC-3 65' 109 DU/AC (allowed)	Joe Murray/ Jeffrey & Jen Eng Tr. #960350
6 644 Broadway San Francisco APN: 0146-006	6/13	9,453 SF 0.22 AC	\$8,500,000 (\$4,500,000) (5) \$4,000,000 (unentitled)	\$423 \$85,106	Site improved with a vacant, 4-story plus basement, 45,000 SF building. Buyer to renovate and lease the bldg. to various office and retail tenants.	CCB 65' 218 DU/AC (allowed)	Goldman Holdings, Inc./ 644 Broadway, LLC #673206
SUBJECT	Escrow	9,219 SF 0.21 AC	\$5,000,000 (unentitled)	\$542 \$108,696		CRNC 65' 218 DU/AC (allowed)	

(1) Real estate commission paid by buyer.

(2) Lease buyout paid by buyer.

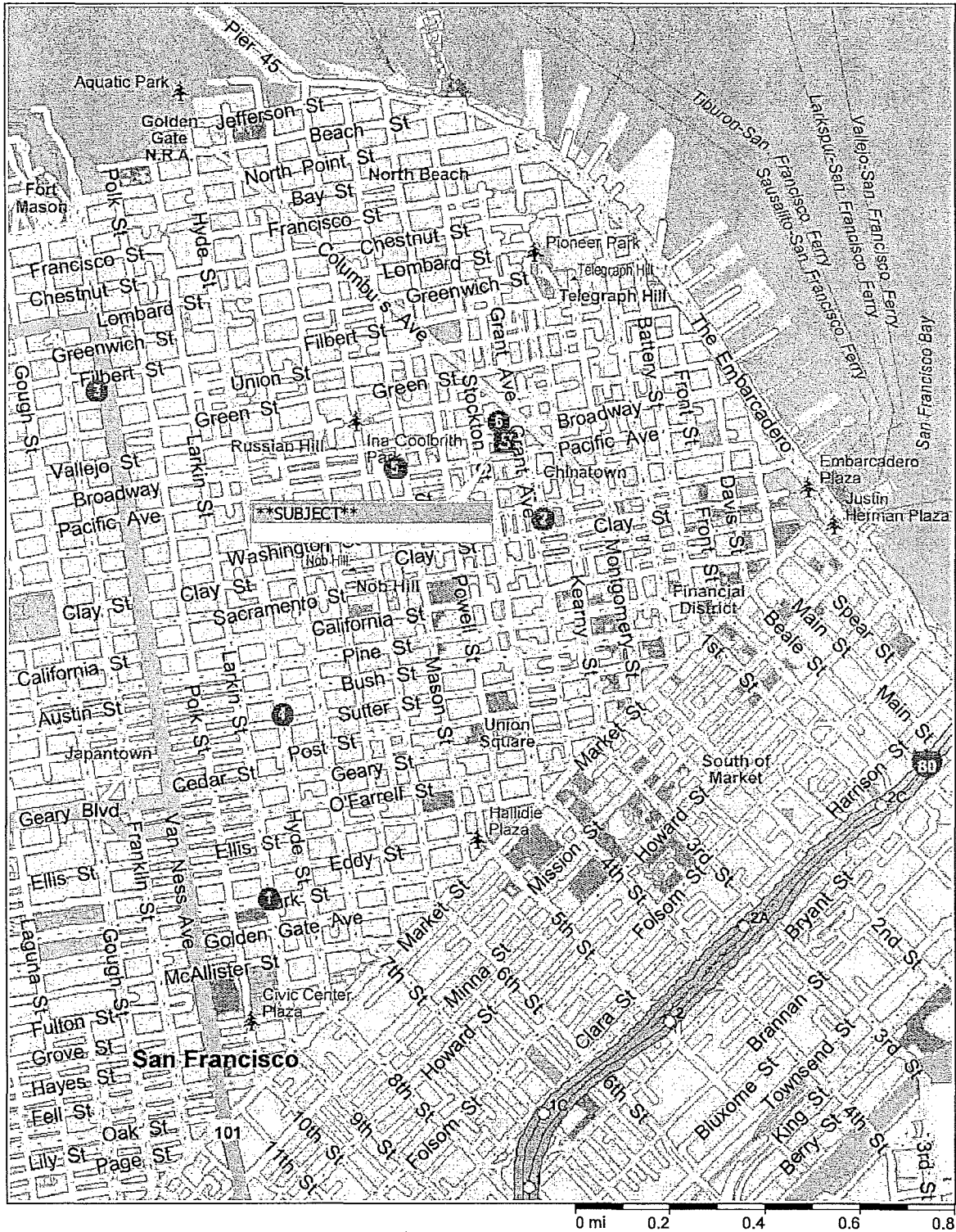
(3) Contributory value of existing improvements estimated at \$200/SF of existing building area.

(4) Reported estimated soil remediation costs.

(5) Contributory value of existing improvements estimated at \$100/SF of existing building area.

Source: R.Blum and Associates., 17-RBA-027, April 2017

COMPARABLE LAND SALES MAP



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Comparable 3 is the property located at 2525 Van Ness Avenue in San Francisco. Site area is 11,025 square feet, or 0.25 acres. The site is improved with a two-story, 9,980 square foot, office building that was built in 1942. The property is zoned RC-3 and has a height limit of 65 feet. According to the listing agent, the property was leased to several office tenants with short remaining lease terms.

In February 2016, Van Ness Homes, LLC purchased this property from Eddie and Simon Wong for \$5,750,000. According to the selling agent, contaminated fill, likely dating from the 1906 earthquake, was discovered during escrow. The buyer has assumed the soil remediation cost which was estimated at approximately \$1.0 million. Adding this amount increases the price to \$6,750,000, or \$612 per square foot land area and \$250,000 per proposed unit. The buyer intends to redevelop the site with a seven story, mixed-use development to include 27 residential units over 1,484 square feet of retail space and underground parking garage with 27 parking spaces. The property was unentitled at the time of sale but appears to have got their environmental application in prior the passage of Proposition C which increased the affordability requirement. The proposed BMR allocation for this property is 12 percent.

