

File No. 171199

Committee Item No. 17
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date December 7, 2017

Board of Supervisors Meeting Date _____

Cmte Board

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OTHER

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Completed by: Victor Young Date December 1, 2017
Completed by: _____ Date _____

1 [Real Property Lease, Access License and Access Easement - State of California Department
2 of Transportation - Property Near Cesar Chavez and Indiana Streets Islais Creek Motor
3 Coach Operation and Maintenance Facility - \$191,240 Initial Annual Rent]

4 **Resolution authorizing an Airspace Lease for approximately 63,747 square feet of land**
5 **under the Highway 280 freeway structure near Cesar Chavez and Indiana Streets**
6 **(Lease Parcel) for the Islais Creek Motor Coach Operation and Maintenance Facility**
7 **(Bus Facility) with the State of California, acting by and through its Department of**
8 **Transportation (Caltrans), at an initial term of 50 years with two 15-year extension**
9 **options and an initial annual rent of \$191,240 with 3% annual increases and subject to**
10 **certain fair market rent adjustments; authorizing an Indiana Street Access License**
11 **Agreement (License Agreement) for Caltrans access over the Bus Facility from Indiana**
12 **Street to the Lease Parcel during the Airspace Lease term or any later date allowed**
13 **under the License Agreement; authorizing a Cesar Chavez Access Easement**
14 **Agreement (Easement Agreement) for Caltrans access over a 2,098 square foot portion**
15 **of the Bus Facility from Cesar Chavez Street to the Lease Parcel after the License**
16 **Agreement terminates; affirming the Planning Department's determination under the**
17 **California Environmental Quality Act; and finding the Airspace Lease, Easement**
18 **Agreement and License Agreement are in conformance with the General Plan, and the**
19 **eight priority policies of Planning Code, Section 101.1.**

20
21 WHEREAS, The Board of Supervisors approved the construction of, and acquisition of
22 property for, the Islais Creek Motor Coach Operation and Maintenance Facility at the
23 intersection of Cesar Chavez and Indiana Streets (Bus Facility) under Resolution No. 243-90,
24
25

1 adopted on April 6, 1990, a copy of which is on file with the Clerk of the Board of Supervisors
2 in File No. 84-90-1 (Project Resolution); and

3 WHEREAS, In 1999, the San Francisco Municipal Transportation Agency (SFMTA)
4 began negotiations with the State of California acting by and through its Department of
5 Transportation (Caltrans) to acquire Caltrans property that was comprised of approximately
6 two and one-half acres and needed for the Bus Facility (Combined Caltrans Property); and

7 WHEREAS, The SFMTA and Caltrans did not agree to final acquisition terms when the
8 SFMTA was ready to construct the Bus Facility in 2007, so Caltrans granted the SFMTA a no
9 fee Right of Entry effective as of January 31, 2007 (Right of Entry), to allow the SFMTA to
10 construct portions of the Bus Facility on the Combined Caltrans Property subject to the
11 parties' good faith obligation to negotiate final acquisition terms; and

12 WHEREAS, Caltrans agrees to lease the Lease Parcel, which is comprised of an
13 approximate 63,747 square foot portion of the Combined Caltrans Property, to the City and
14 County of San Francisco (City) under the Airspace Lease, a copy of which is on file with the
15 Clerk of the Board of Supervisors in File No. 171199, for an initial annual rent of \$191,240,
16 with annual 3% increases and subject to a fair market rate adjustment no more than once
17 every ten years after the eleventh lease year; and

18 WHEREAS, The Airspace Lease includes one payment for the SFMTA's use of the
19 Lease Parcel between January 31, 2007, and the Airspace Lease commencement date at a
20 rate of \$.25 per square feet per month with interest calculated at a rate equal to the California
21 Surplus Money Investment Fund (estimated to be \$2,191,080.40 if the commencement date is
22 December 1, 2017), as required by the Right of Entry; and

23 WHEREAS, Under a San Francisco Bay Conservation and Development Commission
24 permit, Caltrans must make approximately 2,591 square feet of the Lease Parcel available to
25 the City at no charge for public access purposes, and the SFMTA commissioned an appraisal

1 in May 2014 to determine the fair market rent for the remainder of the Lease Parcel, a copy of
2 which is on file with the Clerk of the Board of Supervisors in File No. 171199 (2014
3 Appraisal); and

4 WHEREAS, The 2014 Appraisal determined the fair market rent for the remainder of
5 the Lease Parcel was \$.25/square foot/month; and

6 WHEREAS, The City's Director of Property confirmed the 2014 Appraisal and current
7 San Francisco Port lease rates for similar property are available and relevant data to
8 determine the proposed Airspace Lease rent terms are no greater than Market Rent, as
9 defined in Administrative Code, Section 23.2; and

10 WHEREAS, Caltrans agrees to sell the remaining portion of the Combined Caltrans
11 Property, comprised of approximately 48,177 square feet (Fee Parcel), to the City under an
12 Agreement for Purchase and Sale of Real Estate and Grant of Access Easement and Access
13 License, a copy of which is on file with the Clerk of the Board of Supervisors in File No. _____
14 (PSA), for \$1,150,000 and interest on such amount calculated at a rate equal to the California
15 Surplus Money Investment Fund from January 31, 2007, through the Fee Parcel closing date
16 (estimated to be \$1,328,184.89 if the closing date is December 1, 2017), as required under
17 the Right of Entry; and

18 WHEREAS, The Fee Parcel is subject to a Caltrans power of termination if it is not
19 used for a public purpose for at least 15 years following the Fee Parcel closing date under
20 Director's Deed for DD-030660-01-02, a copy of which is on file with the Clerk of the Board of
21 Supervisors in File No. _____ (Director's Deed); and

22 WHEREAS, The SFMTA intends to use the Fee Parcel for the Bus Facility, which is a
23 public purpose; and

24 WHEREAS, The PSA conditions the Fee Parcel sale on the City granting Caltrans a
25 license under the License Agreement, a copy of which is on file with the Clerk of the Board of

Supervisors in File No. _____, for access between the Lease Parcel and Indiana Street over a SFMTA-designated route on the Bus Facility during the term of the Airspace Lease, as may be extended under the terms of the License Agreement; and

WHEREAS, The PSA conditions the Fee Parcel sale on the City granting Caltrans a permanent easement under the Easement Agreement, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 171199, for access between the Lease Parcel and Cesar Chavez Street over a 2,098 square foot portion of the Bus Facility after the License Agreement expires; and

WHEREAS, Caltrans has an existing access easement for freeway maintenance purposes, which is comprised of approximately 17,197 square feet and located along the northern boundary of Bus Facility and on adjacent City property, a copy of which is on file with the Clerk of the Board of Supervisors in File No. _____ (1962 Easement), and is reserving a floating access easement over the Fee Parcel under the Director's Deed (Floating Easement); and

WHEREAS, Caltrans agrees to terminate the 1962 Easement and the Floating Easement if City enters into the License Agreement and the Easement Agreement, as set forth in the Easement Agreement; and

WHEREAS, The SFMTA Board of Directors has the authority to approve the purchase the Fee Parcel under Section 8.A.102 of the City's Charter, but the Board of Supervisors must approve City's execution of the License Agreement and the Easement Agreement that are required as a condition of closing under the PSA; and

WHEREAS, The City's Director of Property determined that no fair market value determination is required for the Easement Agreement under Administrative Code, Section 23.3 because it is being granted as a condition to Caltrans' sale of the Fee Parcel and in

1 consideration of Caltrans terminating the Floating Easement over the Fee Parcel and the
2 1962 Easement over the Bus Facility and adjacent City property; and

3 WHEREAS, The City's Director of Property determined that no Market Rent
4 determination is needed for the License Agreement under Administrative Code Section 23.30
5 because it is being granted as a condition to Caltrans' sale of the Fee Parcel and in
6 consideration of Caltrans terminating the 1962 Easement and the Floating Easement; and

7 WHEREAS, The SFMTA Board of Directors approved the Airspace Lease, the PSA,
8 the License Agreement, and the Easement Agreement under SFMTA Board Resolution No.
9 170919-117, adopted on September 19, 2017, a copy of which is on file with the Clerk of the
10 Board of Supervisors in File No. 171199; and

11 WHEREAS, Under the Project Resolution, the Board of Supervisors adopted the
12 findings in final negative declaration 88.700E for the construction of and acquisition of
13 property for the Facility, which was adopted by the City's Planning Commission on June 20,
14 1989; and

15 WHEREAS, On August 15, 2017, the SFMTA's Environmental Review Team
16 determined no new facts or circumstances require additional environmental review for the
17 Airspace Lease, the License Agreement, or the Easement Agreement under the California
18 Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.), a copy
19 of which determination is on file with the Clerk of the Board of Supervisors in File No.
20 _____, and the Board of Supervisors affirms and relies on such determination; and

21 WHEREAS, Under a General Plan Referral dated October 11, 2017, a copy of which is
22 on file with the Clerk of the Board of Supervisors in File No. 171199, the City's Planning
23 Department determined the Airspace Lease, the License Agreement, and the Easement
24 Agreement are in conformity with the General Plan, and the eight priority policies under
25 Planning Code Section 101.1; now, therefore, be it

1 RESOLVED, That the Board of Supervisors finds the Airspace Lease, the License
2 Agreement, and the Easement Agreement are in conformity with the General Plan, and the
3 eight priority policies under Planning Code, Section 101.1; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors authorizes the SFMTA Director
5 of Transportation to execute the Airspace Lease and the License Agreement, to exercise the
6 extension options under the Airspace Lease, and to enter into any amendments or
7 modifications to the Airspace Lease or the License Agreement (including without limitation the
8 exhibits) that the SFMTA Director of Transportations determines, in consultation with the City
9 Attorney, are in the best interest of the City, do not materially increase the obligations or
10 liabilities of the City, do not materially decrease the benefits to the City, or are necessary or
11 advisable to effectuate the purposes of the Airspace Lease, the License Agreement, or this
12 resolution, and are in compliance with all applicable laws, including City's Charter; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors authorizes the SFMTA Director
14 of Transportation and the Director of Property to execute the Easement Agreement and to
15 enter into any amendments or modifications to the Easement Agreement (including without
16 limitation the exhibits) that they determine, in consultation with the City Attorney, are in the
17 best interest of the City, do not materially increase the obligations or liabilities of the City, do
18 not materially decrease the benefits to the City, or are necessary or advisable to effectuate
19 the purposes of the Easement Agreement or this resolution, and are in compliance with all
20 applicable laws, including City's Charter; and, be it; and, be it

21 FURTHER RESOLVED, That within 30 days of the full execution of the Airspace
22 Lease, the License Agreement, and the Easement Agreement, the SFMTA Director of
23 Transportation shall provide a copy of the executed Airspace Lease, License Agreement, and
24 Easement Agreement to the Clerk of the Board for the Board's file.
25

Item 17
File 17-1199

Department:
 San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution to (i) authorize an Airspace Lease for 63,747 square feet under Highway 280 at Cesar Chavez and Indiana Streets (Lease Parcel) for the Islais Creek Motor Coach Operation and Maintenance Facility (Bus Facility) with the State of California acting by and through its Department of Transportation (Caltrans) at an initial term of 50 years with two 15-year extensions for an initial annual rent of \$191,240 with 3% annual increases and subject to fair market rent adjustments; (ii) authorize an Indiana Street Access License Agreement (License Agreement) for Caltrans' access over the Bus Facility from Indiana Street to the Lease Parcel during the Airspace Lease term; (iii) authorize a Cesar Chavez Access Easement Agreement (Easement Agreement) for Caltrans access over a 2,098 square foot portion of the Bus Facility from Cesar Chavez Street to the Lease Parcel after the License Agreement terminates; (iv) affirm the Planning Department's determination under the California Environmental Quality Act; and (v) find the Airspace Lease, Easement Agreement and License Agreement are in conformance with the General Plan and the eight priority policies of Planning Code Section 101.1.

Key Points

- The SFMTA's Islais Creek Bus Facility totals approximately 8.47 acres. The SFMTA currently owns 5.84 acres. The remaining 2.63 acres are owned by Caltrans. On September 19, 2017, SFMTA approved purchasing 48,177 square feet (1.11 acres) of property from Caltrans for \$1,150,000, which is not subject to Board of Supervisors approval.

Fiscal Impact

- Based on \$0.25 per square foot per month, the monthly rent will be \$15,937 or \$191,241 the first year. Over the initial ten-year term, SFMTA will pay Caltrans \$2,192,364.
- SFMTA will also make a one-time payment to Caltrans for SFMTA's use of the lease parcels from January 31, 2007 through the commencement of this lease on January 1, 2018 for an estimated total one-time cost of \$2,193,006, including interest.

Recommendations

- Amend the proposed resolution as requested by the SFMTA on page 1, lines 2 and 9 and page 2, line 15 from \$191,240 to \$191,241, to be consistent with the lease.
- Amend the proposed resolution on page 2, line 21 to change the \$2,191,080 total cost if the commencement date is December 1, 2017 to an estimated \$2,193,006 based on an estimated commencement date of January 1, 2018.
- Amend the proposed resolution on page 3, line 16 to change \$1,328,185 if the closing is December 1, 2017 to \$1,318,931 based on a closing date of December 31, 2017.
- Authorizing the SFMTA Director of Transportation (on page 6, lines 5 and 6) to have approval of the two 15-year lease extensions, rather than making such lease extensions subject to Board of Supervisors approval, is a policy decision for the Board of Supervisors.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract or agreement entered into by a City department, board or commission that has a term of ten years or more or requires expenditures of \$10 million or more is subject to Board of Supervisors approval.

Under City Administrative Code Section 23.27, if a lease requires Board of Supervisors approval where the City is the tenant, the Director of Property shall determine the market rent of the lease based on a review of available and relevant data, before adoption.

BACKGROUND

In April 1990, the Board of Supervisors approved the acquisition of property and construction of the Municipal Railway's (Muni) Islais Creek Motor Coach Operation and Maintenance Facility (Islais Creek Bus Facility) at the intersection of Cesar Chavez and Indiana Streets (Resolution No. 243-90). As shown in Table 1 below, the City, through Muni, acquired a total of 254,470 square feet (5.84 acres) of property from the Granex Corporation, San Francisco Public Utilities Commission (SFPUC) and San Francisco Port (SF Port) from 1990 to 2007 for a total cost of \$5,164,205.

Table 1: Acquisition of Properties for Islais Creek Bus Facility

Acquired From	Purchase Date	Area in Square Feet/(Acres) ¹	Purchase Price
Granex Corporation	May, 1990	170,170/(3.90)	\$4,761,150
SFPUC	February, 1998	61,775/(1.42)	207,775 ²
SFPUC	March, 2005	14,925/(0.34)	195,280
SF Port	August, 2007	7,600/(0.17)	N/A ³
Total		254,470/(5.84)	\$5,164,205

However, the Islais Creek Bus Facility totals approximately 8.47 acres. As summarized in Table 1 above, the City, through the San Francisco Municipal Transportation Agency (SFMTA), currently owns 5.84 acres (254,470 square feet). The remaining approximately 2.63 acres (114,515 square feet), which includes 2.44 acres of bus parking and 0.18 acres of open space, are currently owned by the California Department of Transportation (Caltrans). A map of the Islais Creek Bus Facility is shown on the following page.

In 1999, the SFMTA began negotiations with Caltrans, which was reluctant to sell or lease their adjacent parcels. After many years of appraisals and negotiations, in January 31, 2007, Caltrans granted the SFMTA a no-fee Right of Entry to allow SFMTA to commence construction of the

¹ One acre equals 43,560 square feet.

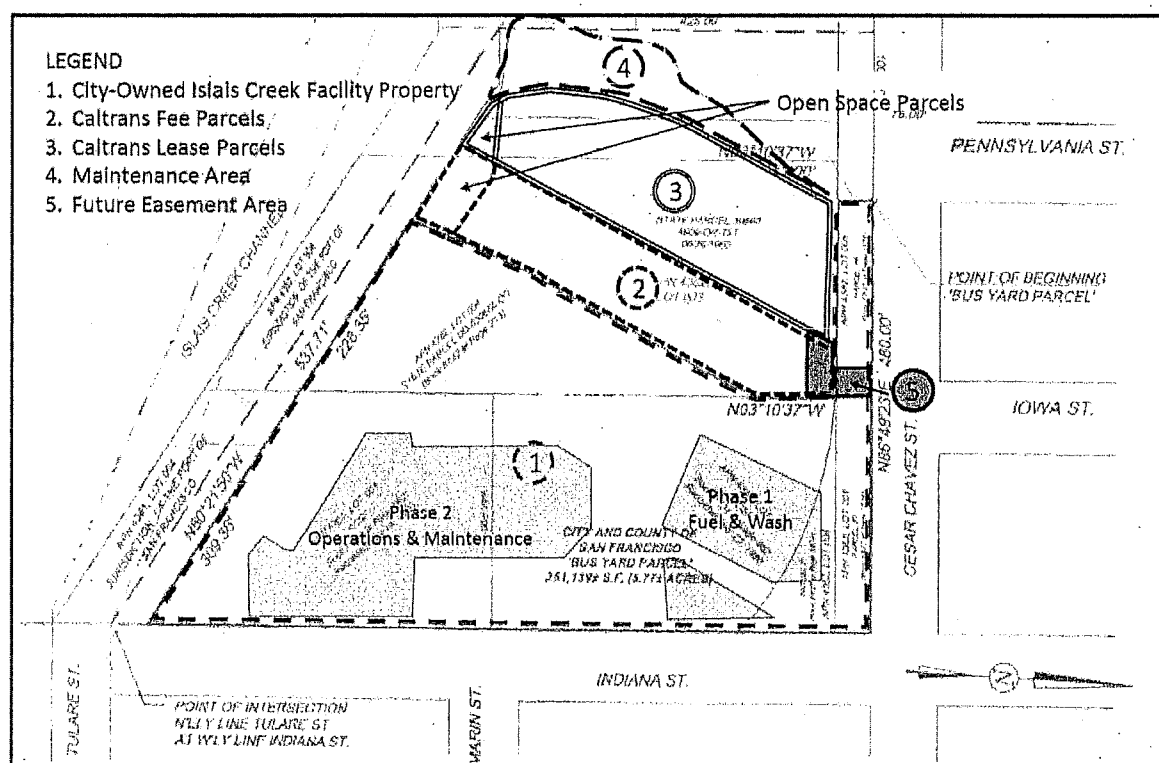
² Purchase price based on historic cost to SFPUC from December 1973 for 51,600 square feet and from June 1988 for 10, 175 square feet.

³ Based on SFMTA-Port MOU #14383, for SFMTA to install and maintain improvements on Port property.

Islais Creek Bus Facility⁴, subject to both parties good faith obligation to negotiate final acquisition and lease of the property. Caltrans was not willing to sell their portion of the property under State Highway 280, which required easement access to maintain the freeway.⁵

Phase I construction of the Islais Creek Bus Facility occurred from February 2011 through October 2013 and currently includes a bus coach fuel and wash building and an administrative annex building at 1301 Cesar Chavez Street. Phase II construction of a new 65,000 square foot maintenance and operations building will include bus maintenance bays, parts storage, offices, showers, locker rooms, training space and a community room. Phase II construction began February 2014 and is anticipated to be open for service in June 2018. The Islais Creek Bus Facility will have a capacity of 104 60-foot and 20 40-foot hybrid motor coaches.

Map: Islais Creek Bus Facility



⁴ In 2004, the Board of Supervisors authorized the City Attorney to commence eminent domain proceedings against Caltrans for the subject property (Resolution 04-048). Ultimately, the City dropped the eminent domain proceedings and Caltrans granted the SFMTA a Right of Entry to allow construction to proceed.

⁵ In 1962, the Western Pacific Railroad Company and Caltrans entered into an easement agreement to provide access for Caltrans for freeway maintenance purposes on approximately 17,197 square feet on the northern boundary of this property. In 1988 the City acquired this strip of land from Western Pacific Railroad Company, subject to the 1962 easement, which is now under SFMTA's jurisdiction. This SFMTA acquisition is included in Table 1 above, as part of the SFMTA's acquisition of the SFPUC's property.

On September 19, 2017, the SFMTA Board approved the purchase of approximately 48,177 (1.11 acres) square feet of property from Caltrans to SFMTA (Agreement for Purchase and Sale of Real Estate and Grant of Access Easement and Access License) for \$1,150,000, including additional retroactive interest from January 31, 2007, as provided by the Right of Entry agreement (SFMTA Resolution No. 170919-117). This purchase includes the Open Space Parcels shown on the map for \$1, for public access purposes. This purchase and sale agreement is not subject to Board of Supervisors approval because in accordance with Section 8.A.102 of the City's Charter, SFMTA has exclusive authority over acquisition, construction, management, supervision, maintenance, operation and use of all its property and assets and the subject acquisition is less than the Board of Supervisors Charter mandated threshold of \$10 million.