Land Sale 4 is located at 824 Hyde Street, between Sutter and Bush Streets, in San Francisco. The rectangular shaped parcel contains 2,812 square feet of land area and is unimproved. The property is zoned RC-4 and has a height limit of 80 feet. The seller has started the entitlement process for a proposed 5-story, 15 unit apartment building with no onsite parking. The sale included plans for the proposed development, but the site was not entitled at the time of sale.

In August 2015, 824 Hyde Street Investments, LLC purchased this property from Owen and Mildred Conley for \$1.8 million, or \$640 per square foot of land area and \$120,000 per proposed unit. According to the listing agent, the buyer intends to develop the site with 15 residential units. Reportedly, it will take approximately six months to obtain approvals for the proposed development.

Comparable 5 is the property located at 1024 Pacific Avenue in San Francisco. This property is improved with an approximately 2,200 square foot, excluding basement, one story plus basement, wood frame building that was built in 1921. The rectangular shaped site contains two parcels totaling 2,380 square feet of land area, indicating a floor area ratio of 90 percent. Reportedly, the building was formerly used as medical office and delivered vacant at the time of sale. The property is zoned RC-3 and has a height limit of 65 feet.

In October 2014, Jeffrey and Jen Eng Tr. purchased this property from Joe Murray for \$1,475,000, or \$620 per square foot of land area. The buyer's intended use of the property was not disclosed.

Comparable 6 is the property located at 644 Broadway in San Francisco. The property is improved with a four-story, reinforced concrete building that was built in 1984. The

building contains approximately 45,000 square feet, including usable basement. The improvements are situated on a 9,453 square foot site, indicating a floor area ratio of 476 percent. According to the listing agent, the seller had previously owner occupied the property. At the time of sale the building was improved with a 437 seat movie theater in the basement, a large restaurant occupying the ground, second and third floors, and office space on the fourth floor. The building was vacant at the time of sale. The property is zoned CCB, or Chinatown Community Business and has a height limit of 65 feet.

In June 2013, 644 Broadway, LLC purchased this property from Goldman Holdings, Inc. for \$8.5 million. Deducting the contributory value of the existing improvements, estimated at \$100 per square foot of building area, indicates a land allocation of \$423 per square foot of land area. The buyer intends to renovate and lease the building to various retail, restaurant, theater and office tenants. Renovation costs and lease terms were not disclosed.

B. Analysis and Land Value Conclusions

The subject property is a 9,219 square foot site with a single street frontage. The site has a 65 foot height limit and allows a density of approximately 218 dwelling units per acre (46 units). For unentitled sites, the price per square foot of land area is typically considered to be the best indicator. The price per allowed residential unit is also considered in this analysis.

The comparables indicate a range of price per square foot of between \$423 and \$665 per square foot of land area. After further analysis, an appropriate unit value can be concluded for the subject.

Comparable 1 is an 18,906 square foot site on Turk Street near Civic Center which is proposed for an 8-story building which will be 100 percent affordable. The subject property has a superior location for retail use, and a similar location for residential use. A slight positive adjustment for that factor is offset by negative adjustment for the subject's lower FAR and allowed density. A lower unit value is concluded based on this sale.

Comparable 2 is the mid-2016 sale of a site in Chinatown which is improved with a six-story, partially vacant building. The buyer plans to renovate the existing structure. Applying an estimate of \$200 per square foot to the existing building, the residual land value is \$561 per square foot. The subject has a higher allowed height limit, but a slightly inferior location for retail use. A slightly higher unit value is concluded for the subject based on this sale and allocation.

Comparable 3 is the February 2016 is the sale of a mid-block site on Van Ness Avenue which is planned for redevelopment with a 7-story mixed use building. The height limit is similar to the subject, although the proposed residential density is much lower. Negative adjustment is warranted for location and the affordability requirement, which are offset by the subject's higher allowed density. These adjustments are considered to be largely offsetting, and a similar or slightly lower unit value is concluded for the subject based on this sale.

Comparable 4 is a small site located at 824 Hyde Street which sold for \$640 per square foot in August 2015. Negative adjustment is warranted for location and the comparable's higher height limit as well as the lower affordability requirement as of the date of sale. The subject site is much larger, which allows for a more efficient development density. A lower unit value is concluded for the subject based on this sale.

Comparable 5 is the October 2014 sale of a very small site at 1024 Pacific Avenue in the Nob Hill neighborhood, west of Chinatown, which sold for \$620 per square foot. The height limit is similar to the subject, although the allowed density is much lower. Positive adjustment is warranted for allowed density which is offset by negative adjustment for location. The subject site is much larger, which allows for a more efficient development density. A lower unit value is concluded based on this sale.

Comparable 6 is the 2013 sale of the 644 Broadway which was also discussed as a building sale. Based on an allocation of \$100 per square foot of building area for the improvements, the residual land value would be \$423 per square foot. Positive adjustment is warranted for date of sale. The zoning and allowed density are similar to the subject. The subject location is also considered slightly superior. A higher unit value is concluded based on this sale.

The subject property is a rarely available Chinatown site with a single street frontage. It has a fairly good location for Chinatown commercial use, and a good location within Chinatown for residential use, particularly for an affordable project. The existing improvements are considered to provide interim rental value until development occurs.

Negative adjustment is warranted based on Comparables 1, 3, 4 and 5. A higher unit value is concluded based on Comparable 6. A slightly higher unit value is concluded based on Comparable 2. Based on the comparables, a unit value of \$580 to \$600 per square foot is concluded. A mid-range unit value of \$590 per square foot is selected. This unit value is approximately \$48 per square foot, or 8.9 percent higher than the pending purchase price for the subject property. The purchase contract was negotiated off market and the City is accepting the risk of removal of the underground storage tank, while the value concluded in this report assumes that the site is clean of any contamination and that the cost to remove the tank is nominal as part of the overall demolition.

The concluded market value for the subject property is as follows:

9,219 Square Feet	X	\$590 / SF	=	\$5,439,210
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Rounded:				\$5,400,000
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This value is equivalent to approximately \$117,391 per allowed residential unit based on 46 units. This price per unit is well below Comparables 3 and 5 which have very low allowed densities. It is above Comparable 6 which is an old sale and inferior in terms of

location. It is generally supported by Comparables 1, 2 and 4. The price per unit generally supports the above conclusion.