However, this purchase and sale agreement requires approval of a (a) Lease Agreement for the adjacent parcel of land under Highway 280, (b) License Agreement, to permit Caltrans to access a portion of this property from Indiana Street to the lease parcel during the proposed lease term, and an (c) Easement Agreement, to grant Caltrans a permanent easement to access a portion of this property from Cesar Chavez Street to the lease parcel after the License Agreement expires. The Lease, License and Easement Agreements are subject to Board of Supervisors approval because they will extend for longer than ten years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the following:

- (i) **Airspace Lease** for approximately 63,747 square feet of land under the Highway 280 freeway structure near Cesar Chavez and Indiana Streets (Lease Parcel) for the Islais Creek Motor Coach Operation and Maintenance Facility (Islais Creek Bus Facility) with the State of California acting by and through its Department of Transportation (Caltrans) at an initial term of 50 years with two 15-year extension options and an initial annual rent of \$191,240⁶ with 3% annual increases and subject to certain fair market rent adjustments;
- (ii) **Indiana Street Access License Agreement** for Caltrans' access over the Bus Facility from Indiana Street to the Lease Parcel during the Airspace Lease term or any later date allowed under the License Agreement;
- (iii) **Cesar Chavez Access Easement Agreement** for Caltrans' access over a 2,098 square foot portion of the Bus Facility from Cesar Chavez Street to the Lease Parcel after the License Agreement terminates;
- (iv) **Planning Department's determination** under the California Environmental Quality Act (CEQA); and
- (v) Conformance with the **General Plan** and the eight priority policies of **Planning Code** Section 101.1.

⁶ The proposed lease between the SFMTA and Caltrans specifies an initial annual rent of \$191,241. Therefore, the SFMTA requests that the proposed resolution be amended on page 1, lines 2 and 9 and page 2, line 15 from \$191,240 to \$191,241, to be consistent with the lease.

Airspace Lease

As summarized in Table 2 below, the proposed lease between Caltrans, as the landlord, and SFMTA, as the tenant, would extend for 50 years, with two 15-year extension options, or a total of up to 80 years. Under the proposed resolution on page 6, lines 5 and 6, the Board of Supervisors would authorize the SFMTA Director of Transportation to exercise both 15-year lease extensions, which would otherwise be subject to Board of Supervisors approval. Approval of this authorization to the SFMTA Director of Transportation is a policy decision for the Board of Supervisors.

This approximately 63,747 square foot parcel to be leased is located under Highway 280, near Indiana and Cesar Chavez Streets and would be used to park and store public transportation and related vehicles. Based on \$0.25 per square foot per month, the minimum monthly rent will be \$15,937 or \$191,241 the first year. Included in both the purchase and lease is the \$1 Open Space Parcels.

Table 2: Summary of Proposed Airspace Lease

Premises	63,747 square feet
Term	50 years, commencing January 1, 2018 ⁷
Options to Extend	Two, 15-Year options
One-time Retroactive Payment	\$2,193,006 ⁸
Initial Annual Rent (rate psf)	\$191,241 (\$3.00 psf)
Annual Rent Increases	3% annually
Fair Market Rent Adjustments	No more than every ten years
Public Access	2,591 square feet at \$1 per year
Maintenance Requirements	SFMTA to maintain/repair 2,594 sf bike path and 20,925 sf of adjoining open space

Source: Proposed Resolution and Caltrans Airspace Lease

⁷ Currently, the proposed resolution assumes a December 1, 2017 start date, which will be amended.

⁸ This amount assumes a rate of \$.25 per square foot per month for SFMTA's use of the lease parcel from January 31, 2007 through December 31, 2017 (rather than November 30, 2017), with the interest calculated at a rate equal to the California Surplus Money Investment Fund, as specified in the Right of Entry agreement.

Indiana Street Access License Agreement

Under the previously executed 1962 Easement, Caltrans currently has a 41' wide access easement along the length of the northern boundary from Cesar Chavez Street to the subject lease parcels for highway maintenance purposes. Both the previous 1962 Easement and a Floating Easement⁹ will terminate if the City approves the subject License Agreement and Easement Agreement. The Caltrans parcel being purchased by the City does not connect to a public street. With the sale of their parcels to SFMTA and a new lease, Caltrans feared losing access between these parcels and the public street for various highway maintenance purposes. The proposed non-exclusive license agreement would provide Caltrans with access to the lease parcels from Indiana Street during the term of the lease, or up to 80 years.

As specified in the access license agreement, Caltrans is limited to a path designated by the SFMTA Islais Creek Facility Superintendent. This License Agreement terminates when the lease terminates. There are no costs or fees associated with this license agreement.

Cesar Chavez Access Easement Agreement

When the Caltrans-SFMTA lease expires, the above-noted Indiana Street Access License Agreement will also expire. Then, the subject Cesar Chavez Access Easement Agreement will go into effect to allow Caltrans access to the highlighted Future Easement Area shown on the above map. This Easement Agreement will then extend in perpetuity, unless both parties agree to terminate it. This non-exclusive Easement Agreement prevents Caltrans from using this Future Easement Area until the Indiana Street Access License Agreement expires. Under these agreements, SFMTA can use the Future Easement Area for any purpose, provided that SFMTA removes any improvements installed on the Future Easement Area if it interferes with Caltrans' easement rights. There are no costs or fees associated with this easement agreement.

CEQA and Planning Department determinations

On August 15, 2017, SFMTA's Environmental Review Team determined that the findings in the final negative declaration adopted by the City Planning Commission in June 1989 and Board of Supervisors in April 1990 (Resolution No. 243-90) for the acquisition of the subject property and construction of Municipal Railway (Muni) Bus Facility were sufficient such that no new circumstances require additional environmental review. On October 11, 2017, the City's Planning Department determined the subject Airspace Lease, License Agreement and Easement Agreement are in conformity with the City's General Plan and the eight priority policies under Planning Code Section 101.1.

⁹ A Floating Easement, which is an access easement without a fixed location, is included in the purchase and sale agreement for the adjacent Caltrans property. If the subject Indiana Street Access License Agreement is approved, which establishes a fixed access easement over a smaller portion of the Islais Creek bus yard, the Floating Easement will terminate.

FISCAL IMPACT

According to Mr. John Updike, the Director of Property, neither a fair market value determination was required for the subject Easement Agreement nor a Market Rent determination was required for the subject License Agreement, because these are being granted as a condition of the Caltrans' sale of the adjacent property and in consideration of terminating the 1962 Easement and Floating Easement.

Appraisal of Fair Market Value

In May 2014, David Tattersall & Co. prepared an appraisal report to estimate the market value and market rental value of the subject Islais Creek property to be leased based on its highest and best use. This 2014 appraisal reflected market rental values of \$0.18 to \$0.25 per square foot per month for the subject parcel. According to the SFMTA, recent comparable lease rental rates on nearby Port and Caltrans properties were also analyzed by two licensed real estate brokers in SFMTA's Real Estate Division. The SFMTA negotiated a proposed rental rate beginning at \$0.25 per square foot per month based on these comparable leases. Mr. Updike confirms that the proposed rate is not greater than the current fair market rate, based on his analysis of the 2014 appraisal, Port lease rates and other comparable rentals.

Ongoing Lease Costs

As shown in Table 3 below, based on an initial rate of \$0.25 per square foot per month and increasing at three percent annually, SFMTA will pay Caltrans \$2,192,364 in rent over the initial ten-year term of the lease.

Table 3: First Ten-Year Costs by Year under Proposed Lease

Contract Year	Square Foot/ Month	Monthly Rent	Annual Rent
1	\$0.2500	\$15,937	\$191,241
2	0.2575	16,415	196,978
3	0.2652	16,908	202,888
4	0.2732	17,415	208,974
5	0.2814	17,937	215,243
6	0.2898	18,475	221,701
7	0.2985	19,030	228,352
8	0.3075	19,601	235,202
9	0.3167	20,189	242,258
10	0.3262	20,794	249,526
Total			\$2,192,364

The proposed lease would extend for 50 years, with two 15-year extension options, or a total of up to 80 years. Under the proposed lease terms, Caltrans would have the right to readjust the rent to appraised fair market value not more than once every ten years, after the initial ten year term. Therefore, the total amount of rent to be paid by SFMTA to Caltrans over the life of the lease cannot be determined at this time.

Additional One-Time Payment to Caltrans

In addition, SFMTA would make a one-time payment to Caltrans for SFMTA's use of the lease parcels from January 31, 2007, when SFMTA gained access to the parcels under the Right of Entry agreement, through the commencement date of the subject lease at a rate of \$0.25 per square foot per month plus interest¹⁰. The SFMTA advises that paying this lease rate and interest dating back to January 31, 2007 was based on a negotiated settlement with Caltrans. The proposed resolution could be approved by the Board of Supervisors in December 2017, such that the subject lease could commence on January 1, 2018. However, the proposed resolution on page 2, line 21 estimates a commencement date of December 1, 2017 for an estimated total cost of \$2,191,080. Page 2, line 21 of the proposed resolution should be amended to reflect a projected commencement date of January 1, 2018 for an estimated total one-time fee and interest expense of \$2,193,006¹¹.

In addition, the proposed resolution on page 3, line 16 assumes an estimated total fee parcel amount of \$1,328,185 based on an estimated closing date of December 1, 2017. This should be amended to reflect an estimated closing date of December 31, 2017 and an estimated total fee parcel amount of \$1,318,931¹².

The \$2,193,006 rent past due and interest expense plus the \$95,620 initial six months of this lease from January 1, 2017 through June 30, 2018, for a total cost of \$2,288,626 would be funded by the Islais Creek Facility capital project budget. The SFMTA recently approved purchasing an adjacent parcel from Caltrans for \$1,150,000, which will also be funded from the Islais Creek Facility capital project budget, for total expenditures of \$3,607,557 (\$1,318,931 + \$2,288,626). The SFMTA currently has \$4,000,000 budgeted in the Islais Creek Facility capital project budget. Future year lease expenses would be funded through the SFMTA's annual operating budget.

POLICY CONSIDERATION

On October 31, 2007, the Dogpatch Neighborhood Association sent a letter to Supervisor Malia Cohen requesting the Board of Supervisors assistance in securing SFMTA's obligation to the Dogpatch/Potrero Hill community regarding a public park and community facilities at Islais Creek. Specifically, the Dogpatch Neighborhood Association requested that SFMTA (1) fulfill its obligation for funding a public use community room and second floor viewing area, (2) restore and care for the adjacent public park, (3) provide signage and public parking for cars and bicycles. The SFMTA advises that an Islais Creek Space Planning Working Group will meet to discuss these issues. However, SFMTA also advises that the public use community room and viewing area will be reviewed in relation to the SFMTA's need for security and safety at the Islais Creek Bus Facility, which must operate and maintain bus services 24 hours a day.

¹⁰ Interest is calculated at a rate equal to the California Surplus Money Investment Fund.

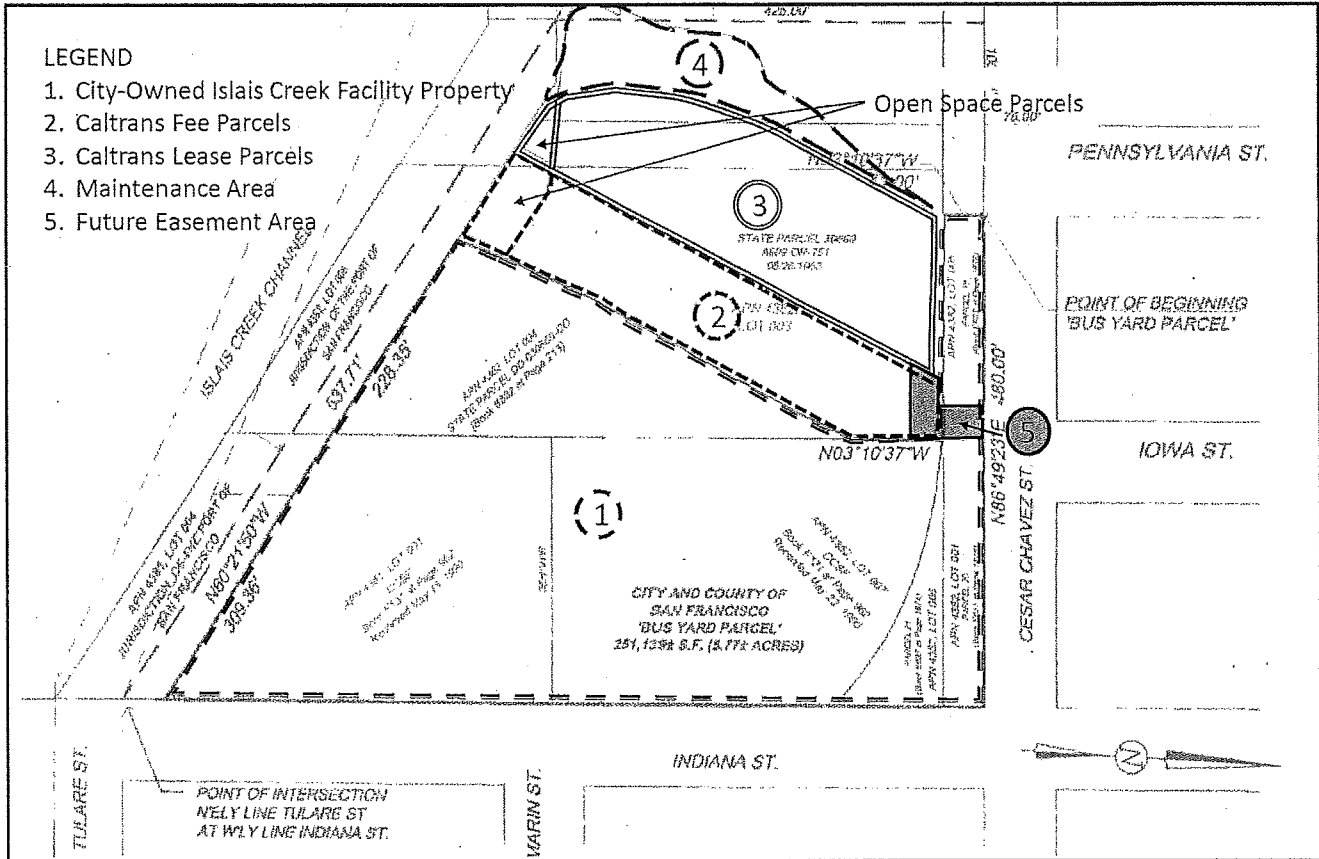
¹¹ This amount includes total rent of \$2,103,651 for ten years, plus estimated interest expense of \$89,355.

¹² This amount includes the purchase price of \$1,150,000 and estimated interest expense of \$168,931.

RECOMMENDATIONS

1. Amend the proposed resolution as requested by the SFMTA on page 1, lines 2 and 9 and page 2, line 15 from \$191,240 to \$191,241 to be consistent with the lease.
2. Amend the proposed resolution on page 2, line 21 to change the \$2,191,080 total cost if the commencement date is December 1, 2017 to an estimated \$2,193,006 based on an estimated commencement date of January 1, 2018.
3. Amend the proposed resolution on page 3, line 16 to change \$1,328,185 if the closing is December 1, 2017 to \$1,318,931 based on a closing date of December 31, 2017.
4. Authorizing the SFMTA Director of Transportation (on page 6, lines 5 and 6) to have approval of the two 15-year lease extensions, rather than making such lease extensions subject to Board of Supervisors approval, is a policy decision for the Board of Supervisors.
5. Approve the proposed resolution, as amended.

Attachment 1: Islais Creek Site Ownership Map



Attachment 2: SFMTA Board Calendar Item and Resolution, September 19, 2017

THIS PRINT COVERS CALENDAR ITEM NO. : 10.3

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Authorize the Director of Transportation to execute an Agreement for the Purchase and Sale of Real Estate (PSA) with the State of California, by and through its Director of Transportation (Caltrans), to purchase Caltrans property near the intersection of Indiana and Cesar Chavez Streets, and to approve and recommend approval to the Board of Supervisors that the Director of Transportation enter into (1) an Airspace Lease (Lease) with Caltrans for Lease Area No. 04-SF-280-08 (Lease Parcels) for a 50-year term, plus two 15-year extension options, (2) an Indiana Street Access License Agreement (Access License) for Caltrans access from Indiana Street to the Lease Parcels during the Lease term, and (3) a Cesar Chavez Access Easement Agreement (Easement) for Caltrans access from Cesar Chavez Street to the Lease Parcels after the Lease terminates.

SUMMARY:

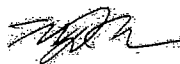
- The SFMTA currently uses 2.44 acres of Caltrans property for its Islais Creek Motor Coach Operation and Maintenance Facility
- The SFMTA and Caltrans negotiated a PSA for 1.11 acres of the Caltrans property for \$1,150,000, plus interest.
- The SFMTA and Caltrans negotiated a Lease for approximately 1.46 acres of the Caltrans property, with proposed monthly rent of \$0.25 per sq.ft., with 3% annual increases, and appraised rental value adjustments
- The Lease requires approval by the Board of Supervisors.
- Caltrans requires public street access to the Lease Parcels and its freeway structures and supports. The Access License Agreement provides such access during the Lease term.

ENCLOSURES:

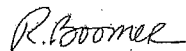
1. SFMTAB Resolution
2. Map of Islais Creek Facility
3. Final Notice of Determination of a Mitigated Negative Declaration
4. Agreement for the Purchase and Sale of Real Estate between Caltrans and City
5. Airspace Lease Agreement between Caltrans and City
6. Indiana Street Access License Agreement
7. Cesar Chavez Access Easement Agreement

APPROVALS:

DIRECTOR



SECRETARY



DATE

9/12/2017

9/12/2017

ASSIGNED SFMTAB CALENDAR DATE: September 19, 2017

PAGE 2.

PURPOSE

Authorize the Director of Transportation to execute an Agreement for the Purchase and Sale of Real Estate (PSA) with the State of California, acting by and through its Director of Transportation (Caltrans), to purchase Caltrans property near the intersection of Indiana and Cesar Chavez Streets (portion of APN 4382-003), and to approve and recommend approval to the Board of Supervisors that the Director of Transportation enter into (1) an Airspace Lease (Lease) with Caltrans for Lease Area No. 04-SF-280-08 (Lease Parcels) for a 50-year term, plus two 15-year extension options, (2) an Indiana Street Access License Agreement (License Agreement) for Caltrans' access from Indiana Street to the Lease Parcels during the Lease term, and (3) a Cesar Chavez Access Easement Agreement (Easement) for Caltrans' access from Cesar Chavez Street to the Lease Parcels after the Lease terminates.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This item will meet the following goals and objectives of the SFMTA FY2013-18 Strategic Plan:

- Goal 1: Create a safer transportation experience for everyone:
 - Objective 1.3 Improve the safety of the transportation System.
- Goal 2: Make transit, walking, bicycling, taxi, ridesharing & car-sharing the preferred means of travel:
 - Objective 2.2 Improve transit performance.
- Goal 3: Improve the environment and quality of life in San Francisco.
 - Objective 3.2 Increase the transportation system's positive impact to the economy.
 - Objective 3.3 Allocate capital resources effectively.
 - Objective 3.4 Deliver services efficiently.
- Goal 4: Create a workplace that delivers outstanding service:
 - Objective 4.2 Create a collaborative and innovative work environment.

This item will support the following Transit First Policy Principles:

Transit First Policy Principle 1: To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.

Transit First Policy Principle 9: The ability of the City and County to reduce traffic congestion depends on the adequacy of regional public transportation. The City and County shall promote the use of regional mass transit and the continued development of an integrated, reliable, regional public transportation system.

DESCRIPTION

The Islais Creek Motor Coach Operation and Maintenance Facility (Islais Creek Facility) is located at the corner of Cesar Chavez and Indiana Streets, with a capacity of 104 60-foot and 20 40-foot hybrid motor coaches. The Phase I fuel and wash buildings are in service; the Phase II maintenance portion is under construction with an in-service date of December 2017. The SFMTA's newest division, the Islais Creek Facility is an essential part of the SFMTA's portfolio, providing updated maintenance capability to SFMTA's expanding hybrid motor coach fleet to assist in meeting increasing ridership projections.

The Islais Creek Facility occupies 8.47 acres (including 0.18 acres of open space), of which the City owns and the SFMTA has jurisdiction over 5.84 acres. The remaining approximately 2.63 acres (2.44 acres of bus parking area and 0.18 acres of open space) below and adjacent to I-280 are currently owned by Caltrans. A map of the Islais Creek Facility highlighting the Caltrans property is included as Enclosure 2.

Beginning in 1999, the SFMTA and Caltrans discussed and negotiated the purchase of the Caltrans property for the Islais Creek Facility. No agreement was reached through March 2004, when Islais Creek construction was scheduled to commence. To avoid delays in constructing the Islais Creek Facility, on April 4, 2004, the SFMTA Board approved Resolution 04-048 urging the Board of Supervisors to adopt a Resolution of Necessity (RON) authorizing and directing the City Attorney to commence eminent domain proceedings against Caltrans for the Caltrans property. After further discussions with Caltrans, the SFMTA decided not to pursue eminent domain and Caltrans instead granted the SFMTA a Right of Entry (ROE) dated February 5, 2007, to allow construction to proceed on the Caltrans property as of January 31, 2007.

Although the SFMTA has been able to use the Caltrans property under the ROE since January 31, 2007, the ROE required that the SFMTA and Caltrans negotiate in good faith for the SFMTA's purchase of portions of the Caltrans property and lease the remainder. Negotiations have been ongoing since then.