VII. VALUE AS IMPROVED BY SALES COMPARISON APPROACH

The most appropriate unit of comparison for commercial properties is price per square foot of gross building area, as this indicator is most often utilized by market participants. Adjustments are typically required for various differences between the subject property and the comparables, such as location, quality and condition of improvements, floor area ratio, and changes in market conditions since the date of sale. The comparable sales are adjusted and weighed accordingly to estimate the as-is market value of the subject property. Gross building area of 13,271 square feet, which includes the mezzanine area, is used for valuation.

The table on the following page lists the recent sales of properties considered similar to the subject. The comparables are further discussed in the following paragraphs.

A. Comparable Building Sales

Comparable 1 is the partial two-story building located at 544 Bryant Street in San Francisco. The wood frame building contains approximately 5,200 square feet and was built in 1906. The building is divided and fully leased to two tenants. Black Hammer Brewing occupies 3,200 square feet of ground level space. Jumbo Shrimp Inc., a full service advertising and marketing agency, occupies 2,000 square feet of ground floor and second floor space which is built out as office. Both leases expire in 2019 and have one option remaining. Total site area is 4,800 square feet, indicating a floor area ratio of 110 percent.

In February 2017, 888 Bryant, LLC purchased this property from Luk Shao Lanm Lun for \$3.4 million, or \$654 per square foot of building area. Based on reported contract rent, less vacancy and reported expenses, the indicated capitalization rate was 3.4 percent. Reportedly, the contract rents were below market.

Comparable 2 is the one-story plus mezzanine building located at 1101 Geary Boulevard, at the southwest corner of Van Ness Avenue, in San Francisco. The building contains approximately 6,000 gross square feet, including mezzanine area used for restaurant seating. The wood frame building was built in 1900. The building is improved and operated as Tommy's Joynt restaurant. Total site area is 4,118 square feet, indicating a floor area ratio of 150 percent.

In August 2015, Apple Annie, LLC purchased this property from Tommy's Joynt, LLC for \$3,968,000, or \$661 per square foot of gross building area. The price excludes the reported allocation of \$266,000 paid for the business. According to the listing agent, the buyer intends to continue operating the existing restaurant. Based on estimated market rent for the building, less vacancy and typical expenses, the indicated capitalization rate is 5.0 percent.

Comparable 3 is the sale of the building located at 508 4th Street in San Francisco. The property is improved with a one-story plus mezzanine, concrete building that was built in

COMPARABLE BUILDING SALES

Appraisal of 772 Pacific Avenue
San Francisco, California

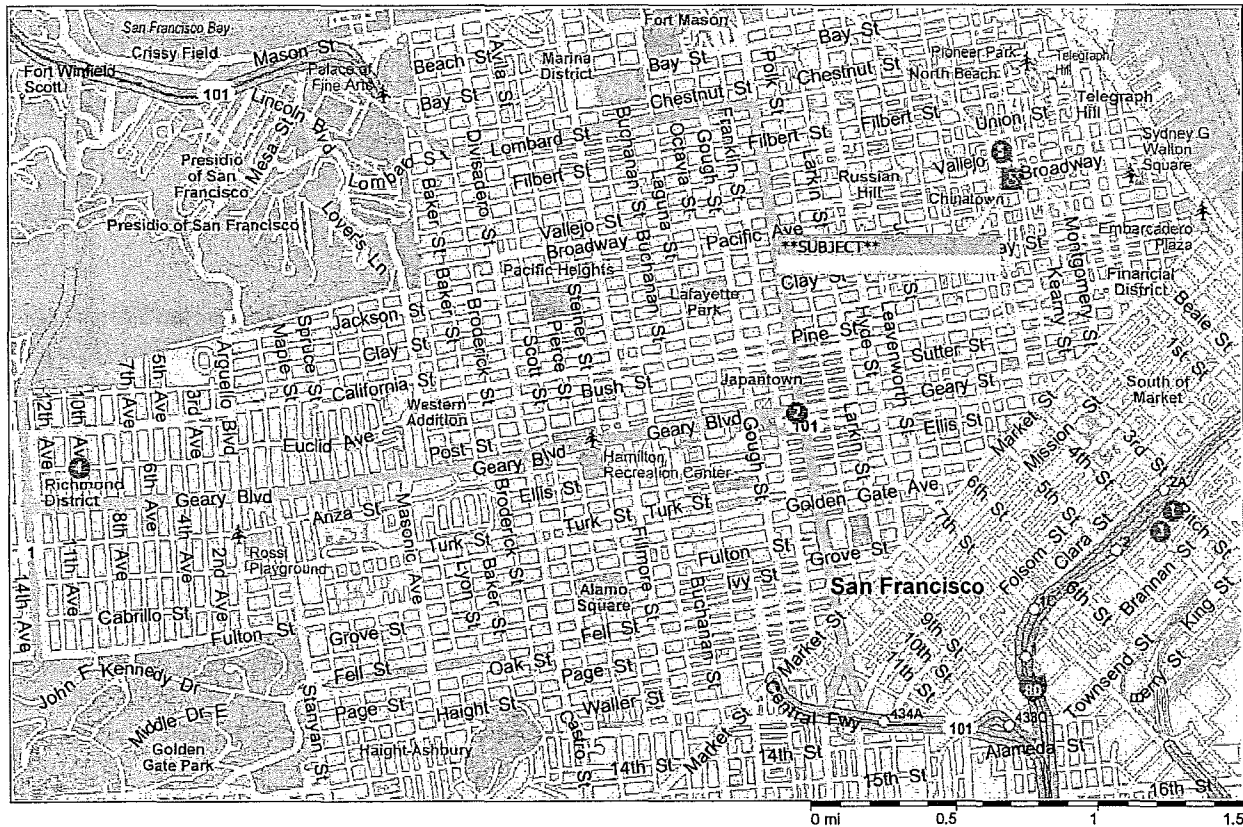
No. Location	Sale Date	Bldg SF Land SF FAR	Sale Price	Price per Sq.Ft Bldg Area	NOI NOI/SF OAR	Cons. Type Year Built Stories Parking	Grantor/ Grantee Doc #
1 544 Bryant St. San Francisco APN: 3762-018	2/17	5,200 SF 4,800 SF 1.1 FAR	\$3,400,000	\$654	\$116,297 \$22.36 3.4%	Wood Frame 1906 Partial 2 Story No Parking	Luk Shao Lanm Lun/ 888 Bryant, LLC #404106
2 1101 Geary Blvd San Francisco APN: 0714-001	8/15	6,000 SF 4,118 SF 1.5 FAR (inc. mezz.)	\$3,968,000 (1)	\$661	\$199,044 \$33.17 5.0%	Wood Frame 1900 1 Story + Mezz. No Parking	Tommy's Joynt, LLC/ Apple Annie, LLC #105565
3 508 4th St. San Francisco APN: 3777-002	3/14	9,900 SF 5,700 SF 1.7 FAR	\$4,300,000	\$434	\$276,450 (2) \$27.92 6.4%	Reinf. Concrete 1925 / Renov. 2008 1 Story + Mezz. No Parking	Paul Hume, LLC (et al)/ 508 Fourth Street, LLC #858395
4 933 Clement St. San Francisco APN: 1442-048	1/14	9,000 SF 4,500 SF 2.0 FAR	\$2,350,000	\$261	\$149,283 (2) \$16.59 6.4%	Wood Frame 1982 2 Story No Parking	Byron Chew/ Chinese Community Health Plan #825900
5 644 Broadway San Francisco APN: 0146-006	6/13	45,000 SF 9,453 SF 4.8 FAR (inc. bsmt.)	\$8,500,000	\$189	N/A Vacant	Reinf. Concrete 1984 4 Story + Bsmt. No Parking	Goldman Holdings, Inc./ 644 Broadway, LLC #673206
SUBJECT	Escrow	13,271 SF 9,219 SF 1.4 FAR	\$5,000,000	\$377		Reinf. Brick 1919 1 Story + Mezz. No Parking	

(1) Excludes reported allocation of \$266,000 for business.

(2) NOI includes market rent for vacant space.

Source: R.Blum and Associates., 17-RBA-027, April 2017

COMPARABLE BUILDING SALES MAP



Copyright © and (P) 1988-2012 Microsoft Corporation and/or its suppliers. All rights reserved. <http://www.microsoft.com/streets/>
 Certain mapping and direction data © 2012 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2012 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2012 by Applied Geographic Solutions. All rights reserved. Portions © Copyright 2012 by Woodcliff Publications Corp. All rights reserved.

1925 as a warehouse and converted to a restaurant in 2008. Total building area at the time of sale was 9,900 square feet. Total site area is 5,700 square feet, indicating a floor area ratio of 174 percent. The building is T-shaped and has entrances along 4th Street and Bryant Street. The building was renovated and owner occupied by the seller as Orson restaurant. The building includes vaulted ceilings with skylights, two kitchens on upper and lower floors, dry storage, offices, bar and seating areas. Reportedly, the mezzanine area is 4,200 square feet and includes seating, bar area and kitchen. The building has an elevator.

In March 2014, 508 Fourth Street, LLC purchased this property from Paul Hume, LLC (et al) for \$4,300,000, or \$434 per square foot of building area. According to the listing agent, the buyer negotiated the sale price in 2012 as part of a lease option to facilitate SBA financing. The lease term was two years and the broker could not recall the lease rate. The asking lease rate during the marketing of the property was \$300,000, triple net, or \$30.30 per square foot per year. Reportedly, the buyer remodeled the space for their restaurant known as Drake Lounge, Bar and Restaurant. Based on the reported asking rent, less vacancy and typical expenses, the indicated capitalization rate is 6.4 percent. According to the listing agent, the buyer was trying to lease the property at an asking rent of \$75.00 per square foot, industrial gross.

Comparable 4 is the sale of the building located at 933 Clement Street in San Francisco. The property is improved with a two-story, wood frame building that was built in 1982 and improved as a restaurant. Total gross building area is 9,000 square feet. Total site area is 4,500 square feet, indicating a floor area ratio of 200 percent. The building is leased to a restaurant on a month to month basis at below market rent.

In January 2014, Chinese Community Health Plan purchased this property from Byron Chew for \$2,350,000, or \$261 per square foot of building area. According to the listing agent, the buyer intends to renovate and convert the building to a health clinic. Reported renovation costs were estimated to be \$250 per square foot, excluding equipment. Based on estimated market rent, less vacancy and typical expenses, the indicated capitalization rate is 6.4 percent. According to the listing agent, the value of the property has increased since this sale due to improving market conditions. The buyer will continue leasing the property to the restaurant during the entitlement process.

Comparable 5 is the property located at 644 Broadway in San Francisco. The improvements consist of a four-story, reinforced concrete building that was built in 1984. The building contains approximately 45,000 square feet, including usable basement. The improvements are situated on a 9,453 square foot site, indicating a floor area ratio of 476 percent. According to the listing agent, the seller had previously owner occupied the property. At the time of sale the building was improved with a 437 seat movie theater in the basement, a large restaurant occupying the ground, second and third floors, and office space on the fourth floor. The building was vacant at the time of sale.

In June 2013, 644 Broadway, LLC purchased this property from Goldman Holdings, Inc. for \$8.5 million, or \$189 per square foot of building area, including usable basement. The

buyer has renovated the building into the China Live complex, which is a marketplace which houses several retail, restaurant, theater and office tenants. Renovation costs and lease terms were not disclosed.

B. Analysis and Value Conclusion

The comparables indicate a range of unit values between \$189 and \$654 per square foot of building area. After adjustment, an appropriate unit value can be concluded for the subject property.

Comparables 1 and 2 indicated the highest prices at \$654 and \$661 per square foot. Comparable 1 is a one- and partial two-story building which houses a brewery and an advertising agency. Negative adjustment is warranted for condition, size, and the comparable's slightly lower FAR. No adjustment is made for location.

Comparable 2 is the mid-2015 sale of a one-story plus mezzanine restaurant building located on the corner of Van Ness Avenue and Geary Street. The sale price purportedly excluded the existing business. Negative adjustment is warranted for the subject's larger size and inferior location. The condition of the comparable is fairly similar. A lower unit value is concluded for the subject based on this sale.

The low end of the range was indicated by Comparables 4 and 5 at \$261 and \$189 per square foot.

Comparable 4 is the sale of a large two-story restaurant building on Clement Street which was purchased for conversion to an office use. The price in 2014 was \$261 per square foot. Positive adjustment is warranted for location, market conditions, and the subject's lower FAR. This is in spite of its larger size. A higher unit value is concluded based on this sale.