The map shows the portion of Caltrans property (Fee Parcels) that Caltrans will sell to the SFMTA pursuant to the Agreement for the Purchase and Sale of Real Estate (PSA), and the portion of Caltrans property (Lease Parcels) that Caltrans will lease to SFMTA pursuant to the Airspace Lease. As a condition of the PSA, Caltrans requires general access over the Islais Creek Facility from a public street to the Lease Parcels. This access will be provided through the License Agreement and Easement discussed further in this report.

This calendar item covers the four agreements requiring SFMTA Board action for the purchase and lease of the Caltrans property: 1) PSA, 2) Lease, 3) License Agreement, and 4) Easement.

1) PSA

The PSA would allow the SFMTA to purchase the Fee Parcels, which are proposed to

PAGE 4.

remain part of the Islais Creek Facility. The PSA purchase price is based on the following facts:

- 1) Caltrans must make the portion of the Fee Parcels depicted in the map as the "Open Space Fee Parcel" available to the SFMTA free of charge for public access purposes under Permit No. M92-10 issued to Caltrans from the San Francisco Bay Conservation and Development Corporation (BCDC). Accordingly, the purchase price for the Open Space Fee Parcel will be \$1.
- 2) To determine the value of the remainder of the Fee Parcels, the SFMTA commissioned an appraisal in August 2011, which valued them at \$913,000. This appraisal was revised in 2013 due to Caltrans's objection to the appraisal instructions. The revision, using Caltrans' appraisal instructions and dated September 23, 2013, returned an appraised value of \$1,115,000. The SFMTA and Caltrans eventually agreed on a price of \$1,150,000 for the Fee Parcels (with \$1 allocated to the Open Space Fee Parcel), plus the interest accruing on such amount at a rate equal to the California Surplus Money Investment Fund (SMIF) from January 31, 2007, through the closing date. That amount was approved by the California Transportation Commission (CTC) on October 8, 2014.
- 3) SMIF rates are provided following the closure of each quarter. As of the time of writing this calendar item, the SMIF rate for the period from July 1, 2017 to September 30, 2017, was not yet available. When it is available, SFMTA staff proposes to insert the updated rate and extrapolate that rate forward for the 30-day period from September 30, 2017 to November 1, 2017. That projected outstanding interest from January 31, 2007, through November 1, 2017, is \$165,961.

Although the SFMTA Board of Directors has authority to purchase the Fee parcels at the Purchase Price, entering into the License Agreement and Easement required as a condition of closing under the PSA requires approval of the Board of Supervisors.

2) Lease

The proposed Airspace Lease would allow the SFMTA to lease the Lease Parcels for parking and storage of public transportation and related vehicles and use the Open Space Lease Parcel for public access purposes. The proposed lease term is 50 years, with two 15-year extension options for a total of up to 80 years.

Caltrans must make the portion of the Lease Parcels depicted in Enclosure 2 as the "Open Space Lease Parcel" available to the SFMTA free of charge for public access purposes under Permit No. M92-10 issued to Caltrans from BCDC. Accordingly, the rent for the Caltrans Open Space Lease Parcel will be \$1.

To determine the rent for the remainder of the Lease Parcels, the SFMTA commissioned an appraisal in May 2014 that determined a fair market rental value of \$0.25/square foot. With the \$1 Open Space Lease Parcel, the proposed lease rate for the Lease Parcels is \$191,241

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annually (\$0.25 per square foot), with 3% annual increases and Caltrans' right to readjust the rent to appraised fair market value no more than once every ten years after the first ten lease years. In addition, the SFMTA would pay for its use of the Lease Parcels since 2007 through a one-time payment equal to \$0.25 per square foot, plus interest on such amount between January 31, 2007, and November 1, 2017, which is projected to be a total of \$2,188,066.23.

As noted above, SMIF rates are provided following the closure of each quarter. As of the time of writing this calendar item, the SMIF rate for the period from July 1, 2017 to September 30, 2017, was not available. When it is available, SFMTA staff proposes to insert the updated rate and extrapolate that rate forward for the 30-day period from September 30, 2017 to November 1, 2017.

As a condition of the Lease, Caltrans requires that the SFMTA maintain and repair bike path improvements that the SFMTA installed on Caltrans property adjacent to the Lease Parcels for the Islais Facility Project's open space requirements. The SFMTA is also required to maintain those bike path improvements under the BCDC permit issued to it for the Islais Creek Facility. Caltrans further requires that the SFMTA remove debris and trim vegetation in the "Maintenance Area" shown in the map and adjacent to the Lease Parcels. The Maintenance Area is comprised of approximately 23,517 square feet.

This Lease requires approval by the Board of Supervisors.

3) Indiana Street Access License Agreement

Caltrans currently has an access easement from Cesar Chavez Street to the Lease Parcels over a 41' wide area along the length of the Islais Creek Facility's northern boundary (1962 Easement) for highway maintenance purposes. Caltrans believes the owner of the Fee Parcels also holds an easement over a 41' by 40' portion of the Islais Creek Facility (the 1932 Easement) for general access between the Fee Parcels and Cesar Chavez Street. With the sale of the Fee Parcels to the SFMTA, Caltrans believes it will lose access between the Lease Parcel and a public street for non-highway maintenance purposes.

Caltrans initially required a floating access easement over the Fee Parcels to provide for such access. After negotiations, Caltrans agreed to terminate the 1962 Easement and the floating access easement in exchange for a license to access the Lease Parcels from Indiana Street during the term of the Lease, and an easement to access from the Lease Parcels from Cesar Chavez Street over a fixed 2,098 square foot portion of the Islais Creek Facility (the Future Easement Area) once access license terminates. The Future Easement Area is depicted in Enclosure 2.

The Access License provides the terms and conditions of such access license, and limits it to Caltrans' reserved rights to access the Lease Parcels in the Lease and a path designated by the Islais Creek Facility Superintendent of Facilities. Once approved and recorded, the Access License will terminate, upon either termination of the Lease, or the SFMTA's installation of a

PAGE 6.

curb cut at the boundary of Cesar Chavez Street and the New Access Easement Area, whichever occurs later.

The Access License requires approval by the Board of Supervisors.

4) Cesar Chavez Access Easement Agreement

After the Lease terminates, Caltrans will access the Lease Parcels via the Future Easement Area on the terms of the Access Easement. The Easement Agreement provides the terms of such access and the termination of the 1962 Easement and Caltrans' reserved floating access easement over the Fee Parcels. The Easement will be restricted to vehicular and pedestrian access. The Easement Agreement also prevents Caltrans from using the Future Easement Area until the Access License terminates. Until that time, the SFMTA may use the Future Easement Area for any purpose and for any improvements; provided that when the Access License terminates, the SFMTA must remove any improvements it installed on or over the Future Easement Area to the extent they interfere with Caltrans' easement rights. The Access Easement requires approval by the Board of Supervisors.

STAKEHOLDER ENGAGEMENT

The SFMTA conducted significant outreach to the community and other stakeholders during the design and development of the Islais Creek Facility, and continues to be engaged with the community, including Friends of Islais Creek and the Port of San Francisco Southern Waterfront Advisory Committee, during the current Phase II construction. The community was instrumental in the design of the open space south of the Islais Creek Facility. Earlier this year, Friends of Islais Creek contacted Supervisor Malia Cohen's office, objecting to the elimination of a balcony overlooking Islais Creek, as well as the SFMTA's proposed reservation policy. The balcony was eliminated by the SFMTA in response to the Department of Building Inspection's code compliance comments. SFMTA staff has engaged the Friends of Islais Creek twice this year on this issue (6/15/17 and 7/24/17), and is planning to meet with the Friends of Islais Creek and Supervisor Cohen's office again in October of this year. The potential resolution involves allowing managed public access to a different balcony overlooking Islais Creek, which is currently designated for staff only, and for the SFMTA to employ a more public and community focused policy to community access of the facility. The SFMTA is committed to working diligently with the community to find a mutually agreeable solution. The community is aware of, and supportive of, the land use transactions discussed in this Calendar Item. The SFMTA has been using the Caltrans property for the Islais Creek Facility since 2007, and these agreements will not change that use.

ALTERNATIVES CONSIDERED

Since 1998, the SFMTA has had a MOU with the Port of San Francisco for 1399 Marin Street, a 3.18 acre site across Indiana Street from the Islais Creek Facility. However, that site is subject to State public trust, which does not allow it to be used for a bus maintenance facility. The Islais

PAGE 7.

Creek Facility is bordered to the south by Islais Creek (which flows into the San Francisco Bay), to the east by a Caltrans I-280 Highway off-ramp, and to the north by Cesar Chavez Street, so other expansion opportunities beside the subject sites are not available. The Caltrans property is the only property that is directly adjacent to the Islais Creek Facility and not owned by City.

FUNDING IMPACT

The acquisition and interest due for the purchase of the Caltrans property will be funded by the Islais Creek Project budget. The rent past due and interest due for the Lease, plus the initial six months of rent, will be funded by the Islais Creek Facility project budget. After six months, the rent will be paid through the SFMTA operating budget.

ENVIRONMENTAL REVIEW

The proposed PSA and Lease are subject to the California Environmental Quality Act (CEQA). The San Francisco Planning Department issued a Final Mitigated Negative Declaration (FMND) under CEQA on June 20, 1989 (Case No. 88.700ER) for the construction and operation of a coach operations and maintenance facility (Project) on the site and acquisition of the Caltrans property. On April 6, 1990, the Board of Supervisors adopted the FMND when it approved the Project, and adopted findings under CEQA (Resolution No. 243-90). The SFMTA's Environmental Review Team has confirmed there are no new facts or circumstances that require additional environmental review. The proposed PSA and Lease are covered under this FMND.

As part of the approval of this item, the SFMTA Board of Directors would adopt the FMND findings as its own, and to the extent the above actions are associated with any mitigation measures, the SFMTA Board of Directors would adopt those measures as conditions of this approval. In addition, by letter dated May 31, 2005, the City's Planning Department determined the acquisition of the Caltrans property conforms to the City's General Plan.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

On October 8, 2014, the CTC approved the sale of the Fee Parcels for the Purchase Price. The Lease, the Indiana Street Access License Agreement, and the Cesar Chavez Access Easement Agreement must also be approved by the Board of Supervisors.

RECOMMENDATION

The recommendation is to authorize the Director of Transportation to enter into the PSA to purchase Caltrans property near the intersection of Indiana and Cesar Chavez Streets, and to approve, and urge approval of the Board of Supervisors and the Mayor, the Lease, the Access License, and the Easement Agreement.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 170919-117

WHEREAS, Approximately 2.44 acres of the Islais Creek Operations and Maintenance Facility (Facility) is on property (Caltrans Property) owned by the State of California (Caltrans); and

WHEREAS, Beginning in 1999, the SFMTA and Caltrans negotiated for the SFMTA's acquisition of the Caltrans Property for the Facility, but no agreement was reached by the time Facility construction was scheduled to commence; and

WHEREAS, To avoid construction delays, Caltrans granted the SFMTA a Right of Entry (ROE) to use the Caltrans Property as of January 31, 2007, subject to the SFMTA's obligation to negotiate in good faith for the purchase and lease of the Caltrans Property, with interest on the purchase price and rental rate to be calculated from January 31, 2007, at the rate used for the California Surplus Money Investment Fund (SMIF); and

WHEREAS, SFMTA and Caltrans staff negotiated the purchase and sale of approximately 48,177 square feet of the Caltrans Property ("Fee Parcels") under an Agreement for the Purchase and Sale of Real Estate (PSA) for \$1,150,000, plus interest at the SMIF rate from January 31, 2007, through the closing date (estimated to be \$165,961 through November 1, 2017), which price was approved by the California Transportation Commission on October 8, 2014, with the Fee Parcels to be used for a public purpose for at least fifteen years following the closing date; and

WHEREAS, SFMTA and Caltrans staff negotiated the lease of approximately 63,747 square feet of the Caltrans Property (Lease Parcels) under a 50-year Airspace Lease (Lease), plus two 15-year extensions, at an initial rent of \$0.25 per square foot per month for the Lease Parcels (\$214,671 per year), with annual escalations of 3% and Caltrans' right to adjust the rent to appraised fair market value no more than once every ten years after the first ten lease years; and

WHEREAS, The Lease includes a one-time payment for the SFMTA's use of the Lease Parcels from January 31, 2007, to the lease commencement date at a rate of \$0.21 square feet per month, with interest at the SMIF rate from January 31, 2007, through the commencement date (estimated to be \$2,188,066.23 if the commencement date is November 1, 2017); and

WHEREAS, The Lease requires the SFMTA to maintain and repair bike path improvements installed by the SFMTA on Caltrans property west of the Lease Parcels and comprised of approximately 23,517 square feet (Maintenance Area), which improvements were required under certain regulatory approvals for the construction of the Facility, and to also remove debris and trim vegetation in the Maintenance Area; and

WHEREAS, As a condition of the PSA, Caltrans requires general access from a public street over the Facility to the Lease Parcels; and

WHEREAS, Caltrans agrees to terminate an existing access easement for highway maintenance purposes over the length of the northern boundary of the Facility and a general floating access easement on the Fee Parcels in exchange for an access license over a SFMTA-designated path over the Facility from Indiana Street to the Lease Parcels during the term of the Lease on the terms of the Indiana Street Access License Agreement (License Agreement) and an access easement over a 2,098 square foot portion of the Facility from Cesar Chavez Street to the Lease Parcels after the License Agreement terminates on the terms of the Cesar Chavez Street Access Easement Agreement (Easement Agreement); and

WHEREAS, The San Francisco Planning Department issued a Final Mitigated Negative Declaration (FMND) under CEQA on June 20, 1989 (Case No. 88.700ER) for the construction and operation of a coach operations and maintenance facility and acquisition of property on the site, which acquisitions would be effected by the PSA and the Lease, and on April 6, 1990, the Board of Supervisors adopted the FMND when it approved the project, and adopted findings under CEQA (Resolution No. 243-90), and the PSA and Lease are covered under the FMND, and the SFMTA's Environmental Review Team has confirmed there are no new facts or circumstances that require additional environmental review; and

WHEREAS, By letter dated May 31, 2005, the City's Planning Department determined the SFMTA's acquisition of the Caltrans property conforms to the City's General Plan; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to enter into an Agreement for the Purchase and Sale of Real Estate for DD030660-01-02, DD 030660-01-03 and DD 030667-01-01 near the intersection of Indiana and Cesar Chavez Streets (portion of APN 4382-003) with Caltrans, with the Fee Parcels to be used for a public purpose for at least fifteen years after the closing date, approves an Airspace Lease with Caltrans for Lease Area No. 04-SF-280-08 for a 50-year term, plus two 15-year extension options; an Indiana Street Access License Agreement for Caltrans access from Indiana Street to the Lease Parcels during the Lease term; and a Cesar Chavez Access Easement Agreement for Caltrans access from Cesar Chavez Street to the Lease Parcels after the Lease terminates and urges the Board of Supervisors and the Mayor to approve the Lease, the Access License, and the Easement Agreement; and, be it further

FURTHER RESOLVED, That the SFMTA Board of Directors has reviewed and considered the Final Mitigated Negative Declaration for the Muni Diesel Coach Operating Division and Central Maintenance Facility project and adopts the CEQA findings of the Board of Supervisors as its own, and to the extent the above actions are associated with any mitigation measures within the jurisdiction of the SFMTA, the SFMTA Board of Directors adopts those measures as conditions of this approval; a copy of the Planning Commission Resolution, the CEQA findings, and the CEQA determination are on file with the Secretary to the SFMTA Board of Directors, may be found in the records of the Planning Department at 1650 Mission Street in San Francisco, and are incorporated herein by reference; and

FURTHER RESOLVED, That the SFMTA Board of Directors finds that the acquisition of the Caltrans property is consistent with the City's General Plan for the same reasons as set forth in the City Planning Department letter of May 31, 2005, and hereby incorporates such findings by reference as though fully set forth in this Resolution.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of September 19, 2017.

R. Boomer

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

1 ADOPTING FINAL NEGATIVE DECLARATION, FINDING AND DETERMINING THAT ACQUISITION
2 OF PROPERTY AND CONSTRUCTION OF A MUNI FACILITY IN THE AREA GENERALLY BOUNDED
3 BY ARMY, INDIANA, MARIN, TENNESSEE STREETS, I-280 AND ISLAIS CREEK CHANNEL
4 WILL HAVE NO SIGNIFICANT IMPACT ON THE ENVIRONMENT, AND ADOPTING AND
5 INCORPORATING FINDINGS OF FINAL NEGATIVE DECLARATION.

6 WHEREAS, On May 5, 1989, the Department of City Planning issued a
7 preliminary negative declaration, 88.700E for the property located generally
8 between Army, Indiana, Marin, Tennessee Streets, I-280 and Islais Creek
9 Channel;

10 WHEREAS, On June 20, 1989, The City Planning Department adopted and issued
11 a Final Negative Declaration 88.700E; and

12 WHEREAS, On June 29, 1989, The Department of City Planning determined that
13 the proposed project was in conformity with the City's Master Plan; and

14 WHEREAS, On ^{March 12, 1990} / , this Board of Supervisors received a copy of
15 the final negative declaration 88.700E issued by the Department of City
16 Planning; and

17 WHEREAS, This Board has conducted a public hearing on the matter of
18 adoption of the final negative declaration, prior to consideration of the
19 acquisition of property and construction of a MUNI facility; now, therefore,
20 be it

21 RESOLVED, That this Board of Supervisors has considered and reviewed the
22 final declaration and adopts said final negative declaration; and be it

23 FURTHER RESOLVED, That this Board of Supervisors adopts and incorporates
24 herein by reference thereto the findings of the final negative declaration
25 88.700E issued by the Department of City Planning, a copy of which is on file
26 with the Clerk of the Board of Supervisors.

27
28 RECOMMENDED:

29 CITY PLANNING COMMISSION

30 By

Dean L. Macris
Dean L. Macris
Director of Planning

Adopted - Board of Supervisors, San Francisco April 2, 1990

Ayes: Supervisors Alioto Britt Gonzalez Hallinan Hongisto Hsieh
Kennedy Maher Nelder Walker

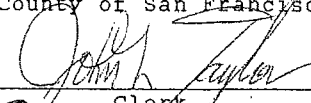
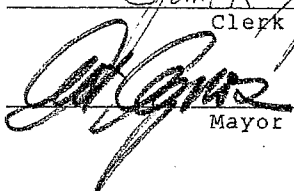
Absent: Supervisors Ward

I hereby certify that the foregoing resolution
was adopted by the Board of Supervisors
of the City and County of San Francisco

File No.
84-90-1

APR 6 1990

Date Approved


Clerk

Mayor

Attachment 4: Airspace Lease Agreement between Caltrans and City

(Lease Area No. 04-SF-280-08)
(Account No. 04-SF-280-08-02)

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION
AIRSPACE LEASE

THIS LEASE, dated _____, 2017, is by and between the STATE OF CALIFORNIA, acting by and through its Department of Transportation, hereinafter called "Landlord," and THE CITY AND COUNTY OF SAN FRANCISCO, acting by and through its Municipal Transportation Agency, hereinafter called "Tenant."

WITNESSETH

For and in consideration of the rental and of the covenants and agreements hereinafter set forth to be kept and performed by the Tenant, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises herein described for the term, at the rental and subject to and upon all of the terms, covenants and agreements hereinafter set forth.

ARTICLE 1. SUMMARY OF LEASE PROVISIONS

Landlord:	California Department of Transportation
Tenant:	City and County of San Francisco, acting by and through its Municipal Transportation Agency
Premises:	The portion of Lease Area No. SF-280-08 comprised of approximately 63,747 square feet and shown as the "Parking Area" on the attached Exhibit A, located under SF-280 near Indiana and Cesar Chavez Streets, in the City and County of San Francisco, State of California.
Maintenance Area:	The portion of Lease Area No. SF-280-08 comprised of approximately 23,517 square feet and shown as the "Maintenance Area" on the attached Exhibit A, which consists of an area that is comprised of approximately 2,594 square feet ("Bike Path Area") improved by Tenant with a public pedestrian and bicycle pathway and landscaping prior to the Commencement Date and an adjoining open space that is comprised of approximately 20,925 square feet ("Open Space").
Lease Term:	Fifty (50) years with two 15-year extension options, commencing November 1, 2017, and initially expiring on November 1, 2067 unless extended (Article 3)
Minimum Monthly Rent:	\$15,937
Adjustment to Rent:	Minimum 3% fixed annual increase beginning on second year of Lease

term

Rent Reevaluation: Beginning on the 11th Lease Year, market evaluation no more than once every ten (10) Lease Years, with new rent under such evaluation to begin the first month of the Lease Year immediately following such evaluation. (Article 4)

Security Deposit: None

Use of Premises: Tenant parking and storage of public transportation and related vehicles

Use of Maintenance Area: Maintenance of Bike Path Improvements (as defined in Article 2) and removal of debris and trimming of vegetation

Insurance: Self-Insurance (Article 10)

Addresses for Notices: (Article 19)

To Landlord: Department of Transportation
Right of Way Airspace Development MS 11
US Mail: PO Box 23440, Oakland, CA 94623-0440
Street Address: 111 Grand Avenue, 13th floor Oakland, CA 94612-3771

To Tenant: City and County of San Francisco
Municipal Transportation Agency
1301 Cesar Chavez Street
San Francisco, CA 94124
Attn: Superintendent, Islais Creek Operations and Maintenance Facility

with a copy to: City and County of San Francisco
Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Senior Manager – SFMTA Strategic Real Estate

References in this Article 1 to the other Articles are for convenience and designate other Articles where references to the particular item contained in the Summary of Lease Provisions appear. Each reference in this Lease to the Summary of Lease Provisions contained in this Article 1 shall be construed to incorporate all of the terms provided under the Summary of Lease Provisions. In the event of any conflict between the Summary of Lease Provisions and the balance of the Lease, the latter shall control.