Comparable 5 is the 2013 sale of a large multi-story on Broadway at the border of Chinatown which was purchased for \$189 per square foot of building area. This property has been renovated into the China Live complex. Positive adjustment is warranted for location, FAR, market conditions and functional utility. A much higher unit value is concluded for the subject based on this sale.

Comparable 3 is the sale of a one-story plus mezzanine building on 4th Street which sold in early 2014 for \$434 per square foot. The property was superior in terms of condition at the time of sale. Negative adjustment for condition is partially offset by positive adjustment for the subject's lower FAR and market conditions. These factors are largely offsetting but a lower unit value is concluded for the subject based on this sale.

The subject property is a very large restaurant on two levels. It is in average to below average condition and is fully leased for several more years. At the end of the lease term, it is likely that significant renovations will be required, particularly if the current tenant vacates. A higher unit value is concluded based on Comparables 4 and 5. A much lower

unit value is concluded based on Comparables 1 and 2. A lower unit value is concluded based on Comparable 3.

Based on the comparables, and considering the attributes of the subject property, a unit value of \$350 per square foot of total building area, including mezzanine, is concluded.

13,271 Square Feet X \$350 / SF = \$4,644,850

Rounded: \$4,600,000

VIII. RECONCILIATION AND FINAL VALUE CONCLUSION

The market values indicated by the approaches used in this assignment are as follows:

Land Value:	\$5,400,000
Sales Comparison Approach:	\$4,600,000

The land value was based on recent land sale activity. Most of the sales were not located in the Chinatown area. There is minimal land available in this neighborhood as it is fully built out and many historic buildings would preclude demolition. This approach is considered reliable and given the size of the subject site and the condition and utility of the existing building, redevelopment of the site is considered to be highly probable in the foreseeable future.

The Sales Comparison Approach used recent building sales in the area and drew comparisons to the subject property. The comparables were related to the subject on a price per square foot basis with adjustments made for various factors. This approach is considered a reliable indicator for the property as improved.

Although a formal Income Approach is not completed, the property is also considered informally on an Income basis. As discussed earlier in this report, the current rental income from the property is \$22,500 per month, or \$270,000 per year. This rental rate is equivalent to \$20.35 per square foot per year. This rate is fairly low as compared to smaller restaurants in the Chinatown area. However, given the large size of the restaurant, and the mezzanine area which lacks ADA accessibility, as well as the condition of the building, it is considered to be reasonably market-oriented. It is also considered to be only sustainable long term with a significant investment in the improvements, some of which would likely have to be funded by the lessor.

The lease is essentially triple net with the lessor having only some structural maintenance responsibilities. Applying a five percent vacancy factor and four percent for non-reimbursable expenses and reserves, the net operating income is approximately \$246,240 per year. Based on the concluded land value above, which is the final concluded value of the property, this is equivalent to a capitalization rate of 4.6 percent. This is a high return on land value, and is considered to be excellent carrying income until the property is redeveloped. It is toward the low to middle of the range indicated by the Comparable sales at 3.4 to 6.4 percent. If a capitalization rate were to be derived from the comparables, considering the attributes of the property a higher capitalization rate would be concluded which would indicate a lower value most likely in line with the Sales Comparison Approach conclusion (implied 5.4 percent rate). This rate of return is considered to add support to the concluded value from this appraisal.

The land value is approximately 17.4 percent higher than the value as improved by the Sales Comparison Approach. The land value is given more weight, and is further supported by the additional Income Approach analysis above. A final value at the land value indicator is concluded. No deduction is made for the demolition cost of the improvements. Most land sales have older

buildings which will require demolition, and the subject improvements are generating rent which will offset much of the demolition cost.

Based on the research and analysis contained in this report and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraiser that the market value of the leased fee interest in the subject property, as of April 12, 2017, is:

FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS

(\$5,400,000)

It is our opinion that the above value could be achieved within a 12-month exposure period.

ADDENDA



Michi A. Perkins
Commercial Unit
Supervisor, Underwriter

Stewart Title Guaranty Company
Commercial Services (SF)
2850 Cordelia Road, Suite 100
Fairfield, CA 94534
(707) 439-7500 Phone
(916) 313-3284 Fax
mperkins@stewart.com

PRELIMINARY REPORT

Order No. : 17000300056
Title Unit No. : 30
Your File No. :
Buyer/Borrower Name : City and County of San Francisco
Seller Name : Shew Family Trust

Property Address: 772 Pacific Avenue, San Francisco, CA 94133

In response to the above referenced application for a Policy of Title Insurance, Stewart Title Guaranty Company Commercial Services (SF) hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Stewart Title Guaranty Company Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referenced to as an Exception on Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions, and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on covered Risks of said policy or policies are set forth in Exhibit A attached. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limits of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters, which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report, (and any supplements or amendments thereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance a binder or commitment should be requested.

Dated as of February 13, 2017 at 7:30 a.m.

Michi A. Perkins, Title Officer

When replying, please contact: Leticia Colon, Escrow Officer

Stewart Title Guaranty Company - Commercial Services
100 Pine Street, Suite 450
San Francisco, CA 94111-5106
(800) 366-7839

PRELIMINARY REPORT

The form of Policy of Title Insurance contemplated by this report is:

- ☒ CLTA Standard Coverage Policy
- ☐ CLTA/ALTA Homeowners Policy
- ☐ 2006 ALTA Owner's Policy
- ☐ 2006 ALTA Loan Policy
- ☐ ALTA Short Form Residential Loan Policy
- ☐

SCHEDULE A

The estate or interest in the land hereinafter described or referred to covered by this report is:

Fee Simple

Title to said estate or interest at the date hereof is vested in:

Robert Calvin Yick and Andy Ting, trustees of the Shew Yick Trust One under agreement dated October 13, 1980, as to an undivided 50% interest; Richard Tong Surviving Trustee of the Robert Yick Non-Exempt Assets Trust under agreement dated October 13, 1980, as to an undivided 39% interest; and Richard Tong Surviving Trustee of the Robert Yick Trust Two under agreement dated October 13, 1980, as to an undivided 11% interest.

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Francisco, City of San Francisco and described as follows:

Commencing at a point on the Northerly line of Pacific Avenue, distant thereon 68 feet Easterly from the Easterly line of Stockton Street; running thence Easterly and along said line of Pacific Avenue 69 feet 5-1/2 inches; thence at a right angle Northerly 117 feet 6 inches; thence at a right angle Westerly 15 feet 8-1/2 inches; thence at a right angle Northerly 20 feet; thence at a right angle Westerly 53 feet; thence at a right angle Southerly 28 feet 9 inches; thence at a right angle Westerly 9 inches; thence at a right angle Southerly 108 feet 9 inches to the point of commencement.

Being a part of 50 Vara Lot No. 89.

Assessor's Lot 015 Block 0161

(End of Legal Description)

SCHEDULE B

At the date hereof, exceptions to coverage in addition to the printed exceptions and exclusions contained in said policy or policies would be as follows:

Taxes:

- A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes, to be levied for the fiscal year 2017 – 2018.
- B. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the revenue and taxation code of the State of California.
- C. Supplementing Notice of Special Tax Lien of Community Facilities District No. 90-1 of the San Francisco Unified School District as recorded July 5, 1990, giving notice of a Special Assessment to be paid with the property taxes.

Further information may be obtained by contacting: San Francisco Unified School District, 135 Van Ness Avenue, San Francisco, CA 94102 Attn: Hilda Green Phone: (415) 241-6480

Exceptions:

1. Matters contained in that certain document entitled "Parapet Agreement" dated April 16, 1985, executed by and between Robert & Shaw Yick Trust and City and County of San Francisco, Dept. of Public Works recorded April 16, 1985, Instrument No. D632546, Book D821, Page 557, of Official Records.

Reference is hereby made to said document for full particulars

2. Conditions and restrictions as set forth in a document recorded by the City and County of San Francisco, Department of Public Works.

Type of Permit: Minor Sidewalk Encroachment
Recorded: October 23, 2008, Instrument No. 2008-l670276-00, Reel J753,
Image 0158, of Official Records

Reference is made to said document for full particulars.

3. Trust Deed, Security Agreement and Assignment of Rents and Leases (Including Fixture Filing Under Uniform Commercial Code) California Real Estate, to secure an indebtedness in the amount shown below, and any other obligations secured thereby:

Amount	: \$200,000.00
Dated	: September 19, 2012
Trustor	: Shew Yick Trust One Under Agreement dated October 13, 1980 a(an) California Revocable Trust; Robert Yick Non-Exempt Assets Trust Under Agreement dated October 13, 1980 a(an) California Irrevocable Trust; and Robert Yick Trust Two Under Agreement dated October 13, 1980 a(an) California Irrevocable Trust
Trustee	: U.S. Bank Trust Company, N.A.
Beneficiary	: U.S. Bank N.A.
Recorded	: October 03, 2013 as <u>Instrument No. 2012-J515352-00</u> , of Official Records
Loan No.	: 6517500964

4. Any lien or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

5. Any and all unrecorded leases.
6. Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties in possession of the herein described land.
7. Any easements, liens (including but not limited to any Statutory Liens for labor or materials arising from any on-going or recently completed works of improvement), encumbrances, facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the herein described land.
8. Discrepancies, conflicts in boundary lines, shortages in area, encroachments or any other facts which a correct survey of the herein described land would disclose which are not shown by the public records and the requirement that said survey meets with the minimum standards for ALTA/ NSPS land title surveys.

If ALTA Survey is obtained, said ALTA survey needs to be certified to Stewart Title Guaranty Company.

9. The requirement that this Company be provided with a suitable Owner's Affidavit.
10. The Company reserves the right to make additional exceptions and/or requirements upon review of the Owner's Affidavit.

(End of Exceptions)

NOTES AND REQUIREMENTS

- A. Property taxes for the fiscal year 2016 - 2017 shown below are paid. For proration purposes the amounts are:
- | | |
|---------------------|----------------------|
| 1st Installment | : \$17,926.44 |
| 2nd Installment | : \$17,926.44 |
| Assessors Lot/Block | : Lot 015 Block 0161 |
| Code Area | : 01-000 |
- B. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:
- none
- C. This report is preparatory to the issuance of an ALTA loan Policy. We have no knowledge of any fact which would preclude the issuance of the policy with CLTA Endorsement Forms 100 and 116 and if applicable, 115 and 116.2 attached.
- D. When issued, the CLTA Endorsement Form 116 or 116.2, if applicable will reference a(n)
- Commercial Property, 772 Pacific Avenue, San Francisco, CA 94133
- E. The charge for a policy of title insurance, when issued through this title order, will be based on the basic rate.
- F. The map attached, if any, may or may not be a survey of the land depicted hereon. Stewart Title expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.
- G. A Preliminary Change of Ownership Report must be completed by the transferee (buyer) prior to the transfer of property in accordance with the provisions of Section 480.3 of the Revenue and Taxation Code. The Preliminary Change of Ownership Report should be submitted to the recorder concurrent with the recordation of any document effecting a change of ownership. If a document evidencing a change of ownership (i.e. Deed, Affidavit-Death Joint Tenant) is presented to the recorder for recording without a preliminary change of ownership report, the recorder may charge an additional \$20.00
- H. If your property is in San Francisco, it is the requirement of the City and County of San Francisco that a Transfer Tax affidavit to be completed and signed by the Grantor for each deed submitted for recording. This is an addition to a Preliminary Change of Ownership Report.
- I. In addition to County Transfer Tax, any conveyance of the herein described property may be subject to a City Transfer and/or Conveyance Tax, as follows.