ARTICLE 2. PREMISES; MAINTENANCE AREA

2.1 Leased Premises

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the term of this Lease, at the rent, and upon the covenants and conditions hereinafter set forth, that certain Premises known as the "Parking Area" of Freeway Lease Area No. 04-SF-280-08, comprised of approximately 63,747 square feet and situated in the City and County of San Francisco. Said land or interest therein being shown on the map or plat marked "Exhibit A," attached hereto and by this reference made a part hereof.

EXCEPTING THEREFROM all those portions of the above-described Premises occupied by the supports and foundations of the existing Landlord highway structure thereon and all that portion of the Premises above a horizontal plane 5 feet below the underside of the superstructure of the existing Landlord highway structure, which plane extends to a line 10 feet, measured horizontally, beyond the outermost protrusion of the superstructure of the structure.

2.2 License for Maintenance Area

Permit No. M90-23, issued by the San Francisco Bay Conservation and Development Commission ("BCDC") to Tenant and the Port of San Francisco, requires that Tenant install and maintain a public access pedestrian and bicycle pathway and landscaping on the Bike Path Area. Permit No. M92-10, issued by BCDC to Landlord, requires that Landlord make the Bike Path Area available to Tenant at no charge for public access purposes. Tenant installed the pathway and related landscaping depicted on the attached "Exhibit C" ("Bike Path Improvements") on the Bike Path Area prior to the Commencement Date under the Right of Entry granted by Landlord to Tenant and dated February 5, 2007, and will need continued access for the maintenance and repair of the Bike Path Improvements. Tenant agrees to remove debris from and trim vegetation in the Open Space at the same time it is removing debris from and trimming vegetation in the Bike Path Area.

In consideration of such matters, Landlord grants a license to the Maintenance Area to Tenant for the maintenance and repair of the Bike Path Improvements, the removal of debris, and trimming of vegetation in the Open Space, and Tenant hereby accepts such license, during the term of this Lease and upon the covenants and conditions hereinafter set forth, for the "Maintenance Area" of Freeway Lease Area No. 04-SF-280-08, comprised of approximately 23,517 square feet and situated in the City and County of San Francisco, said land or interest therein being shown on the map or plat marked "Exhibit A," attached hereto and by this reference made a part hereof.

EXCEPTING THEREFROM all those portions of the above-described Maintenance Area occupied by the supports and foundations of the existing Landlord highway structure thereon and all that portion of the Maintenance Area above a horizontal plane 5 feet below the underside of the superstructure of the existing Landlord highway structure, which plane extends to a line 10 feet, measured horizontally, beyond the outermost protrusion of the superstructure of the structure.

2.3 Existing Encumbrances

This Lease is subject to the following (collectively, the "Existing Encumbrances"): (1) all easements, covenants, conditions, restrictions, reservations, rights of way, liens, encumbrances and other matters of record, (2) all matters discoverable by physical inspection of the Premises or that would be discovered by an accurate survey of the Premises and (3) all matters known to Tenant or of

which Tenant has notice, constructive or otherwise including, without limitations, those (if any) shown on attached Exhibit A. Landlord hereby represents that, except for this Lease, it has not issued any leases, permits, easements or any other agreements that provide any third party with the right to use or occupy any portion of the Premises or the Maintenance Area during the term of this Lease. If Tenant discovers any Existing Encumbrance that materially prevents Tenant from using the Premises for the uses permitted under Section 5.1 of this Lease, Tenant shall have the right to terminate this Lease by delivering written notice of such termination to Landlord.

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. Tenant is hereby advised that the Premises have NOT been inspected by a CASp.

ARTICLE 3. TERM

The initial term of this Lease shall be for fifty (50) years, commencing on November 1, 2017 ("Commencement Date"). A "Lease Year" shall mean each twelve month period between November 1 and October 31 during the term of this Lease.

The term of this Lease shall expire on the fiftieth (50th) anniversary of the Commencement Date ("Expiration Date"), unless earlier terminated by Tenant or by Landlord pursuant to the terms of this Lease. At Tenant's option, this Lease may be extended by up to two 15-year extension periods (each, an "Option Term") by Tenant delivering written notice of its exercise of such option no less than 180 days prior to the date such option term is to commence.

ARTICLE 4. RENT

4.1 Minimum Monthly Rent

Tenant shall pay to Landlord as minimum monthly rent, without deduction, setoff, prior notice, or demand, the sum of \$15,937.00 per month in advance on the first day of each month, commencing on the first full month immediately following the Commencement Date and continuing during the term of this Lease; provided, however, that minimum monthly rent for the first month of any rent adjustment under Section 4.4 or 4.6 shall be paid on or before the fifteenth (15th) business day of such month. Such rate was calculated at \$.25 per square foot for 63,747 square feet of the Premises.

Minimum monthly rent for the first month or portion of it shall be paid on or before the fifteenth (15th) business day following the Commencement Date. Minimum monthly rent for any partial month shall be prorated at the rate of 1/30th of the minimum monthly rent per day. All rent checks shall have printed on their face the following tenancy reference number 04-SF-280-08-02 and shall be paid to Landlord at the following address:

Via Mail:
Department of Transportation
Attn: Cashier
P.O. Box 168019

Sacramento, CA 95816-8019

Via Hand Delivery:

Department of Transportation
Attn: Cashier
1820 Alhambra Blvd., 2nd Floor
Sacramento, CA 95816

OR

Department of Transportation
Right of Way Airspace Development
111 Grand Avenue, MS 11
Oakland, CA 95612

4.2 Rent Adjustments

On each anniversary of the Commencement Date (each, an "Adjustment Date"), the minimum monthly rent provided for in Section 4.1 shall be subject to adjustment (rounded to nearest \$1) at three percent (3%) of the minimum monthly rent payable for the month immediately preceding such Adjustment Date.

The minimum monthly rent provided for in Section 4.1 shall be subject to adjustment on each anniversary of the Commencement Date (each, an "Adjustment Date"), either via a fixed three percent (3%) increase (rounded to closest \$1) or via an amount derived from a reevaluation which may occur at Landlord's option per Sections 4.4, 4.5 or 4.6. Table 4.2.1 below provides the Tenant's minimum rent obligation for the initial 10 years of the Lease term, unless a new fair market rent is derived via reevaluation under Section 4.4 or 4.5. If a new rent is not determined for any new Lease Year under Sections 4.4, 4.5 or 4.6, the rent for such new Lease Year will continue to adjust annually at the set 3% fixed amount until a reevaluation, if any, takes place at any time thereafter.

Table 4.2.1

<u>Lease Year</u>	<u>Time Period</u>	<u>Rent</u>
Year 1	November 1, 2017 through October 31, 2017	\$15,937.00
Year 2	November 1, 2018 through October 31, 2018	\$16,415.00
Year 3	November 1, 2019 through October 31, 2019	\$16,908.00
Year 4	November 1, 2020 through October 31, 2020	\$17,415.00
Year 5	November 1, 2021 through October 31, 2021	\$17,937.00
Year 6	November 1, 2022 through October 31, 2022	\$18,475.00
Year 7	November 1, 2023 through October 31, 2023	\$19,030.00
Year 8	November 1, 2024 through October 31, 2024	\$19,601.00
Year 9	November 1, 2025 through October 31, 2025	\$20,189.00
Year 10	November 1, 2026 through October 31, 2026	\$20,794.00
Year 11	November 1, 2027 through October 31, 2027	\$21,418.00 (Subject to Reevaluation)

4.3 Payment of Rent for Right of Entry Period

Prior to the Commencement Date, Tenant occupied the Premises pursuant to a Right of Entry granted by Landlord and dated as of February 5, 2007. As required by such Right of Entry, Tenant shall make a one-time payment of \$2,188,066.23 for its use of the Premises from January 31, 2007 through the Commencement Date. Such payment shall be delivered to Landlord at the Landlord

address set forth in Section 4.1 within the fifteen (15) business day period immediately following the Commencement Date.

4.4 Reevaluation on Change in Use

Landlord expressly reserves the right to establish a new minimum monthly rent as a condition to Landlord's approval of any use of the Premises not specifically permitted by Section 5.1 and as a condition to any amendment to or changes in the uses permitted by that section, provided such new minimum monthly rent must be no more than fair market rent, which Tenant shall have the right to confirm through a fair market rent appraisal prepared by a California-licensed commercial real estate appraiser.

4.5 Reevaluation on Transfer

Landlord expressly reserves the right to establish a new minimum monthly rent as a condition to Landlord's specific approval of any transfer, or assignment of this Lease or any subletting of all or any portion of the Premises; provided, however, that Tenant shall have the right from time to time, upon notice to, but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any person or entity that directly or indirectly controls, is controlled by or is under common control with Tenant for any or all of the uses permitted under this Lease without any such new minimum monthly rent and without obtaining Landlord's consent.

4.6 Periodic Reevaluations

Commencing on the tenth (10th) Lease Year, Landlord expressly reserves the right to establish a new minimum monthly rent once during every successive ten (10) Lease Year period, at the option of Landlord, provided such new minimum monthly rent must be no more than fair market rent, which Tenant shall have the right to confirm through a fair market rent appraisal prepared by a California-licensed commercial real estate appraiser using instructions consistent with the Caltrans Right of Way Manual (each, an "Appraisal"). If Tenant's fair market rent Appraisal is lower than Landlord's fair market rent Appraisal by less than 10%, the new rent shall be the median between the two values. If the difference is greater than 10%, then a third appraiser of Landlord's choosing will determine which of the two is the fair market rental value. Tenant will bear the cost of the third appraiser.

4.7 Landlord's Compensation upon Assignment, Transfer or Sublease of Tenant's Leasehold

(a) In the event that Tenant voluntarily assigns, transfers or subleases any of Tenant's rights in the Premises, Tenant shall pay to Landlord compensation in connection with the transaction in an amount equal to fifty percent (50%) of any and all consideration, whether in present payments or in future payments, which Tenant receives from an assignee, transferee or subtenant in excess of the amount of rent Tenant is obligated to pay to Landlord under this Lease.

(b) Payment by Tenant of the amount of compensation required under this Section 4.5 is a condition to Landlord's giving its consent to any assignment, transfer or sublease under Section 16.2, and Landlord may withhold its consent to any such assignment, transfer or sublease until this compensation has been paid. In addition, before Landlord gives its consent to any such transaction,

Tenant shall deliver to the assignee, transferee or subtenant a written summary of all sums due and owing to Landlord under this section and shall deliver to Landlord a written acknowledgement by the assignee, transferee or subtenant that said person affirms that the sums are due and owing to Landlord and that said person accepts responsibility for ensuring that such sums are paid directly to Landlord.

ARTICLE 5. USE

5.1 Specified Use

The Premises shall be used and occupied by Tenant only and exclusively for the purpose of Tenant parking and storage of public transportation and related vehicles belonging to Tenant and its contractors and for no other purpose whatsoever without obtaining prior written consent of Landlord and the concurrence of the Federal Highway Administration. Landlord expressly reserves the right to establish a new minimum monthly rent as a condition to Landlord's approval of any use of the Premises not specifically permitted by this section. The Maintenance Area shall be used by Tenant only and exclusively for the maintenance and repair of the Bike Path Improvements and the removal of debris and vegetation.

5.2 Condition of Premises

Tenant hereby accepts the Premises in the AS-IS condition existing as of the date of the execution hereof, subject to all applicable zoning, municipal, county, state and federal laws, ordinances and regulations governing and regulating the use of the Premises, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of the Premises or the suitability thereof for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises except as provided in this Lease.

Except as may be otherwise expressly provided in this Lease, the taking of possession of the Premises by Tenant shall in itself constitute acknowledgement that the Premises are in good and tenantable condition, and Tenant agrees to accept the Premises in its presently existing condition "as is", and that the Landlord shall not be obligated to make any improvements or modifications thereto except to the extent that may otherwise be expressly provided in this Lease.

Tenant represents and acknowledges that it has made a sufficient investigation of the conditions of the Premises existing immediately prior to the execution of this Lease (including investigation of the surface, subsurface and groundwater for contamination and hazardous materials) and is satisfied that the Premises will safely support the type of improvements, if any, to be constructed and maintained by Tenant upon the Premises, that the Premises is otherwise fully fit physically and lawfully for the uses required and permitted by this Lease and that Tenant accepts all risks associated therewith.

Tenant acknowledges that (1) Landlord has informed Tenant prior to the commencement of the term of this Lease that the Landlord does not know nor has reasonable cause to believe that any release of any hazardous material has come to be located on or beneath the Premises; (2) Landlord has

provided Tenant access to the Premises for a reasonable time and upon reasonable terms and conditions for purposes of providing to Tenant the opportunity to investigate, sample and analyze the soil and groundwater on the Premises for the presence of hazardous materials; (3) by signing this Lease Tenant represents to Landlord that, as a result of its investigation of the Premises for the uses specified in Section 5.1, Tenant learned of the presence of the hazardous materials stated on "Exhibit D" attached hereto and by this reference incorporated herein on the Premises, which Tenant remediated to the extent required under all applicable laws, regulations, permits, approvals and authorizations for the construction and operation of the Initial Improvements. The phrase "hazardous material," as used herein, has the same meaning as that phrase has in Section 5.6 of this Lease.

Tenant agrees that, except as otherwise expressly provided in this Lease, Tenant is solely responsible without any cost or expense to the Landlord to take all actions necessary, off as well as on the Premises to improve (to the extent Tenant desires to improve the Premises) and continuously use the Premises as required by this Lease and in compliance with all applicable laws and regulations.

5.3 Compliance with Law

Tenant shall not use the Premises or the Maintenance Area or permit anything to be done in or about the Premises which will in any way conflict with any applicable law, statute, zoning restriction, ordinance or governmental rule or regulation or requirements of duly constituted public authorities now in force or which may hereafter be in force, or with the requirements of the State Fire Marshal or other similar body now or hereafter constituted, relating to or affecting the condition, use or occupancy of the Premises or the condition or use of the Maintenance Area. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant. Tenant shall not allow the Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

5.4 Petroleum Products

Tenant shall not install facilities for, nor operate on the Premises or the Maintenance Area, a gasoline or petroleum supply station. Tenant shall not permit on the Premises any vehicles used or designed for the transportation or storage of gasoline or petroleum products. Tenant shall also not permit on the Premises any bulk storage of gasoline or petroleum products. Notwithstanding anything to the contrary in this subsection, motor vehicles and equipment on the Premises and the Maintenance Area may contain gasoline or petroleum products to the extent for the exclusive use of such vehicle or equipment.

5.5 Explosives and Flammable Materials

Neither the Premises nor the Maintenance Area shall be used for the manufacture of flammable materials or explosives, or for any storage of flammable materials, explosives or other materials or other purposes deemed by Landlord to be a potential fire or other hazard to the Landlord highway structure located on the Premises. The operation and maintenance of the Premises and any entry on the

Maintenance Area shall be subject to the air space lease regulations of Landlord so as to protect against fire or other hazard impairing the use, safety and appearance of the Landlord highway structure located on the Premises. The occupancy and use of the Premises or entry on the Maintenance Area pursuant to this Lease shall not be such as will permit hazardous or unreasonably objectionable smoke, fumes, vapors or odors to rise above the surface of the traveled way of the Landlord highway structure located on the Premises.

5.6 Hazardous Materials

In its use and occupancy of the Premises and entry on the Maintenance Area pursuant to this Lease, Tenant shall at all times and in all respects comply with all federal, state and local laws, ordinances and regulations, including, but not limited to, the Federal Water Pollution Control Act (33 U.S.C. section 1251, et seq.), Resource Conservation and Recovery Act (42 U.S.C. section 6901, et seq.), Safe Drinking Water Act (42 U.S.C. section 300f, et seq.), Toxic Substances Control Act (15 U.S.C. section 2601, et seq.), Clean Air Act (42 U.S.C. section 7401, et seq.), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601, et seq.), Safe Drinking Water and Toxic Enforcement Act (California Health and Safety Code section 25249.5, et seq.), other applicable provisions of the California Health and Safety Code (section 25100, et seq., and section 39000, et seq.), California Water Code (section 13000, et seq.), and other comparable state laws; regulations and local ordinances relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, any "hazardous substances" under any such laws, ordinances or regulations (collectively "Hazardous Materials Laws"). As used in the provisions of this Lease, "hazardous materials" include any "hazardous substance" as that term is defined in section 25316 of the California Health and Safety Code and any other material or substance listed or regulated by any Hazardous Materials Law or posing a hazard to health or the environment. Except as otherwise expressly permitted in this Lease, Tenant shall not use, create, store or allow any hazardous materials on the Premises or use, create, or store any hazardous materials on the Maintenance Area. Fuel stored in a motor vehicle or equipment item for the exclusive use in such vehicle or equipment item is excepted.

In no case shall Tenant cause or allow the deposit or disposal of any hazardous materials on the Premises or cause the deposit or disposal of any hazardous materials on the Maintenance Area; provided, however, that Tenant shall have no obligation to prevent any such deposit or disposal resulting from the Landlord highway structure on the Premises or any use thereof or from the use of the Premises by Landlord or its employees, agents, representatives or invitees. Landlord, or its agents or contractors, shall at all times have the right to go upon and inspect the Premises and the operations thereon to assure compliance with the requirements herein stated. This inspection may include taking samples of substances and materials present for testing, and/or the testing of soils or underground tanks on the Premises; provided, however, that Landlord shall provide Tenant with no less than 10 days' prior written notice of any such sampling or testing.

In the event Tenant breaches any of the provisions of this Section with respect to the Premises or the Maintenance Area and fails to cure such breach within 90 days of receiving written notice of such breach from Landlord, this Lease may be terminated immediately by Landlord and be of no

further force or effect. It is the intent of the parties hereto that Tenant shall be responsible for and bear the entire cost of removal and disposal of hazardous materials introduced to the Premises during Tenant's period of use and possession as owner, operator or Tenant of the Premises. Tenant shall also be responsible for any clean-up and decontamination on or off the Premises necessitated by the introduction of such hazardous materials on the Premises. Tenant shall not be responsible for or bear the cost of removal or disposal of hazardous materials introduced to the Premises by any party other than Tenant during any period prior to commencement of Tenant's period of use and possession of the Premises as owner, operator or Tenant. Tenant shall not be responsible for or bear the cost of removal or disposal of hazardous materials introduced to the Maintenance Area by any party other than Tenant or its agents, contractors, or employees during any period.

Tenant shall further hold Landlord, and its officers and employees, harmless from all responsibility, liability and claim for damages resulting from the presence or use of hazardous materials on the Premises during Tenant's period of use and possession of the Premises.

5.7 Signs

Not more than four (4) facility signs of a size not greater than thirty (30) square feet of surface area may be erected on the Premises. The location of all these signs shall be subject to Landlord's prior approval. None of these signs shall be attached to or painted on any Landlord highway structure without the express written consent of Landlord. All of these signs shall also comply with all applicable requirements of local governmental entities, including governmental approval and payment of any fees.

Except as set forth in the previous paragraph of this Section, Tenant shall not construct, erect, maintain or permit any sign, banner or flag upon the Premises without the prior written approval of Landlord. Landlord shall make all reasonable efforts to notify Tenant in writing of Landlord's approval or disapproval of a proposed sign, banner, or flag on or before the thirtieth (30th) day immediately following Tenant's delivery of written request for Landlord's approval. Tenant shall not place, construct or maintain upon the Premises any advertising media that include moving or rotating parts, searchlights, flashing lights, loudspeakers, phonographs or other similar visual or audio media. The term "sign" means any card, cloth, paper, metal, painted or wooden sign of any character placed for any purpose on or to the ground or any tree, wall, bush, rock, fence, building, structure, trailer or thing. Landlord may remove any unapproved sign, banner or flag existing on the Premises, and Tenant shall be liable to and shall reimburse Landlord for the cost of such removal plus interest as provided in Section 19.11 from the date of completion of such removal.

5.8 Landlord's Rules and Regulations

Tenant shall faithfully observe and comply with the air space lease rules and regulations that Landlord shall from time to time promulgate for the protection of the Landlord freeway structure on the Premises and the safety of the traveling public. Landlord reserves the right from time to time to make reasonable modifications to said rules and regulations. The additions and modifications to those rules and regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant. If such new rules and regulations materially impact Tenant's use of the Premises or Maintenance Area, Tenant shall have the right to terminate this Lease together with the associated license for the Maintenance

Area by delivering written notice of such termination to Landlord within the 90-day period immediately following Tenant's receipt of such new rules and regulations.

5.9 Wrecked Vehicles

Tenant shall not park or store wrecked or inoperable vehicles of any kind on the Premises.

5.10 Vending

No third party vending of any kind or character shall be conducted, permitted or allowed upon the Premises without the prior express written consent of Landlord.