Alameda	\$12.00 per thousand
Albany	\$11.50 per thousand
Berkeley	\$15.00 per thousand
Culver City	\$4.50 per thousand
Emeryville	\$12.00 per thousand
Hayward	\$4.50 per thousand
Los Angeles	\$4.50 per thousand
Mountain View	\$3.30 per thousand
Oakland	\$15.00 per thousand
J. Palo Alto	\$3.30 per thousand

Petaluma	\$2.00 per thousand
Piedmont	\$13.00 per thousand
Pomona	\$2.20 per thousand
Redondo Beach	\$2.20 per thousand
Richmond	\$7.00 per thousand
Riverside	\$1.10 per thousand
Sacramento	\$2.75 per thousand
San Leandro	\$6.00 per thousand
City and County of San Francisco	Up to \$250,000 = \$5.00 per thousand \$250,000 to \$1,000,000 = \$6.80 per thousand \$1,000,000 to \$5,000,000 = \$7.50 per thousand \$5,000,000 to 10,000,000 = \$20.00 per thousand Above \$10,000,000 = \$25.00 per thousand (Do not add the additional \$1.10 for County Tax, it is included)
San Jose	\$3.30 per thousand
San Mateo	\$5.00 per thousand
San Rafael	\$2.00 per thousand
Santa Monica	\$3.00 per thousand
Santa Rosa	\$2.00 per thousand
Vallejo	\$3.30 per thousand
Woodland	\$1.10 per thousand

Additional Requirements for "Short Sale" Transactions in which a lender will accept less than the outstanding balance of its loan as full satisfaction of the obligation:

The Company will require, prior to the issuance of a policy of title insurance, evidence that the first position trust deed holder has received and acknowledged all payments to be made to subordinate position lien holders, regardless of whether such payments are to be made from proceeds or from contributions by real estate brokers and/or buyers in the subject transaction, or from other third-party sources. Evidence shall include but not be limited to: (a) a written demand from the first-position deed holder acknowledging and approving payments to subordinate-position lien holders from proceeds and otherwise; or (b) a supplemental letter or amended demand from the first-position lien holder acknowledging payments to be made to subordinate lien holders from sources other than proceeds (including broker commissions and additional buyer deposits).

K.

CALIFORNIA "GOOD FUNDS" LAW

California Insurance Code Section 12413.1 regulates the disbursement of escrow and sub-escrow funds by title companies. The law requires that funds be deposited in the title company escrow account and available for withdrawal prior to disbursement. Funds received by Stewart Title Guaranty Company Commercial Services (SF) via wire transfer may be disbursed upon receipt. Funds received via cashier's checks or teller checks drawn on a California Bank may be disbursed on the next business day after the day of deposit. If funds are received by any other means, recording and/or disbursement may be delayed, and you should contact your title or escrow officer. All escrow and sub-escrow funds received will be deposited with other escrow funds in one or more non-interest bearing escrow accounts in a financial institution selected by Stewart Title Guaranty Company Commercial Services (SF). Stewart Title Guaranty Company Commercial Services (SF) may receive certain direct or indirect benefits from the financial institution by reason of the deposit of such funds or the maintenance of such accounts with the financial institution, and Stewart Title Guaranty Company Commercial Services (SF) shall have no obligation to account to the depositing party in any manner for the value of, or to pay to such party, any benefit received by Stewart Title Guaranty Company Commercial Services (SF). Such benefits shall be deemed additional compensation to Stewart Title Guaranty Company Commercial Services (SF) for its services in connection with the escrow or sub-escrow.

If any check submitted is dishonored upon presentation for payment, you are authorized to notify all principals and/or their respective agents of such nonpayment.

EXHIBIT "A"
LEGAL DESCRIPTION

Order No.: 17000300056
Escrow No.: 17000300056

The land referred to herein is situated in the State of California, County of San Francisco, City of San Francisco and described as follows:

Commencing at a point on the Northerly line of Pacific Avenue, distant thereon 68 feet Easterly from the Easterly line of Stockton Street; running thence Easterly and along said line of Pacific Avenue 69 feet 5-1/2 inches; thence at a right angle Northerly 117 feet 6 inches; thence at a right angle Westerly 15 feet 8-1/2 inches; thence at a right angle Northerly 20 feet; thence at a right angle Westerly 53 feet; thence at a right angle Southerly 28 feet 9 inches; thence at a right angle Westerly 9 inches; thence at a right angle Southerly 108 feet 9 inches to the point of commencement.

Being a part of 50 Vara Lot No. 89.

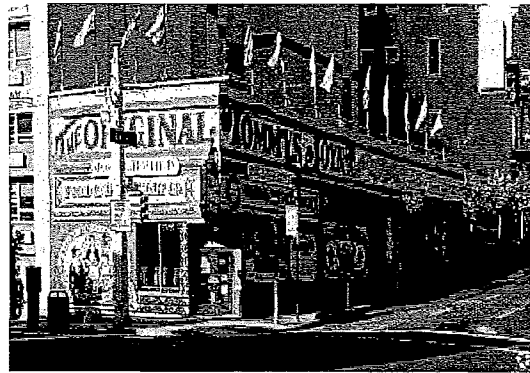
Assessor's Lot 015 Block 0161

(End of Legal Description)

COMPARABLE BUILDING SALES



Comparable 1 - 544 Bryant Street



Comparable 2 - 1101 Geary Boulevard



Comparable 3 - 508 4th Street



Comparable 4 - 933 Clement Street

COMPARABLE BUILDING SALES



Comparable 5 - 644 Broadway

QUALIFICATIONS OF RONALD BLUM, MAI, AI-GRS

California Certified General Real Estate Appraiser No. AG009958

EXPERIENCE

Mr. Blum is the Principal and Founder of R. Blum and Associates (RBA), a new firm providing commercial real estate appraisal and consulting services. From 1986 to 2014, he worked for the firm of Carneghi-Blum & Partners, Inc. and was Vice President and Managing Partner of their San Francisco office. His responsibilities included supervising a staff of 10 appraisers and researchers. Clients include financial institutions, government agencies, law firms, development companies and individuals.

Mr. Blum has completed a wide variety of valuation and evaluation analyses. He has appraised most urban property types including office buildings, retail centers, hotels, residential projects, industrial parks and a variety of development sites. Mr. Blum also specializes in unusual urban properties. Appraisal assignments have included performing arts theaters, former military bases, college dormitories, schools, live/work lofts, churches, athletic clubs, ship-repair facilities, medical offices and mortuaries. Market feasibility, value impact and highest and best use studies have also been completed for a variety of property types and geographic locations.

In the course of his real estate appraisal practice, Mr. Blum has provided litigation support and served as an expert witness in various courts. He also acts as an arbitrator in resolving matters of real estate values, rents and related issues and has testified as an expert in arbitration hearings. He has been qualified as a real estate expert and provided testimony in the Superior Courts of San Francisco and Contra Costa Counties, United States Bankruptcy Court, and United States Tax Court.