5.11 Water Pollution Control

Tenant shall comply with all applicable State and Federal water pollution control requirements regarding storm water and non-storm water discharges from the Premises and will be responsible for all applicable permits including but not limited to the National Pollutant Discharge Elimination System (NPDES) General Permit and Waste Discharge Requirements for Discharges of Stormwater Associated with Industrial Activities (Excluding Construction), the NPDES General Permit for Stormwater Discharges Associated with Construction and Land Disturbance Activities, and the Caltrans Municipal Separate Storm Sewer System NPDES Permit, and permits and ordinances issued to and promulgated by municipalities, counties, drainage districts, and other local agencies regarding discharges of storm water and non-storm water to sewer systems, storm drain systems, or any watercourses under the jurisdiction of the above agencies. Copies of the current storm water related NPDES permits are available on the State Water Resources Control Board's website at http://www.swrcb.ca.gov/water_issues/programs/stormwater/.

Tenant understands the discharge of non-storm water into the storm sewer system is prohibited unless specifically authorized by one of the permits or ordinances listed above. In order to prevent the discharge of non-storm water into the storm sewer system, vehicle or equipment washing, fueling, maintenance and repair on the Premises is prohibited unless Tenant has a water discharge permit for such activity. In order to prevent the discharge of pollutants to storm water resulting from contact with hazardous material, the storage or stockpile of hazardous material on Premises is strictly prohibited.

Tenant shall implement and maintain the Best Management Practices (BMPs) shown in the attached Stormwater Pollution Prevention Fact Sheet(s) for: Parking and Vehicle Storage marked "Exhibit E" unless Tenant has a water discharge permit for a combined sanitary and stormwater sewer system that serves the Premises, Tenant shall identify any other potential sources of storm water and non-storm water pollution resulting from Tenant's activities on the Premises, which are not addressed by the BMPs, contained in the attached Fact Sheet(s), and shall implement additional BMPs to prevent pollution from those sources. Additional BMPs may be obtained from 2 other manuals:

(1) Right of Way Property Management and Airspace Storm Water Guidance Manual available for review online at: www.dot.ca.gov/hq/row/rwstormwater, and

(2) Construction Site Best Management Practices Manual, available for review online at: www.dot.ca.gov/hq/construc/stormwater/manuals.htm.

In the event of conflict between the attached fact sheet(s), the above-referenced manuals, and this Lease, this Lease shall control.

Tenant has provided Landlord with the Standard Industrial Classification (SIC) code applicable to Lessee's facilities and activities on the Premises. A list of SIC codes regulated under the General Industrial Permit SIC codes may be found at the State Water Resources Control Board website: http://www.waterboards.ca.gov/water_issues/programs/stormwater/gen_indus.shtml. Other SIC codes may be found at www.osha.gov/pls/imis/sicsearch.html.

Landlord, or its agents or contractors, shall at all times have the right to enter and inspect the Premises and the operations thereon to assure compliance with the applicable permits, and ordinances listed above. Inspection may include taking samples of substances and materials present for testing, and/or the testing of storm sewer systems or watercourses on the Premises provided, however, that Landlord shall provide Tenant with no less than 10 days' prior notice of invasive sampling and testing. Invasive sampling and testing is that which involves drilling rigs or other similarly intrusive activities and equipment.

ARTICLE 6. IMPROVEMENTS

No improvements of any kind shall be placed in, on, or upon the Premises, and no alterations shall be made in, on, or upon the Premises without the prior written consent of Landlord and the concurrence of the Federal Highway Administration. Tenant may, at its sole expense, install and maintain any additional fencing and entrances that may be required by its use of the Premises, subject to the approval of the location by Landlord, the Federal Highway Administration and the City of San Francisco and County of San Francisco, acting in its regulatory capacity; provided that Tenant shall at its sole expense construct and maintain sidewalks and driveways at the locations where the additional entrances are installed. In the event Tenant violates any of the provisions of this Article and fails to timely cure such violation on receiving written notice thereof from Landlord, this Lease may be terminated immediately by Landlord and be of no further force or effect.

6.1 Initial Improvements

Prior to the Commencement Date, Tenant installed paving, fencing and lighting at the Premises (the "Initial Improvements") pursuant to a Right of Entry issued by Landlord to Tenant for the Premises on February 5, 2007. Depictions of the Initial Improvements are attached as "Exhibit B" to this Lease. No improvements of any kind shall be placed in, on, or upon the Premises, and no alterations shall be made in, on, or upon the Premises other than the Initial Improvements without the prior written consent of Landlord. Tenant shall be solely responsible for maintaining the Initial Improvements and all improvements constructed by Tenant on the Premises in a good and clean condition as specified in Article 8 below.

Tenant shall be liable for any and all improvement construction activities, permitted or not, that occur on the Premises during the term of this Lease, and shall indemnify and hold Landlord harmless from any claims of liability with respect to the Initial Improvements or any other improvements installed by Tenant arising solely from Landlord's ownership of the Premises during the term of this Lease. Tenant's obligations pursuant to the foregoing sentence shall not apply to any claims of

liability arising from any acts at the Premises by Landlord or its officers, employees, or agents, from any gross negligence or willful misconduct by Landlord or its officers, employees, or agents, from any liability arising from the operation of any highway structure on the Premises, or arising during any period during which Landlord has possession of the Premises.

6.2 Subsequent Improvements

If Tenant desires any additional improvements in, on, or upon the Premises, or any alterations to said Premises, including landscaping, Tenant shall prepare development plans describing the proposed additional improvements or alterations, and shall submit such development plans to Landlord, for review by Landlord and Federal Highway Administration ("FHWA"). Tenant shall not make any additional improvements or alterations, including landscaping, without the review and approval of the Landlord and FHWA documented by the issuance of a Caltrans Encroachment Permit.

Tenant shall begin the construction of any additional improvements on the Premises within 90 days after obtaining an appropriate encroachment permit to construct such additional improvements from the Landlord. All work shall be completed according to the development plan within 360 days of the issuance of such encroachment permit.

Tenant shall be liable for any and all construction performed by or for Tenant, permitted or not, that may occur on the Premises and its improvements during the term of this Lease, and shall indemnify and hold Landlord harmless from any claims of liability with respect to such construction activities arising solely from Landlord's ownership of the Premises during the term of this Lease. Tenant's obligations pursuant to the foregoing sentence shall not apply to any claims of liability arising from any acts at the Premises by Landlord or its officers, employees, or agents, from any gross negligence or willful misconduct by Landlord or its officers, employees, or agents, from any liability arising from the operation of any highway structure on the Premises, or arising during any period during which Landlord has possession of the Premises.

ARTICLE 7. SURRENDER OF PREMISES AT EXPIRATION OR TERMINATION OF LEASE

At the expiration or earlier termination of this Lease, Tenant shall peaceably and quietly leave, surrender, and yield up to Landlord the Premises together with all appurtenances and fixtures in good order, condition and repair, reasonable wear and tear excepted.

ARTICLE 8. OWNERSHIP AND REMOVAL OF IMPROVEMENTS AND PERSONAL PROPERTY

8.1 Ownership of Improvements

The Initial Improvements and all improvements constructed and affixed on the Premises pursuant to Article 6 shall, at the expiration or termination of this Lease, vest in Landlord. Tenant shall not remove any of these improvements from the Premises nor waste, destroy or modify them in any way. Tenant shall deliver these improvements to Landlord in good condition and repair, reasonable wear and tear excepted, without compensation to Tenant, any subtenant or third party, free and clear of all claims to or against them by Tenant, any subtenant or third party, and Tenant shall

defend and hold Landlord harmless from all liability arising from such claims or from the exercise by Landlord of its rights under this section. Landlord and Tenant covenant for themselves and all persons claiming under or through them that the improvements installed by Tenant and affixed to the Premises are real property.

8.2 Removal of Personal Property and Ownership at Termination

Any signs or other appurtenances that are not affixed to, but placed on, the Premises by Tenant under this Lease are the personal property of Tenant. At the expiration or earlier termination of this Lease, Tenant shall remove all personal property placed on the Premises and shall restore the Premises to the condition it was in on the Commencement Date, at Tenant's sole expense; subject to any affixed improvements Tenant leaves at the Premises pursuant to Section 8.1. Any personal property not removed by Tenant after thirty (30) days from Landlord's sending written notice to Tenant may be removed by Landlord. Tenant shall be liable to Landlord for all costs incurred by Landlord in effecting the removal of personal property and restoring the Premises. Landlord may, in its sole discretion, declare all personal property not removed by Tenant to be abandoned by Tenant and this property shall, without compensation to Tenant, become Landlord's property, free and clear of all claims to or against it by Tenant or any other person.

8.3 Liens

(a) Exemption of Landlord from Liability

Tenant shall at all times indemnify and save Landlord harmless from all claims for labor or materials in connection with construction, repair, alteration, or installation of structures, improvements, equipment or facilities by Tenant or Tenant's agents within the Premises, and from the cost of defending against such claims, including attorney fees.

(b) Tenant's Obligations

In the event a lien is imposed upon the Premises as a result of such construction, repair, alteration or installation by Tenant or Tenant's agents, Tenant shall either:

- (1) Record a valid Release of Lien, or
- (2) Deposit sufficient cash with Landlord to cover the amount of the claim on the lien in question and authorize payment to the extent of said deposit to any subsequent judgment holder that may arise as a matter of public record from litigation with regard to a lienholder claim, or
- (3) Procure and record a bond in accordance with Section 3143 of the California Civil Code, which frees the Premises from the claim of the lien and from any action brought to foreclose the lien.

Should Tenant fail to accomplish one of the three optional actions within 15 days after the filing of such a lien, the Lease shall be in default and shall be subject to immediate termination if Tenant fails to cure such matter within 60 days of receiving written notice thereof from Landlord.

ARTICLE 9. MAINTENANCE AND REPAIRS

9.1 Tenant's Obligations

Tenant, at its own cost and expense, shall maintain the Premises, and keep it free of all grass, weeds, debris, and flammable materials of every description. Tenant shall ensure that the Premises is at all times in an orderly, clean, safe, and sanitary condition. Landlord requires a high standard of cleanliness, consistent with the location of the Premises as an adjunct of the California State Highway System.

Tenant hereby expressly waives the right to make repairs at the expense of Landlord and waives the benefit of the provisions of Sections 1941 and 1942 of the California Civil Code or any successor thereto.

Tenant shall take all steps necessary to protect effectively all highway improvements on the Premises from damage incident to Tenant's use of the Premises, all without expense to Landlord. Tenant shall, at its own cost and expense, repair in accordance with Landlord's standards any damage to Landlord's highway structure on the Premises, including, but not limited to, all fences, guardrails, piers and columns, if any, caused by Tenant, subtenants, invitees or other third parties. At Tenant's request, Landlord will repair the damage to its property, and Tenant agrees to reimburse Landlord promptly after demand for the amount Landlord has reasonably expended to complete the repair work.

Tenant shall be responsible for the care, maintenance, and any required pruning of trees, shrubs, or any other landscaping on the Premises. Tenant assumes the liability for any damage or injury caused by any falling branches or other such materials from any tree or shrub whether the branches fall due to lack of maintenance or act of god or any other natural or unnatural causes. Tenant's liability insurance required within Article 10 shall cover any damage caused by any falling tree or shrub branches or other materials; and, furthermore, per the same Article 10, Tenant covenants and agrees to indemnify and save harmless Landlord from all liability, loss, cost, and obligation on account of any injuries or losses caused by any falling branches or material from any tree or shrub.

Tenant shall designate in writing to Landlord a representative who shall be responsible for the day-to-day operation and level of maintenance, cleanliness and general order of the Premises and will be responsible for the removal of debris and trimming of vegetation in the Maintenance Area pursuant to Section 2.2 above.

9.2 Landlord's Rights

In the event Tenant fails to perform Tenant's obligations under this Article, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If within ten (10) business days after Landlord sends written notice to repair, Tenant fails to commence to do the work and diligently proceed in good faith to prosecute it to completion, Landlord shall have the right, but not the obligation, to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand plus interest as provided in Section 19.11 from the date of completion of such work to date of payment. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work.

ARTICLE 10. INSURANCE

10.1 Exemption of Landlord from Liability

This Lease is made upon the express condition that Landlord is to be free from all liability and claims for damages by reason of any injury to any person or persons, including Tenant, or property of any kind whatsoever and to whomsoever belonging, including Tenant, from any cause or causes resulting from the operation or use of the Premises by Tenant or its agents, contractors, employees, or invitees. Tenant hereby covenants and agrees to defend, indemnify and save harmless Landlord, its officers, employees, and agents from any and all liability, loss, cost, and all other claims or obligations of every kind on account of any such injuries or losses.

Landlord agrees to defend, indemnify and save harmless Tenant, its officers, employees, and agents from claims, suits or actions for personal injury or damage to property arising from the activities of Landlord or its officers, employees, and agents at the Premises, except to the extent such claims, suits or actions arise (i) by reason of the negligence of Tenant, its officers, employees, invitees, and agents, or (ii) from a temporary or permanent loss of possession of the Premises by Tenant under Article 12.

10.2 Commercial General Liability Insurance

Except as otherwise provided in Section 10.8, Tenant shall at its own cost and expense procure and keep in force during the term of this Lease, comprehensive bodily injury liability and property damage liability insurance adequate to protect Landlord, its officers, agents and employees, against any liability to the public resulting from injury or death of any person or damage to property in connection with the area, operation or condition of the Premises, including any and all liability of Landlord for damage to vehicles parked on the Premises. Such insurance shall be in an amount of not less than \$5,000,000 combined single limit for bodily injury and property damage. The limits of such insurance shall not limit the liability of Tenant. All insurance required hereunder shall be with companies to be approved by Landlord. All such policies shall be written as primary policies, not contributing with and not in excess of coverage which Landlord may carry. Said policies shall name the State as an additional insured and shall insure against the contingent liabilities, if any, of Landlord and the officers, agents, and employees of Landlord and shall obligate the insurance carriers to notify Landlord, in writing, not less than thirty (30) days prior to the cancellation thereof, or any other change affecting the coverage of the policies. If said policies contain any exclusion concerning property in the care, custody or control of the insured, an endorsement shall be attached thereto stating that such exclusion shall not apply with regard to any liability of the State of California, its officers, agents, or employees. Tenant shall furnish to Landlord a Certificate of Insurance acceptable to Landlord within not more than ten (10) days after execution thereof. Landlord shall retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If, in the opinion of Landlord, the insurance provisions in this Lease do not provide adequate protection for Landlord and for members of the public using the Premises, Landlord may require Tenant to obtain insurance sufficient in coverage, form and amount to provide adequate protection. Landlord's requirements shall be reasonable but shall be designed to assure protection from and against the kind and extent of the risks which exist at the time a change in insurance is required. Landlord shall notify Tenant in writing

of changes in the insurance requirements; and if Tenant does not deposit copies of acceptable insurance policies with Landlord incorporating such changes within sixty (60) days of receipt of such notice, this Lease may be terminated, at Landlord's option, without further notice to Tenant, and be of no further force and effect.

10.3 Business Automobile Liability Insurance

Except as otherwise provided in Section 10.8, Tenant shall obtain and keep in effect at all times during the term of this Lease business automobile liability insurance in an amount not less than \$1,000,000 for each occurrence combined single limit for bodily injury and property damage, including coverage for owned, non-owned and hired automobiles, as applicable. Any deductible under such policy shall not exceed \$10,000 each occurrence.

10.4 [Intentionally deleted]

10.5 Workers' Compensation Insurance

Except as otherwise provided in Section 10.8, Tenant shall obtain and keep in effect at all times during the term of this Lease workers' compensation insurance, including employers' liability, in an amount not less than \$1,000,000 for each accident, covering all employees employed in or about the Premises to provide statutory benefits as required by the laws of the State of California. Said policy shall be endorsed to provide that the insurer waives all rights of subrogation against Landlord.

10.6 Failure to Procure and Maintain Insurance

If Tenant fails to procure or maintain the insurance required by this Article in full force and effect, and fails to cure such matter within 30 days of receiving written notice of such failure from Landlord, this Lease may be terminated immediately by Landlord and be of no further force or effect. In addition, if Tenant fails to procure or maintain the insurance required by this Article, Tenant shall cease and desist from operating any business on the Premises and the improvements erected thereon and shall prevent members of the public from gaining access to the Premises during any period in which such insurance policies are not in full force and effect.

10.7 Waiver of Subrogation

Tenant hereby waives any and all rights of recovery against Landlord, or against the officers, employees, agents and representatives of Landlord, for loss of or damage to Tenant or its property or the property of others under its control to the extent that such loss or damage is insured against under any insurance policy in force at the time of such loss or damages. Tenant shall give notice to its insurance carrier or carriers that the foregoing waiver of subrogation is contained in the Lease.

10.8 Self-Insurance Coverage

Notwithstanding any other provision of this Agreement, the insurance required under Article 10 may include a self-insurance program, which Landlord must specifically pre-approve. No such self-

insurance program shall diminish the rights and privileges to which Landlord would otherwise have been entitled to under the terms of this Agreement had there been a third-party insurer.

Landlord acknowledges Tenant maintains a self-insurance program and agrees that Tenant shall not be required to carry any third party insurance with respect to this Lease at any time that Tenant maintains such self-insurance. Landlord agrees Tenant's self-insurance is sufficient to meet Tenant's insurance obligations under this Lease if the self-insurance provides coverage as broad as a Commercial General Liability insurance policy, as provided on ISO Form CG 0001 or equivalent, for the Premises. Tenant's self-insurance shall include such coverage as would have been covered by Commercial General Liability Insurance with respect to the Premises, with limits of liability of not less than Five Million Dollars (\$5,000,000) per occurrence with no aggregate limit. Landlord acknowledges it has received Tenant's certificate of self-insurance specifying the extent of self-insurance coverage hereunder and containing a waiver of subrogation provision reasonably satisfactory to Landlord.

Tenant is also required to notify Landlord in writing not less than thirty (30) days prior to the effective date of the termination of its self-insurance coverage. If such notice is given, Tenant is required to obtain a Commercial General Liability policy providing the coverage required by this Article and an effective date the same as the termination date of the self-insurance to avoid any disruption in coverage. If Tenant purchases a Commercial General Liability policy to meet the requirements of this Article, Tenant shall have Landlord named as an additional insured under the policy and provide a copy of the complete policy to Landlord. Execution of this Lease shall be Tenant's acknowledgment that Tenant's self-insurance program meets the requirements of this provision and that Tenant will be bound by all laws as if the Tenant were an insurer as defined under Section 23 of the California Insurance Code.

10.9 Completed Operations Coverage

To cover all liability related to any defective design or construction of any improvements at the Premises, Tenant shall require all third party design professionals or contractors used by City to design or construct the improvements to carry, during such design or construction period, professional liability coverage insuring against negligent acts, errors or omissions in connection with such contractor's design or construction work. Tenant shall also require any third party contractor for the construction of the improvements to provide commercial completed operations insurance coverage for such construction for the period required under applicable law.

ARTICLE 11. PAYMENT OF TAXES

Tenant agrees to pay and discharge, or cause to be paid and discharged when due, before the same become delinquent, all taxes, assessments, impositions, levies and charges of every kind, nature and description, whether general or special, ordinary or extraordinary, which may at any time or from time to time during the term of this Lease, by or according to any law or governmental, legal, political, or other authority whatsoever, directly or indirectly, be taxed, levied, charged, assessed or imposed upon or against, or which shall be or may be or become a lien upon the Premises or any buildings, improvements or structures at any time located thereon, or any estate, right, title or interest of Tenant in and to the Premises, buildings, improvements or structures. Specifically, and without placing any

limitation on Tenant's obligations under the immediately preceding sentence, Tenant shall pay when due, before delinquency, any and all possessory interest taxes, parking taxes, workers' compensation, taxes payable to the California Franchise Tax Board, personal property taxes on fixtures, equipment and facilities owned by Tenant, whether or not the same have become so fixed to the land as to comprise a part of the real estate.

Tenant understands that any possessory interest of Tenant created in the Premises by this Lease may be subject to property taxation and that Tenant may be liable for payment of any such tax levied on such interest. Any obligation of Tenant under this Article, including possessory interest tax that the city or county may impose upon Tenant's interest herein, shall not reduce any rent due Landlord hereunder and any such obligation shall become the liability of and be paid by Tenant. In the event Tenant defaults in the payment of any of the obligations set forth in this Article, this Lease may be terminated immediately by Landlord and be of no further force or effect.

ARTICLE 12. RIGHT OF ENTRY

12.1 Inspection, Maintenance, Construction and Operation of Freeway Structures

Landlord, through its agents or representatives, and other city, county, state and federal agencies, through their agents or representatives, shall have full right and authority to enter in and upon the Premises and any building or improvements situated thereon at any and all reasonable times during the term of this Lease for the purpose of inspecting the same without interference or hindrance by Tenant, its agents or representatives.

Landlord further reserves the right of entry for the purpose of inspecting the Premises, or the doing of any and all acts necessary or proper on said Premises in connection with the protection, maintenance, reconstruction, and operation of the freeway structures and its appurtenances; provided, further, that Landlord reserves the further right, at its discretion, to immediate possession of the same in case of any national or other emergency, or for the purpose of preventing sabotage, and for the protection of said freeway structures, in which event the term of this Lease shall be extended for a period equal to the emergency occupancy by Landlord, and during said period Tenant shall be relieved, to the degree of interference, from the performance of conditions or covenants specified herein. Landlord further reserves the right of entry by any authorized officer, engineer, employee, contractor or agent of the Landlord for the purpose of performing any maintenance activities upon the property which Tenant has failed to perform after the expiration of the applicable cure period specified in Article 9.

12.2 Future Transportation Projects

(a) Landlord's Right to Possession of Premises

Tenant understands and acknowledges that Landlord may, during the term of this Lease, construct an "Approved and Funded Transportation Project", which may require the temporary or permanent use of all or a portion of the Premises. An "Approved and Funded Transportation Project" is defined as a proposed transportation facility to be constructed by Landlord where the funds necessary to construct the facility are available to Landlord (regardless of the source of the funds) and

where the transportation facility can reasonably be expected to be constructed within a reasonable period of time following termination of this Lease as provided in this Article.

In the event Landlord determines that the Premises or any portion thereof will be affected by an "Approved and Funded Transportation Project", Landlord shall immediately notify Tenant of its intent to take possession of all or a portion of the Premises and shall provide Tenant with at least ninety (90) days written notice within which to vacate the required area. Landlord's notice to Tenant shall indicate the area of the Premises to be taken. If possession is to be a temporary use of all or part of the Premises, Landlord shall additionally state in such notice to Tenant Landlord's reasonable estimate of the period of time of such temporary use by Landlord and shall restore the surface of such part of the Premises at the time it is returned to Tenant. Upon the date Landlord is entitled to possession of the Premises, or portion thereof, Tenant shall peaceably surrender possession of the Premises, or portion thereof, and comply with the restriction as stated in the notice. The failure of Tenant to vacate the required area of the Premises shall constitute a material default and breach of this Lease entitling Landlord to exercise its rights and remedies.

(b) Reduction of Monthly Rent if Lease Remains Effective .

For the period during which Landlord has taken possession of the Premises under this section, and if this Lease remains effective, Tenant shall be entitled to receive a reduction in monthly Rent for the term of Landlord's use of the area of the Premises used by Landlord. The rent will be reduced by the same percentage as the useable square footage reduction as required by State's project.

(c) Tenant's Sole Rights; Tenant's Waiver.

Landlord's taking of possession of the Premises under this Section 12.2 does not constitute a taking or damaging entitling Tenant to compensation under any Condemnation provisions. The reduction in monthly Rent as provided herein shall be Tenant's sole remedy against Landlord for Tenant's inability to possess or use part or all of the area of the Premises as a result of an "Approved and Funded Transportation Project," and Tenant expressly agrees to hold Landlord harmless from any and all liability for, and expressly waives any right it may have to recover against Landlord, damages to the Premises, any improvements thereon, any claim for loss of business goodwill or otherwise resulting from Tenant's inability to use or possess all or any portion of the Premises as a result of an "Approved and Funded Transportation Project". In addition, Tenant expressly recognizes that it is not entitled to receive benefits under the federal or state Uniform Relocation Assistance Act (United States Code, Section 7260, et seq.) as a result of Landlord's use or possession of any portion of the Premises an "Approved and Funded Transportation Project". Landlord agrees to instruct its authorized representatives to minimize the effect of any required construction on Tenant's use of the Premises, both in the construction phase and in the permanent effect on the Premises in connection with an "Approved and Funded Transportation Project".

12.3 Maintenance Work and Retrofitting of Freeway Structures

Tenant understands and agrees that Landlord may be required to perform maintenance or retrofit work on all or a part of the freeway structures that are situated on and above the Premises. Landlord shall have the right to impose such restrictions on Tenant's right to enter, occupy, and use the

Premises and to maintain the existing improvements or construct improvements thereon as Landlord deems are necessary to enable it to complete construction of all freeway structural retrofit work without interference from Tenant.

In the event Landlord determines that it needs to obtain possession of all or a portion of the Premises, or needs to place restrictions on Tenant's use of the Premises, pursuant to this Section, Landlord shall, at least thirty (30) days prior to the effective date of the commencement of such possession or restrictions notify Tenant in writing describing the extent of the possession or restrictions and the effective date of their commencement. Upon the effective date of said notice, Tenant shall peaceably surrender possession of the Premises and comply with the restrictions as stated therein. The minimum monthly rent stated in Section 4.1, as adjusted and reevaluated in accordance with Section 4.2 or 4.3 and 4.4, shall be reduced by an amount equal to the proportion which the area of the portion of the Premises which Tenant is restricted from using or which has been surrendered to Landlord bears to the total area of the leased Premises. This reduction in rent shall be Tenant's sole remedy against Landlord for Tenant's inability to possess or use the entire area of the Premises, and Tenant agrees to hold Landlord harmless from any and all liability for, and expressly waives any right it may have to recover against Landlord, damages to the Premises, any improvements constructed on the Premises, and waives its right to use or possess any portion of the Premises or improvements thereon, and damages to any other property, project or operation caused by Landlord's possession, imposition of restrictions or Tenant's inability to use or possess all or any portion of the Premises. In addition, Tenant expressly recognizes that it is not entitled to receive benefits under the federal or state Uniform Relocation Assistance Acts (United States Code, title 42, Section 4601, et seq.; California Government Code, Section 7260, et seq.) as a result of Landlord's use or possession of any portion of the Premises.

Tenant shall conduct its operations on the Premises in such a manner so as not to interfere with Landlord's or its contractor's performance of any structural retrofit work done on or above the Premises. Tenant acknowledges that the performance of the structural retrofit work may cause damage to paving or other improvements constructed by Tenant on the Premises. Tenant expressly agrees to hold Landlord harmless from all such damage to its improvements, provided that at the conclusion of the retrofit work, Landlord shall restore the surface of the Premises to its preexisting condition at no cost to Tenant.

12.4 Reinstitution of Lease.

If Landlord takes possession of all or a portion of the Premises in accordance with the preceding provisions of this Article 12, Landlord shall notify Tenant that Landlord has completed the use or work requiring such repossession within thirty days after Landlord completes such use or work, and if requested by Tenant in writing within ninety days thereafter, either (i) in the case of a partial repossession by Landlord, Tenant shall be entitled to lease the entire Premises (i.e., the initial Premises leased before Landlord's repossession) and pay the corresponding minimum monthly rent for the remainder of the Lease term and (ii) in the case of a total repossession by Landlord and termination of the Lease, Landlord shall enter into a new lease with Tenant with respect to the entire Premises with substantially the same terms and conditions as set forth in this Lease (except that the expiration date of the new lease shall be extended one day for each day between the date of Landlord's repossession and

the commencement date of the new lease or any earlier date selected by the Tenant), which together with Landlord's obligation to restore the surface of the Premises to substantially the condition in which it was in immediately prior to Landlord taking possession pursuant to this Article 12, shall be Landlord's only obligation to Tenant in the case it repossesses all of the Premises.

ARTICLE 13. CONDEMNATION BY PUBLIC ENTITIES OTHER THAN LANDLORD

13.1 Definitions

(a) "Condemnation" means (1) the exercise of the power of eminent domain, whether by legal proceedings or otherwise, by a public entity having that power, that is, a condemnor, and (2) a voluntary sale or transfer to any condemnor, either under the threat of condemnation or while legal proceedings in condemnation are pending.

(b) "Award" means all compensation, sums, or anything of value awarded, paid or received upon a total or partial condemnation of the Premises.

(c) "Substantial taking" means a taking of a portion of the Premises by condemnation which, assuming a reasonable amount of reconstruction on the remainder, substantially impairs Tenant's ability to use the remainder for the purposes permitted under this Lease.

13.2 Termination of Lease as to Part Condemned

In the event the whole or any part of the Premises is taken by condemnation by a public entity, other than Landlord, in the lawful exercise of its power of eminent domain, this Lease shall cease as to the whole or the part condemned upon the date possession of the whole or that part is taken by the public entity.

13.3 Partial Taking

If a part of the Premises is taken by condemnation but there is no substantial taking of the Premises, Tenant shall continue to be bound by the terms, covenants, and conditions of this Lease as to the remainder. However, if the fair rental value of the remainder will be less than the rent required by this Lease, the minimum monthly rent shall be reduced to an amount equal to the fair rental value of the remainder as of the date possession of the part is taken by the public entity.

If the part taken by condemnation constitutes a substantial taking of the Premises, Tenant may elect to:

(a) Terminate this Lease and be absolved of obligations hereunder which have not accrued at the date possession is taken by the public entity; or

(b) Continue to occupy the remainder of the Premises and remain bound by the terms, covenants and conditions of this Lease as to the remainder. If Tenant elects to continue to occupy the remainder, and if the fair rental value of the remainder will be less than the rent required by this Lease, the minimum monthly rent shall be reduced to the fair rental value of the remainder as of the date possession of the part is taken by the public entity.

Tenant shall give notice in writing of its election to terminate this Lease hereunder within thirty (30) days of the date possession of the part is taken by the public entity. If Tenant fails to give Landlord its written notice of termination within the time specified, this Lease shall remain in full force and effect except that the minimum monthly rental shall be reduced as provided in this section.

If it continues to occupy the remainder, Tenant, whether or not the award upon the taking by condemnation is sufficient for the purpose, shall, at its expense, within a reasonable period of time, commence and complete restoration of the remainder of the Premises as nearly as possible to its condition and character immediately prior to such taking; provided, however, that in the case of a taking for temporary use, Tenant shall not be required to effect restoration until such taking is terminated. Tenant shall submit to Landlord its plans for the restoration of the remainder within ninety (90) days of the date possession of the part is taken by the public entity.

13.4 Adjustment of Rent

Should a portion of the Premises be condemned and the rent be reduced as provided above, the reduced rent shall continue to be subject to adjustment and reevaluation in accordance with Article 4.

13.5 Compensation

Landlord shall be entitled to receive and shall receive all compensation for the condemnation of all or any portion of the Premises by exercise of eminent domain except as hereinafter provided. Tenant shall be entitled to that portion of said compensation which represents the present worth as of the date possession is taken by the public entity of the remaining use under the Lease of all improvements constructed by Tenant on the Premises located within the part taken by the public entity. Tenant may also assert a claim for loss of business goodwill under the provisions of Section 1263.510 of the California Code of Civil Procedure.

If all or a portion of the Premises is condemned at a time when Tenant possesses an interest in real property located outside the Premises (hereinafter called "outside property"), Tenant may claim entitlement to an award of damages accruing to the outside property by reason of the severance therefrom of the condemned portion of the Premises as provided in the Eminent Domain Law (California Code of Civil Procedure Sections 1230.010 through 1273.050).

ARTICLE 14. UTILITIES

Tenant shall pay when due, and shall hold Landlord harmless from any liability for, all charges for water, gas, heat, light, power, telephone, sewage, air conditioning and ventilating, scavenger, janitorial and landscaping services and all other materials and utilities supplied to the Premises. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service furnished to the Premises, and no such failure or interruption shall entitle Tenant to terminate this Lease.

ARTICLE 15. DEFAULT

15.1 Default

The occurrence of any of the following shall constitute a material breach and default of this Lease by Tenant.

(a) Any failure by Tenant to pay rent or any other monetary sums required to be paid hereunder, where such failure continues for ten (10) business days after written notice thereof has been given by Landlord to Tenant.

(b) The abandonment or vacation of the Premises by Tenant. Failure to occupy and operate the Premises for sixty (60) consecutive days following the mailing of written notice from Landlord to Tenant calling attention to the abandonment shall be deemed an abandonment or vacation.

(c) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets, where possession is not restored to Tenant within forty-five (45) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets, where such seizure is not discharged within sixty (60) days.

(d) The failure by Tenant to comply with any applicable provision of any law, statute, zoning restriction, ordinance or governmental rule, regulation or requirement as set forth in Section 5.3 of this Lease where such failure continues for ninety (90) days after written notice thereof by Landlord to Tenant.

(e) The failure by Tenant to comply with the requirements regarding hazardous materials as set forth in Article 5 of this Lease where such failure continues for sixty (60) days after written notice thereof by Landlord to Tenant.

(g) The construction by Tenant of any improvements on the Premises contrary to the provisions of Article 6 of this Lease if Tenant fails to remove such unauthorized improvements within sixty (60) days after written notice thereof by Landlord to Tenant.

(h) The failure by Tenant to pay any tax, assessment, imposition, levy or charge of any kind as set forth in Article 11 of this Lease where such failure continues for sixty (60) days after written notice thereof by Landlord to Tenant.

(i) The failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for sixty (60) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that it cannot be reasonably cured within such sixty (60) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.

15.2 Landlord's Remedies

In the event of any material default or breach by Tenant, Landlord may at any time thereafter, without limiting Landlord in the exercise of any right of remedy at law or in equity which Landlord may have by reason of such default or breach, terminate Tenant's right to possession by any lawful means; in which case this Lease shall immediately terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the following:

(a) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that is proved could have been reasonably avoided; plus

(c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that is proved could be reasonably avoided; plus

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of events would be likely to result therefrom; plus

(e) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable State law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Premises, which Landlord in its sole discretion deems reasonable and necessary. As used in subparagraphs (a) and (b), above, the "worth at the time of award" is computed by including interest on the principal sum at a rate one percent (1%) above the discount rate of the Federal Reserve Bank of San Francisco from the date of default. As used in subparagraph (c), above, the "worth at the time of award" is computed by discounting such amount at a rate one percent (1%) above the discount rate of the Federal Reserve Bank of San Francisco at the time of award. The term "rent" as used in this Article shall be deemed to be and to mean rent to be paid pursuant to Article 4 and all other monetary sums required to be paid by Tenant pursuant to the terms of this Lease.

15.3 Late Charges

Tenant hereby acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due, a late charge equal to one and one half percent (1.5%) of the payment due and unpaid plus \$100.00 shall be added to the payment, and the total sum shall become immediately due and payable to Landlord. An additional charge of one and one half percent (1.5%) of such payment, excluding late charges, shall be added for each additional month that such payment remains unpaid. Landlord shall apply any monies received from Tenant first to any accrued delinquency charges and then to any other payments due under the Lease. The parties hereby agree that such late charges represent a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect

to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

ARTICLE 16. ASSIGNMENTS, TRANSFERS, SUBLEASES AND ENCUMBRANCES

16.1 Voluntary Assignments and Subleases

Tenant shall not voluntarily assign, transfer or encumber its interest in this Lease or in the Premises, or sublet all or any part of the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises without first obtaining Landlord's written consent and the concurrence of the Federal Highway Administration, unless otherwise expressly permitted by the provisions of this Article. Landlord may withhold its consent to any such assignment, transfer, encumbrance or sublease unless all of the following express conditions are satisfied:

(a) Landlord receives compensation from Tenant upon the assignment, transfer, sale, sublease or encumbrance of any of Tenant's rights in the Premises in an amount calculated in accordance with the provisions of Section 4.7.

(b) Landlord receives and has the right to receive fifty percent (50%) of any and all consideration, whether in present payments or in future payments, which Tenant receives from an assignee, transferee or subtenant in excess of the amount of rent Tenant is obligated to pay to Landlord under this Lease.

(c) At Landlord's option, a new minimum monthly rental rate may be established in accordance with the provisions of Section 4.4, 4.5, or 4.6.

Tenant's failure to obtain Landlord's required written approval of any assignment, transfer, sublease or encumbrance shall render such assignment, transfer, sublease or encumbrance void. Occupancy of the Premises by a prospective transferee, sublessee or assignee before approval of the transfer, sublease or assignment by Landlord shall constitute a breach of this Lease. Landlord's consent to any assignment, sublease or encumbrance shall not constitute a waiver of any of the terms, covenants or conditions of this Lease. Such terms, covenants and conditions shall apply to each and every assignment, sublease and encumbrance of this Lease and shall be severally binding upon each and every party thereto. Any document to mortgage, pledge, hypothecate, encumber, transfer, sublet, or assign the Premises or any part thereof shall incorporate directly or by reference all the provisions of this Lease.

16.2 Change in Partnership or Limited Liability Partnership

If Tenant is a partnership or limited liability partnership, a withdrawal or change, voluntary, involuntary or by operation of law, or the dissolution of the partnership, shall be deemed a voluntary assignment subject to the provisions of Section 16.1. However, Tenant shall have the right, without any requirement to obtain Landlord's consent or make any payment to Landlord, to assign all of Tenant's rights and obligations under this Lease to any person or entity that directly or indirectly controls, is controlled by or is under common control with Tenant.

16.3 Change in Tenants

If Tenant consists of more than one person, a purported assignment, voluntary, involuntary or by operation of law, from one tenant to another shall be deemed a voluntary assignment subject to the provisions of Section 16.1. However, Tenant shall have the right, without any requirement to obtain Landlord's consent or make any payment to Landlord, to assign all of Tenant's rights and obligations under this Lease to any person or entity that directly or indirectly controls, is controlled by or is under common control with Tenant.

16.4 Change in Corporation or Limited Liability Company

If Tenant is a corporation or limited liability company, any dissolution, merger, consolidation, or other reorganization of Tenant, or the sale or other transfer of a controlling percentage of the capital stock of Tenant, or the sale of 51% of the value of the assets of Tenant, shall be deemed a voluntary assignment subject to the provisions of Section 16.1. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least 51% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding, and entitled to vote for the election of directors or a controlling interest in the LLC. However, Tenant shall have the right, without any requirement to obtain Landlord's consent or make any payment to Landlord, to assign all of Tenant's rights and obligations under this Lease to any person or entity that directly or indirectly controls, is controlled by or is under common control with Tenant.

16.5 Assignment of Rent from Subtenants

Tenant immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any subletting of all or a part of the Premises as permitted by this Lease, and Landlord, as assignee and attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of an act of default by Tenant, Tenant shall have the right to collect such rent.

16.6 Information to be Supplied to Landlord

Tenant shall supply Landlord with all information Landlord determines to be necessary on all persons or firms to which Tenant proposes to sublet, transfer or assign any of its interest in the Premises, or which might establish rights to enter, control, or otherwise encumber the Premises by reason of any agreement made by Tenant. In addition, with respect to any proposed sublease, transfer or assignment, Tenant shall provide Landlord with:

- (a) a copy of all documents relating thereto,
- (b) a statement of all terms and conditions of said transaction, including the consideration therefor,
- (c) a copy of the financial statement of the prospective subtenant, transferee or assignee, and
- (d) a copy of all documents showing compliance by the prospective subtenant, transferee or assignee with all of the bid eligibility requirements contained in the bid package.

16.7 Processing Fees for Assignments, Transfers and Subleases

(a) In addition to the sum specified in Section 4.7, a fee of one thousand five hundred dollars (\$1,500) shall be paid to Landlord for processing each consent to assignment, transfer, or sublease to Landlord as required by this Lease. This processing fee shall be deemed earned by Landlord when paid and shall not be refundable.

(b) If a processing fee has been paid by Tenant for another phase of the same transaction, a second fee will not be charged.

(c) The amounts specified above for processing fees shall be automatically adjusted at the end of the first year of this Lease and every year thereafter in accordance with an annual fee schedule adopted by Landlord. Landlord shall make said fee schedule available to Tenant upon receiving a request therefor.

16.8 Encumbrances

Tenant shall not encumber the Premises in any manner whatsoever.

ARTICLE 17. NONDISCRIMINATION

Tenant, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person, on the ground of race, color, or national origin shall be excluded from participation in, be denied the benefits of, or otherwise subjected to discrimination in the use of said facilities, (2) in connection with the construction of any improvements on said land and the furnishing of services thereon, no discrimination shall be practiced in the selection of employees and contractors, by contractors in the selection and retention of first-tier subcontractors, and by first-tier subcontractors in the selection and retention of second-tier subcontractors, (3) such discrimination shall not be practiced against the public in its access to and use of the facilities and services provided for public accommodations (such as eating, sleeping, rest, recreation, and vehicle servicing) constructed or operated on, over, or under the Premises, and (4) Tenant shall use the land in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Part 21 (49 C.F.R., Part 21) and as said regulations may be amended. In the event of breach of any of the above nondiscrimination covenants, the Landlord shall have the right to terminate this Lease, and to re-enter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued.

ARTICLE 18. SECURITY DEPOSIT

None

ARTICLE 19. ADDITIONAL PROVISIONS

19.1 Quiet Enjoyment

Landlord covenants and agrees with Tenant that upon Tenant paying rent and other monetary sums due under the Lease and performing its covenants and conditions, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the term of this Lease.

19.2 Captions, Attachments, Defined Terms

The captions of the Articles of this Lease are for convenience only and shall not be deemed to be relevant in resolving any question of interpretation or construction of any section of this Lease. Exhibits attached hereto, and addenda and schedules initiated by the parties, are deemed by attachment to constitute part of this Lease and are incorporated herein. The words "Landlord" and "Tenant," as used herein, shall include the plural as well as the singular. Words used in neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter. If there be more than one Landlord or Tenant, the obligations hereunder imposed upon Landlord or Tenant shall be joint and several. If the Tenants are husband and wife, the obligations shall extend individually to their sole and separate property as well as to their community property.

19.3 Entire Agreement

This instrument along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this Lease and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves and their agents and representatives relative to the leasing of the Premises are merged in or revoked by this agreement.

19.4 Severability

If any terms or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

19.5 Costs of Suit

If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorney's fees which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Should Landlord, without fault on Landlord's part, be made a party to any litigation instituted by Tenant or by any third party against Tenant, or by or against any person holding under or using the Premises by license of Tenant, or for the foreclosure of any lien for labor or materials furnished to or for Tenant or any such other person or otherwise arising out of or resulting from any act or transaction of Tenant or of any such other person, Tenant shall save and hold Landlord harmless from any judgment rendered against Landlord or the Premises or any part thereof, and all costs and expenses, including reasonable attorney's fees, incurred by Landlord in connection with such litigation.