EDUCATION

Master of Science Degree in Real Estate Appraisal and Investment Analysis
University of Wisconsin - Madison, 1986

Bachelor of Business Administration Degree in Finance
University of Wisconsin - Madison, 1984

Successful completion of all professional appraisal courses offered by the Appraisal Institute as a requirement of membership

Continued attendance at professional real estate lectures and seminars

SPEAKING ENGAGEMENTS

"Market Rent Arbitration Principles for Real Estate Leasing Professionals." Presentation to San Francisco office of CRESA, commercial real estate brokerage specializing in tenant representation, 2015.

“San Francisco Commercial and Multi-family Market Overview.” Presentation to Board of Directors of First Republic Bank, 2014

“The Definition of Market Value and Its Implication for Corporate Real Estate Acquisition.” Presentation to national meeting of Kaiser Permanente Real Estate Executives, Sonoma California, 2004

Organized and Moderated the panel discussion: **Unreinforced Masonry Buildings (UMBs) and the Americans with Disabilities Act (ADA)**, Appraisal Institute San Francisco Bay Area Fall Conference, 1992

PROFESSIONAL AFFILIATION

Appraisal Institute - MAI Designation No. 10381,
Appraisal Institute - AI-GRS Designation
Continuing Education Requirements Complete

STATE CERTIFICATION

State of California Certified General Real Estate Appraiser No. AG009958
Certified through October 30, 2018



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Ronald E. Blum

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 009958

Effective Date: October 31, 2016

Date Expires: October 30, 2018

Jim Martin

Jim Martin, Bureau Chief, BREA

3027739

THIS DOCUMENT CONTAINS A TRUE WATERMARK. HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Mayor's Office of Housing and Community Development
City and County of San Francisco



Edwin M. Lee
Mayor

Olson Lee
Director

April 4, 2017

John Updike
Director of Real Estate
City & County of San Francisco
25 Van Ness, Suite 400
San Francisco, CA 94102

Re: 772 Pacific Acquisition

Dear Mr. Updike:

The Mayor's Office of Housing and Community Development (MOHCD) supports the purchase of 772 Pacific from the Shew Family Trust for affordable housing development. 772 Pacific is in the Chinatown Residential-Neighborhood Commercial zoning district. The site was previously operated an auto garage, as early as 1919, before being converted to its current restaurant use in 1971. MOHCD anticipates development of the site as permanently affordable housing with approximately 60 units, subject to further analysis.

MOHCD is in receipt of the following documents and information related to 772 Pacific:

- 1) Purchase and Sale Agreement
- 2) Preliminary Title Report
- 3) San Francisco Property Information Map
- 4) Phase I Report
- 5) UST Visual Inspection Report
- 6) UST Assessment, indicating presence of an underground fuel storage tank installed in 1953
- 7) New Asia Restaurant Lease (through 12/31/21)

Based upon our review of the materials provided, the Site is suitable for affordable housing development and meets the City's requirements for a land acquisition by the City.

Conditions related to the land acquisition include the following, without limitation:

- 1) Fee title interest to the Site must be conveyed clear of all title exceptions except those are indicated in the title report dated February 23, 2017.

- 2) MOHCD acknowledges the presence of the UST, a recognized environmental condition (REC), cost of removal of which will be included as part of the anticipated future development of the site as affordable housing.
- 3) The tenancy may be eligible for relocation benefits, and the funding source for said benefits, if applicable, would be the rental revenues post-acquisition.
- 4) Real Estate will manage the asset in accordance with the terms of an appropriate MOU to be negotiated between Real Estate and MOHCD until such time as the tenant has vacated the premises.
- 5) The City's acceptance of the Site is conditioned on a finding of consistency with the General Plan and approval of the conveyance by the Board of Supervisors and the Mayor, in their respective sole discretion.

Any future financing from MOHCD appears to be within our programmatic parameters for multifamily lending. Any MOHCD financing would be to fund construction work and eligible costs attributable to the project on terms and conditions satisfactory to MOHCD, and will be subject to availability of funds, compliance with funding requirements, Citywide Affordable Housing Loan Committee approval, execution of all necessary legal documents and any other special terms and conditions related to this project. Therefore, allowing the tenant to remain until the natural termination of their lease would be acceptable to MOHCD.

Sincerely yours,



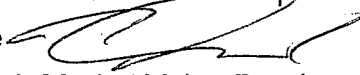
Olson Lee

cc: Sandi Levine, Department of Real Estate
John Rahaim, Kate Connor, Carly Grob, Department of City Planning

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee 
RE: Approval of Below Fair Market Value Purchase of Real Property Located
at 772 Pacific Avenue for an Affordable Housing Project
DATE: May 2, 2017

Attached for introduction to the Board of Supervisors is a resolution authorizing the Real Estate Division, on behalf of the Mayor's Office of Housing and Community Development, to acquire Real Property located at 772 Pacific Avenue for use in constructing affordable housing for San Franciscans.

Please note that this legislation is co-sponsored by Supervisor Peskin.

I respectfully request that this item be heard in Budget & Finance Committee on May 18th and sent forward as a Committee Report to the full Board on May 23, 2017.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 MAY -2 PM 2:24

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information (Please print clearly.)	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information (Please print clearly.)	
Name of contractor: Shew Yick Trust One (A); Robert Yick Trust Two (B); and Robert Yick Non-Exempt Assets Trust (C)	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
1. Board of Directors: NA; Trustees for (A) are Robert Yick and Andy Ting; Trustees for (B) and (C) are Joseph Yick and Mark Shustoff 2. NA; See Trustees above 3. NA 4. NA 5. No political committees sponsored or controlled.	
Contractor address: (A): Robert Yick and Andy Ting, c/o Daniel A. Conrad, 1550 Bryant Street, Suite 760, San Francisco, CA 94103 (B): Joseph Yick, c/o MacInnis, Donner & Koplowitz, 465 California Street, Suite 222, San Francisco, CA 94104. (C): Mark Shustoff, c/o MacInnis, Donner & Koplowitz, 465 California Street, Suite 222, San Francisco, CA 94104.	
Date that contract was approved: (By the SF Board of Supervisors)	Amount of contract: \$5,000,000
Describe the nature of the contract that was approved: Purchase and Sale Agreement (from Trusts to City) of 772 Pacific Avenue (Block/Lot 0161/015) for future use as affordable housing site	
Comments: Currently operating as restaurant, with lease through 12/31/21 @ \$22,500/month	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information (Please print clearly.)	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