19.6 Time, Joint and Several Liability

Time is of the essence of this Lease and each and every provision hereof, except as to the conditions relating to the delivery of possession of the Premises to Tenant. All the terms, covenants and conditions contained in this Lease to be performed by either party if such party shall consist of more than one person or organization, shall be deemed to be joint and several, and all rights and remedies of the parties shall be cumulative and non-exclusive of any other remedy at law or in equity.

19.7 Binding Effect; Choice of Law

The parties hereto agree that all the provisions hereof are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate section hereof; and all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

19.8 Waiver

No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed and any waiver or the breach of any covenant, term or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any covenant, term or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by Landlord in writing.

19.9 Surrender of Premises

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of the Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

19.10 Holding Over

If Tenant remains in possession of all or any part of the Premises after the expiration of the term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month to month only and not a renewal hereof or an extension for any further term, and in such case, rent and other monetary sums due hereunder shall be payable at the time specified in this Lease and such month-to-month tenancy shall be subject to every other term, covenant, condition and agreement contained herein, except that the monthly rental rate set forth in Section 4.1 shall be increased by ten percent (10%) effective the first month of the holdover period. Landlord further reserves the right to review the rental rates of all holdover Tenants periodically for the purpose of making reasonable adjustments to the monthly rental payments.

19.11 Interest on Past Due Obligations

Except as expressly herein provided, any amount due to Landlord not paid when due shall bear interest at a rate one percent (1%) above the discount rate of the Federal Reserve Bank of San Francisco from the due date. Payment of such interest together with the amount due shall excuse or cure any default by Tenant under this Lease.

19.12 Recording

Neither Landlord nor Tenant shall record this Lease.

19.13 Notices

All notices or demands of any kind required or desired to be given by Landlord or Tenant hereunder shall be in writing and shall be deemed delivered forty-eight (48) hours after depositing the notice or demand in the United States mail, certified or registered, postage prepaid, addressed to the Landlord or Tenant respectively at the addresses set forth in Article 1.

19.14 No Reservation

Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease; it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

19.15 Corporate Authority

If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of said corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the Bylaws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease.

19.16 Force Majeure

If either Landlord or Tenant shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, governmental restrictions, regulations or controls (except those reasonably foreseeable in connection with the uses contemplated by this Lease) or other cause without fault and beyond the control of the party obligated (except financial inability), performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Nothing in this clause shall excuse Tenant from prompt payment of any rent, taxes, insurance or any other charge required of Tenant, except as may be expressly provided in this Lease.

19.17 Non-Liability of Tenant and Landlord Officials, Employees and Agents

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

19.18. Controller's Certification of Funds

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

19.20 MacBride Principles - Northern Ireland

Tenant urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. Tenant also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Without acknowledging the applicability of the above to this Lease, Landlord acknowledges that it has read the above statement of Tenant concerning doing business in Northern Ireland. This provision is included pursuant to the request of Tenant, with the parties' agreement and understanding that it shall not affect or impact their respective rights and obligations under this Lease.

19.21 Tropical Hardwood and Virgin Redwood Ban

Tenant urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood products. This provision is included pursuant to the request of Tenant, with the parties' agreement and understanding that it shall not affect or impact their respective rights and obligations under this Lease.

///

[SIGNATURES ON NEXT PAGE]

In Witness Whereof Landlord and Tenant have executed this Lease as of the date first written above.

LANDLORD: STATE OF CALIFORNIA DEPARTMENT OF
TRANSPORTATION

Dated: _____

By: _____
LINDA EMADZADEH, District Office Chief
R/W Local Programs, Utilities, and Airspace

APPROVED AS TO FORM AND PROCEDURE:

By: _____
Lucille Baca
Attorney
State of California
Department of Transportation

TENANT: CITY AND COUNTY OF SAN FRANCISCO, a municipal
corporation, acting by and through its Municipal Transportation
Agency

Dated: _____

By: _____
EDWARD D. REISKIN
Director of Transportation

San Francisco Municipal Transportation Agency
Board of Directors

Resolution No: _____

Adopted: _____

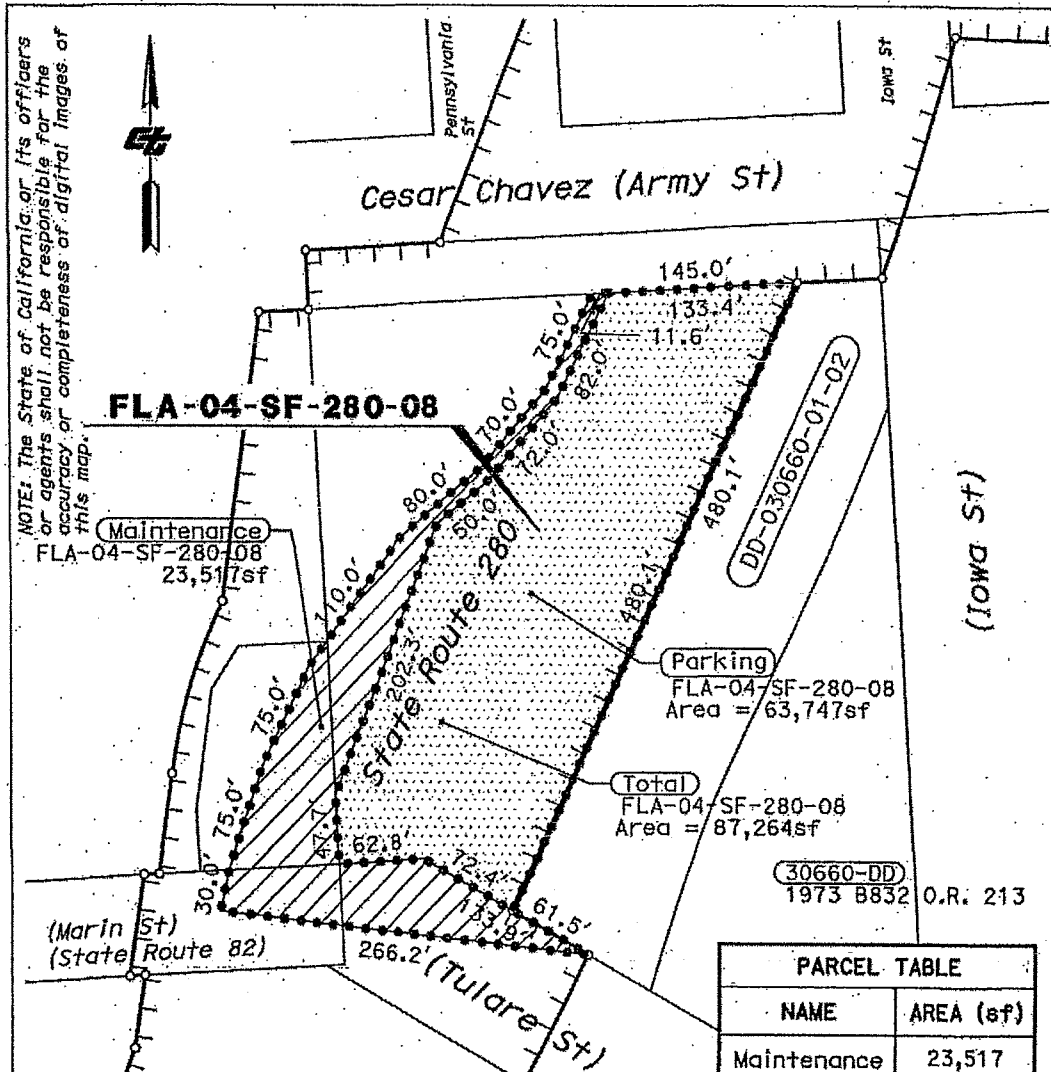
Attest:
Secretary, SFMTA Board of Director

APPROVED AS TO FORM:

DENNIS J. HERRERA,
City Attorney

By: _____
Carol Wong, Deputy City Attorney

EXHIBIT A **Premises**



COUNTY OF SAN FRANCISCO
CITY OF SAN FRANCISCO

PARCEL TABLE	
NAME	AREA (sf)
Maintenance	23,517
Parking	63,747
Total	87,264

NOTES	LEGEND
Coordinates and bearings are on CCS 1927 Zone 3. Distances and stationing are grid distances. Multiply by 1.0000717 to obtain ground distances. All distances are in feet unless otherwise noted.	<p>--- = ACCESS CONTROLLED</p> <p>FLA-04-SF-280-08 = FREEWAY LEASE AREA</p> <p>• = DIMENSION POINT</p> <p>P.U.E. = PUBLIC UTILITY EASEMENT</p> <p>P.O.C. = POINT OF COMMENCEMENT</p> <p>P.O.B. = POINT OF BEGINNING</p> <p>(R) = RADIAL BEARING</p> <p>SF = SQUARE FEET</p>

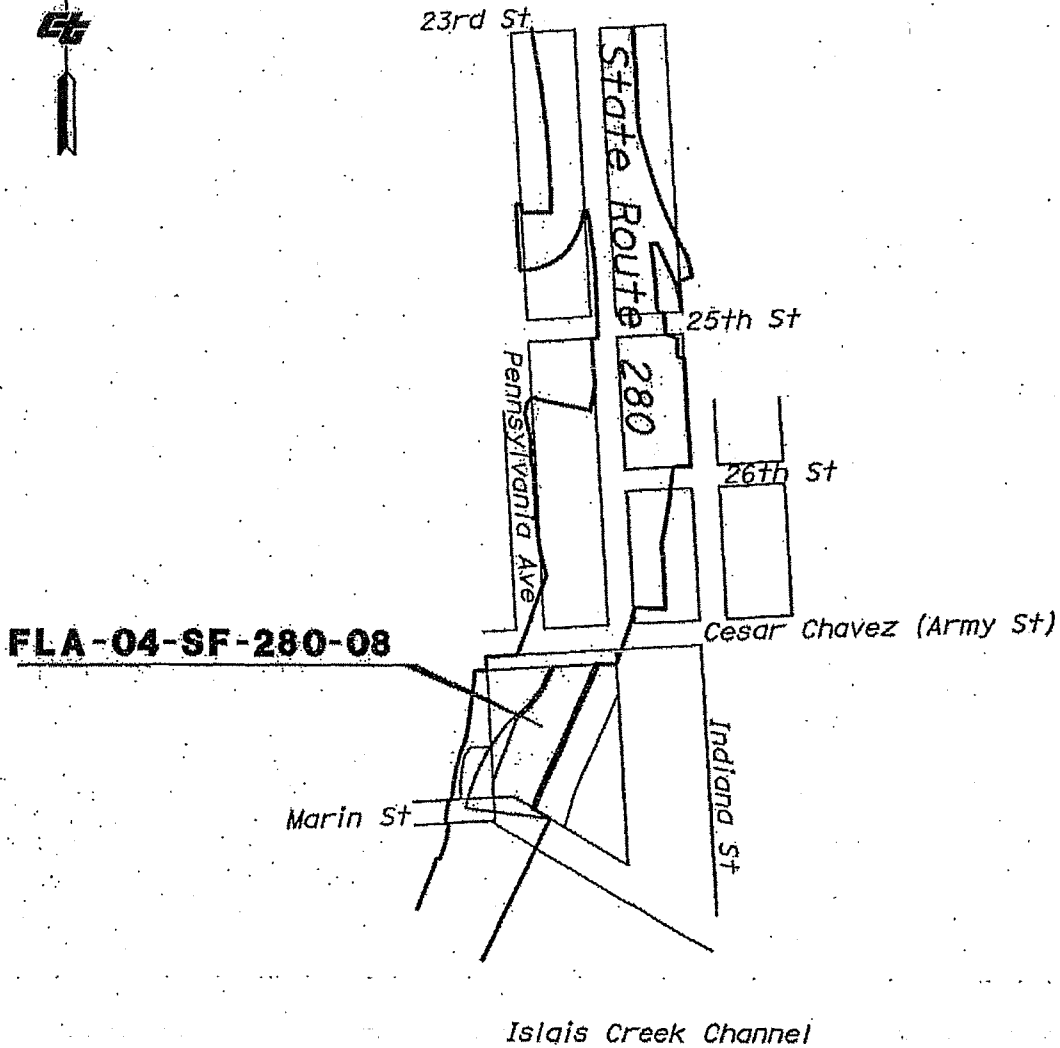
STATE OF CALIFORNIA
CALIFORNIA STATE TRANSPORTATION AGENCY
DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY
FREEWAY LEASE AGREEMENT
FLA-04-SF-280-08
EXHIBIT "A"
SCALE: 1" = 100'

FEET 0 50 100 200

DRAFTED BY	DATE	DISTRICT	COUNTY	ROUTE	SHEET PM	SHEET NO.	TOTAL SHEETS
AL	7-31-2017	4	SF	280	5.1	2	2

R-174.7

NOTE: The State of California or its officers or agents shall not be responsible for the accuracy or completeness of digital images of this map.



COUNTY OF SAN FRANCISCO CITY OF SAN FRANCISCO

NOTES		LEGEND			STATE OF CALIFORNIA CALIFORNIA STATE TRANSPORTATION AGENCY DEPARTMENT OF TRANSPORTATION RIGHT OF WAY FREEWAY LEASE AGREEMENT FLA-04-SF-280-08 EXHIBIT "A" SCALE: 1" = 500'		
Coordinates and bearings are on CCS 1927 Zone 3. Distances and stationing are grid distances. Multiply by 1.0000717 to obtain ground distances. All distances are in feet unless otherwise noted.		<p>--- = ACCESS CONTROLLED</p> <p>FLA-04-SF-280-08 = FREEWAY LEASE AREA</p> <p>• = DIMENSION POINT</p> <p>P.U.E. = PUBLIC UTILITY EASEMENT</p> <p>P.O.C. = POINT OF COMMENCEMENT</p> <p>P.O.B. = POINT OF BEGINNING</p> <p>(R) = RADIAL BEARING</p> <p>sf = SQUARE FEET</p>			<p>FEET 0 250 500 1000</p>		
DRAFTED BY	DATE	DISTRICT	COUNTY	ROUTE	SHEET PM	SHEET NO.	TOTAL SHEETS
AL	7-31-2017	4	SF	280	5.1	1	2

EXHIBIT B

Depiction of Initial Improvements

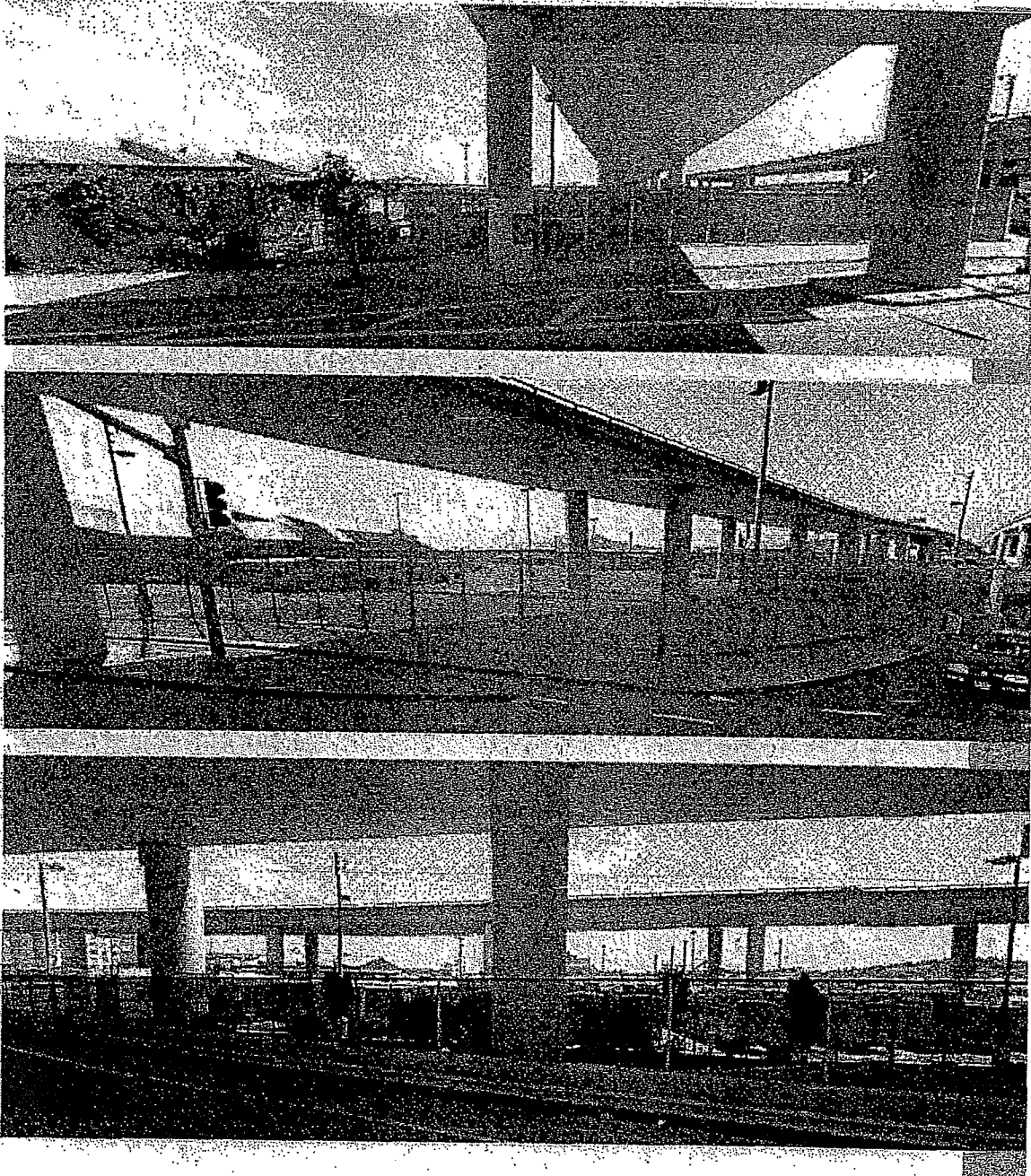
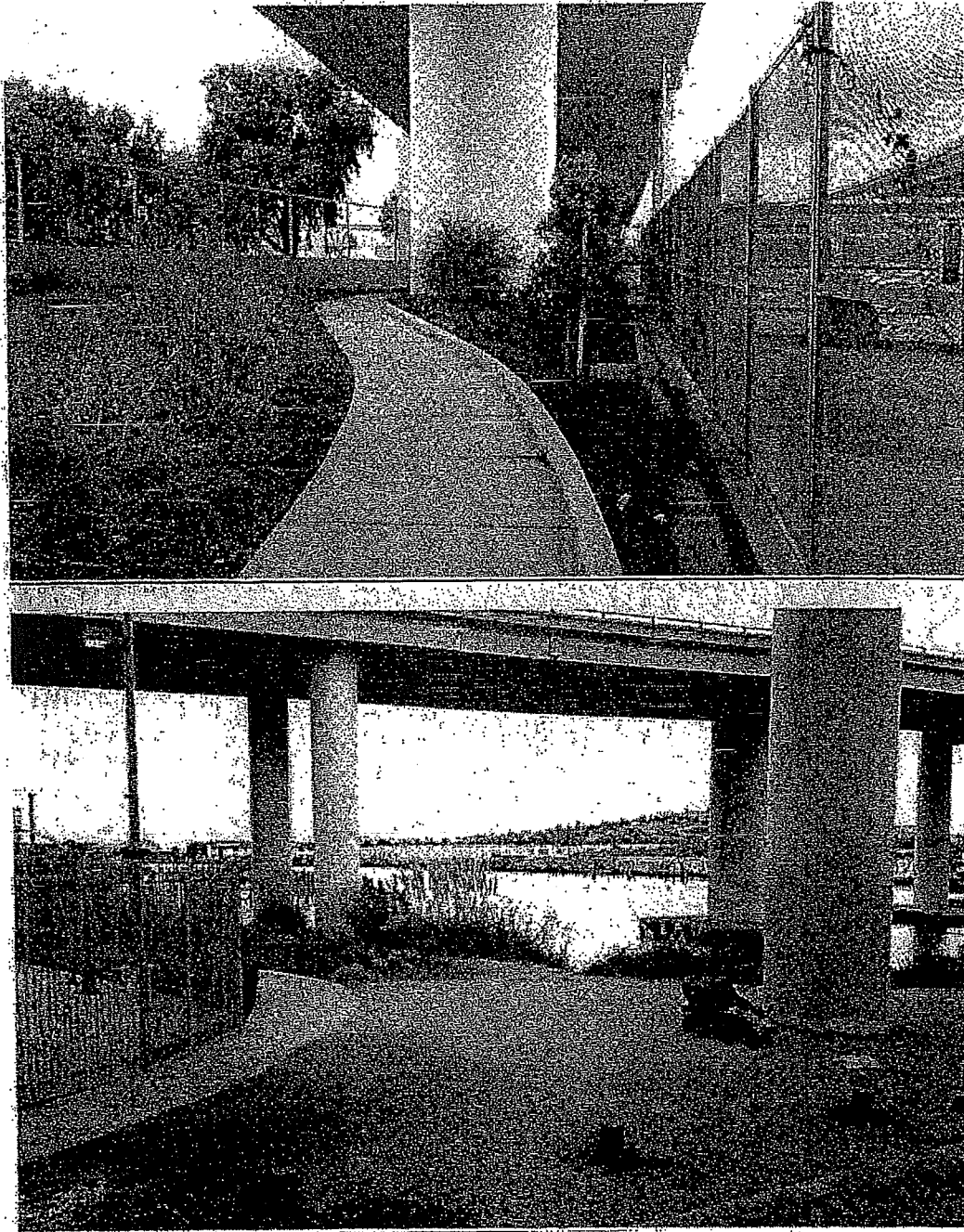


EXHIBIT C

Depiction of Bike Path Improvements



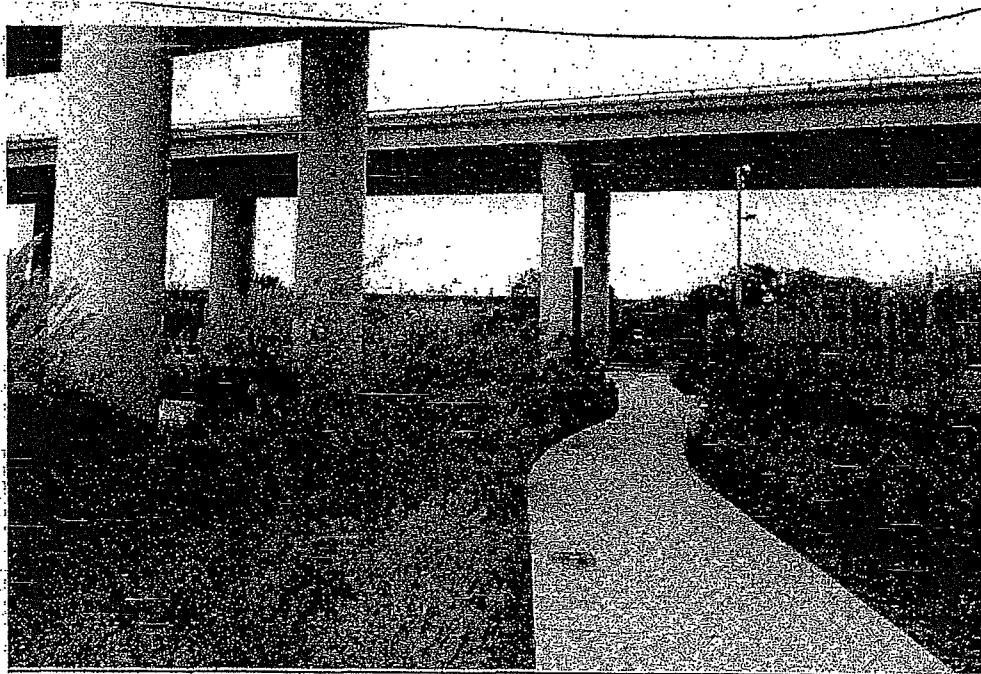


EXHIBIT D

Tenant does not know nor has reasonable cause to believe that any release of hazardous material has come to be located on or beneath the Premises except as set forth in the following documents provided by Tenant to Landlord prior to the Commencement Date: (i) Final Site Investigation Report prepared by AGS, Inc. (AGS Project No. 980813) and dated October 2002, (ii) letter from Baseline Environmental Consulting to the Department of Public Works and dated January 8, 2004, and (iii) the Site Mitigation Plan prepared by AEW Engineering, Inc. and dated May 2011.

EXHIBIT E

Stormwater Pollution Prevention Fact Sheet(s) for: Parking and Vehicle Storage

Stormwater Pollution Prevention

Parking Lots

Leaking Vehicles

Clean parking lots on a regular basis to prevent accumulated wastes and pollutants from being discharged into storm drain systems during rainy conditions. When cleaning heavy oily deposits, use absorbent materials on oily spots prior to sweeping or washing. Dispose of used absorbents appropriately.

Allow sheet runoff to flow into biofilters (vegetated strip and swale) and/or infiltration devices. Utilize sand filters or bioptic collectors for oily waste in low concentrations. Clean out oil/water/sand separators regularly, especially after heavy storms.

Have designated personnel conduct inspections of the parking facilities and storm drain systems associated with them on a regular basis. Inspect cleaning equipment/sweepers for leaks on a regular basis.

Have spill cleanup materials readily available and in a known location. Cleanup spills immediately and use dry methods if possible. Properly dispose of spill cleanup material.



Trash

- * Post "No Littering" signs and enforce anti-litter laws.
- * Provide trash receptacles in parking lots to discourage litter. Clean out and cover trash receptacles frequently to prevent spillage. Regularly inspect, repair, and/or replace trash receptacles.
- * Routinely sweep, shovel and dispose of litter in the trash. Remove litter and debris from drainage grates, trash racks and ditch lines to reduce discharge to the storm water drainage systems and watercourses.
- * Provide regular training to field employees and/or contractors regarding cleaning of paved areas and proper operation of equipment.

Stormwater Pollution Prevention

Vehicle or Equipment Storage

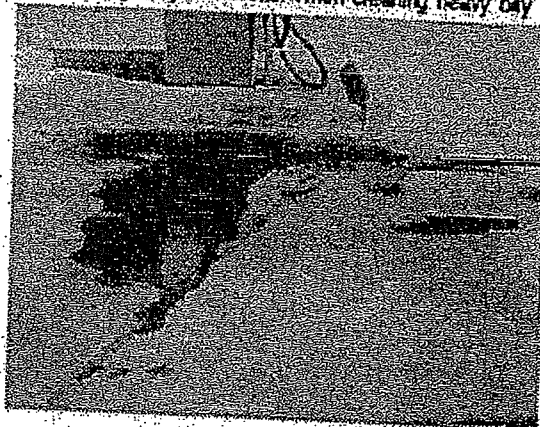
Oil Leaks

Place drip pans under leaking vehicles. Drain all vehicles in long-term storage. Clean storage facilities on a regular basis to prevent accumulated wastes and pollutants from being discharged into conveyance systems during rainy conditions. When cleaning heavy oily deposits, use absorbent materials on oily spots prior to sweeping or washing. Dispose of used absorbents appropriately.

Use dry cleaning methods as much as possible. When wet cleaning methods are necessary, storm drains should be blocked and the wash water should be collected and pumped to the sanitary sewer or discharged to a pervious surface. After cleaning, remove blocks from storm drains. Wash water should not be allowed to enter the storm drains. Do not discharge wash water to the sanitary sewer before contacting the local sewer authority.

Train employees on proper spill containment and cleanup. Have spill cleanup materials readily available and in a known location. Cleanup spills immediately using dry methods if possible. Properly dispose of spill cleanup material. Designate personnel to conduct inspections of the facility and stormwater conveyance systems associated with them. Inspect cleaning equipment/sweepers for leaks on a regular basis.

Allow sheet runoff to flow into buffers (vegetated strip and swale) and/or infiltration devices. Utilize sand filters or oleophilic collectors for oily waste in low concentrations. Clean out oil/water/sand separators regularly, especially after heavy storms.



Caked Dirt on Tires

Conduct regular cleaning. Sweeping or vacuuming the storage facility is encouraged over wet cleaning methods. Sweep all storage lots at least once before the onset of the wet season. Establish frequency of sweeping based on usage and field observations of sediment accumulation.



- Washing or rinsing of equipment shall be performed in designated areas and the resulting runoff shall not be discharged to the storm drain system.
- Train employees on appropriate Best Management Practices, storm water discharge prohibitions, and wastewater discharge requirements.



Real Estate Advisory Services

APPRAISAL REPORT

Land, Islais Creek/I-280
San Francisco, California

PREPARED FOR

San Francisco Municipal Transportation Agency

MAY 2014
1405011

David N. Tattersall, MAI



May 30, 2014

Ms. Kerstin Fraser Magary,
SFMTA Real Estate Unit,
One South Van Ness Avenue, 8th Floor,
San Francisco, Ca. 94103

Dear Ms. Magary:

Pursuant to your request and authorization, this submission is an appraisal report, to estimate the Market Value of the Fee Simple Interest and Market Rental Value in the property located along the north line of Islais Creek, beneath and east of Interstate 280, San Francisco, California. The subject is more specifically identified on **Table 1**.

In order to appraise this property, an inspection of sites and neighborhood in which they are located has been completed. A determination of highest and best use has been made. Trends of land uses in the area have been noted and research has been completed on comparable property sales and land leases as they relate to the subject.

Based upon my analysis of the available information, the Market Value of the defined interest in the parcels, as described herein, subject to the *Assumptions and Limiting Conditions* contained in Chapter I, as of May 20, 2014, is considered to be:

Gross of Allocated Remediation Cost

***Parcel No.1: TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED
SEVENTY ONE DOLLARS PER ANNUM
(\$214,671/pa)***

Net of Allocated Remediation Cost

***Parcel No. 1: ONE HUNDRED FIFTY FOUR THOUSAND NINE HUNDRED
TWENTY SIX DOLLARS PER ANNUM
(\$154,926/pa)***

Parcel No. 2:

***ONE DOLLAR
(\$1.00)***

This letter of transmittal must remain attached to the report, which contains 40 pages, plus related addenda exhibits, in order for the value opinion set forth to be considered valid.

523 4th Street, Suite 224 ~ San Rafael, CA 94901

Tel: (415) 453-4195 ~ Fax: (415) 453-4795 ~ Email: davidtattersall@sbcglobal.net

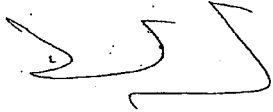
Islais Creek/I-280 Parcels, San Francisco, Ca.

This appraisal has been prepared for the exclusive use of the *City and County of San Francisco* and may not be used or relied upon by anyone other than the Client, for any purpose whatsoever, without the express written consent of the appraiser.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the Uniform Standards of Professional Appraisal Practice and CFR 49, Part 24.

Respectfully submitted,

David Tattersall & Company



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David N. Tattersall, MAI
General Certificate AG002681



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Type:	Vacant/unimproved industrial land.	
Property Address:	No given address Islais Creek/I-280, San Francisco, California	
APN:	See Table 1	
Parcel Size:	See Table 1	
Zoning:	M-2 Heavy Industrial District PDR-2 - Production	
Flood Zone:	A non participating community	
Earthquake Hazard:	Not identified in an earthquake study zone.	
Building Improvements:	None	
Building Size:	N/A	
Highest and Best Use:	Hold for future industrial development.	
Interest Appraised:	Fee Simple Interest.	
Date of Inspection:	May 20, 2014.	
Effective Date of Value:	May 20, 2014	
Date of Report:	May 30, 2014	
Value Conclusion:	Gross of Remediation	Net of Remediation
Parcel No. 1 – 04-SF-280-8a	\$217,671 per annum	\$154,926 per annum
Parcel No. 2 – 04-SF-280-8b	\$1.00 (per client instructions)	

Islais Creek/1-280 Parcels, San Francisco, Ca.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved. I have previously rendered appraisal services on this property within the past 36 months.

I have no bias with respect to the property that is the subject matter of this appraisal report or to the parties involved with this assignment.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value estimate, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended user of this appraisal.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

This appraisal report sets forth all of the limiting conditions imposed by the terms of the assignment affecting the analyses, opinions, and conclusions contained in this report.

The reported analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

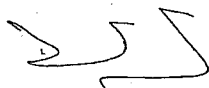
The reported analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I, David N. Tattersall, have completed the requirements under the continuing education program of the Appraisal Institute.



Digitally signed by David Tattersall
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email=davidtattersall@sbcglobal.net,
c=US
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David N. Tattersall, MAI
General Certificate AG002681



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Islais Creek/I-280 Parcels, San Francisco, Ca.

Addendum

Subject Photos

Summary of Soil Remediation Costs

Project Site Maps

Title Report

Easement Documents

Appraiser Qualifications

I. Report Summary

A. Property Appraised

The subject property comprises 4 irregular shaped parcels. The parcels are being created from a number of assessor parcels as summarized on Table 1. The parcels form a portion of the Project site being acquired part in fee and part leased from Caltrans. This appraisal addresses the value of the leased parcels only.

Parcel 1: 04-SF-280-8a is a 71,557 square foot parcel located beneath and between the I-280 north and southbound overpass lanes between Cesar Chavez Street and the north line of Islais Creek.

Parcel 2: 04-SF-280-8b is a 2,591 square foot slither of land located beneath and between the I-280 north and southbound overpass lanes along the north line of Islais Creek.

Parcel Nos. 3, 4 and 5 are 'associated parcels which form a part of the *'project site area'* and have been acquired in fee' but do not form a part of the appraised site areas.

B. Purpose and Intended Use of the Appraisal

I have been requested by Mr. Edward D. Reiskin, Director of Transportation for the San Francisco Municipal Transportation Agency, to estimate the Market Rental Value of the Fee Simple Interest in Parcel Nos. 1 and 2 in the subject property. The intended user of the appraisal is exclusively for the San Francisco Municipal Transportation Agency, and the intended use is for lease negotiation purposes, and for no other intended use or user.

C. Inspection of Subject and Date of Value

The subject property was initially re-inspected by, David N. Tattersall, MAI, on May 20, 2014. The effective date of value is May 20, 2014.

D. Scope of Appraisal

The scope of the appraisal included the following primary elements.

- 1) Inspection of the subject site, improvements and neighborhood.
- 2) Review of legal documentation (title/hazard/soils reports, leases, etc.).
- 3) Overview of neighborhood, city and regional economies, demographics, social trends and general market observations.
- 4) Determination of Highest and Best Use by reference to physical inspection, interpretation of legal uses as permitted by zoning, economic feasibility as determined by market observation and maximum productivity.

- 5) In order to comply with the Competency Provision of the USPAP, the appraiser conducted numerous interviews with property owners and brokers familiar with the San Francisco real estate markets in order to formulate a basis for the appraisal. The appraiser has also had prior experience in appraising a wide variety of commercial/industrial/residential property and easements throughout the San Francisco Bay Area.
- 6) Research of market sale data utilizing various data services and sources, deeds, and county records. All sale information was confirmed with buyer, seller, broker, or lender involved in the transaction.
- 7) Reconciliation of three Approaches to Value (where applicable) concluding in a final determination of value.

E. Definition of Market Value

For the purpose of this appraisal, Market Value will be defined as follows:

The most probable price 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 the specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated.
- 2) Both parties are well informed or well advised, and each acting in what they consider their own best interest.
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 5) The price represents a normal consideration for the property sold unaffected by special financing or creative financing or sales concessions granted by anyone associated with the sale.

(Source: OCC Under 12CFR, Pt.34)

F. Property Rights Appraised

The purpose of the appraisal is to estimate the Market Value of the *Fee Simple Interest* in the subject property as described herein.

The Fee Simple Interest is defined by the American Institute of Real Estate Appraisers as an absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

G. Definition of Market Rental Value

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

H. History of Subject Property

There have been no recorded sale transactions affecting the subject property within the last 5 years.

I. Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions.

- 1) The legal description and area dimensions furnished to the appraiser are assumed to be correct. No survey of the boundaries of the property was completed.
- 2) I assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, except where noted, and the property is appraised as though free and clear, under responsible ownership and competent management.
- 3) Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- 4) No opinion is intended to be expressed on matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
- 5) The exhibits in this report are included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.
- 6) The distribution or allocation, if any, of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimate provided in the report applies to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
- 7) The statements of value and all conclusions shall apply as of the date shown herein.
- 8) I assume no responsibility for economic or physical factors, which may affect the opinions herein stated, which may be present or occur at some date after the date of value.
- 9) I have inspected, as far as possible, by observation, the land; however, it was impossible to personally inspect conditions beneath the soil; therefore, no

representations are made as to these matters unless specifically considered in the appraisal. Further, no opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

- 10) This appraisal is predicated on the assumption that the existence of hazardous material, which may or may not be present on or near the property, was not observed by the appraiser, unless otherwise stated. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of asbestos or other potentially hazardous materials may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or knowledge required to discover them.
- 11) No engineering survey has been made by us. Except as specifically stated, data relative to size and area was taken from sources considered reliable. Furthermore, no warranty is implied with regard to physical or structural or operational deficiencies, which are not disclosed to the appraiser and noted herein.
- 12) The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein. The appraiser assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. The appraiser assumes that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 13) Information, estimates, and opinions contained in this report are obtained from sources considered reliable and where feasible, has been verified. However, no liability can be assumed for information supplied by others.
- 14) I reserve the right to make such adjustments to the valuation herein reported, as may be required by the consideration of additional data or more reliable data that may become available.
- 15) This report shall be used for its intended purpose only and by the parties to whom it is addressed as of the current date of valuation. Possession of this report does not carry with it the right of publication, or duplication. The signatory of this appraisal is an MAI designate of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member or candidate to control the use and distribution of each appraisal signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this appraisal shall not be given to third parties without the prior written consent of the signatories of this report. Neither all nor any 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 or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which is connected, and any reference to the Appraisal Institute, or the MAI designation.

- 16) The liability of David Tattersall & Company, its owners and staff is limited to the client only and to the amount of the fee actually paid for services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all assumptions and limiting conditions of the assignment and related discussions. David Tattersall & Company is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally. The client also agrees that in the event of a lawsuit brought by a lender, partner or part owner in any form of ownership or tenancy or by any other party, the client will hold David Tattersall & Company completely harmless from and against any liability, loss, cost of expense incurred or suffered the client in such action, regardless of its outcome.

J. Extraordinary Assumptions

- 1) The appraised value assumes the soil remediation costs are spread evenly across the *project site* of which the subject forms a portion, for purposes of allocation.

K. Hypothetical Conditions

- 1) The appraised value considers the value of the land in a condition prior to soil remediation or any other improvement except as otherwise noted herein.

II. Regional Characteristics

A. County of San Francisco

Location: San Francisco, central west of San Francisco Bay and 1 of 9 Bay Area Counties.

Population:	Year	No. of Persons	Annual Change
	1995	737,400	
	2005	807,382	0.95%
	2010	856,095	1.21%
	2011	812,820	-5.14%
	2012	812,538	-0.03%
	2013	825,111	1.55%

(E-5-2013 Dept. of Finance, California)

Comments: A turn around in population trends reflects the improved local economy.

Income Per Capita:

\$74,349 (2011); California Rank: 3; 166% of State average.
(EDD – July 2013)

Total Labor Force:

486,400 persons (July 2013)

Unemployment Rate:

5.20% being a continuing improvement since 2010 recession peak of 10%. California State unemployment stands at 8.1%
(EDD, LM Info, March 2014)

Retail Sales: Taxable transactions in thousands of dollars.

		Annual
Year	\$,000s	% Change
2007	\$14,614,736	5.20%
2008	\$14,837,689	1.52%
2009	\$12,633,575	-14.90%
2010	\$13,443,121	6.04%
2011	\$14,890,000	10.76%

Comments: Retails sales reflect steady growth to 2008 with a sharp recessionary decline in 2009 and strong recovery in 2010 and 2011.
(Source: State BOE, Ca. 2013)

Housing:	Total Units	Vacancy Housing Units	Persons Per Household
2011	378,004	8.34%	2.15
2012	377,487	8.24%	2.27
2013	378,766	8.20	2.30

Comment: Stabilization of vacancy noted with a small rise in inventory.

Transportation

Airports: San Francisco International Airport
San Jose International Airport
Oakland International Airport

Seaports: Port of San Francisco; cargo and cruise line.
Port of Oakland; cargo

Freeway: U.S. Highway 101 north/south. Interstate 280 north/south.

Rail: Amtrak; Caltrain; Muni

Ferry: Golden Gate Transit; Larkspur and Sausalito. Blue and Gold Fleet;
Tiburon.

Other

Military: Presidio Army Base closed and undergoing reuse design with housing, industrial and retail uses. Significant development of facilities for Lucas Films companies.

Development: The onset of the 2007 recession put a halt to virtually all development activity. Since 2012 there has been a resurgence of development activity spurred by another tech (social media) boom affecting the South of Market, Mid Market and Mission Bay districts. Strong demand for housing has inflated but for sale and rental markets significantly. Downtown commercial space also constrained. Numerous multi-family high-rise and office projects are under construction in addition to the large public works projects at the TransBay Terminal and Cross Town subway.

Conclusion: San Francisco remains at the center of the Bay Area economy. A quick recovery from the 2007 recession has given rise to another booming market especially in the residential and office sectors. Land use/redevelopment pressure is expanding from the South of Market to surrounding districts.

B. Neighborhood Description

The subject is located in a neighborhood that forms a part of the Bayview-Hunters Point Industrial District. As a planning district, the neighborhood extends from 25th Street to the north to the City/County boundary to the south and from the India Basin shoreline to the east to Bayshore Blvd to the west.

The characteristic of the neighborhood comprises a mix of older Residential neighborhoods, general warehousing and light industrial uses and heavy industrial uses. The neighborhood is primarily accessed from either Interstate 280 which runs along the neighborhood's western boundary and by 3rd Street which now has a new light rail system. Phase 1 of the light rail system has been completed and this provides rail service from Visitacion Valley to the south up the 4th/King Streets. Phase 2 which is now under construction, is the cross town subway extending the light rail underground, northward along/under 4th Street to Union Square, under Stockton Street to Chinatown and North Beach.

The new light rail has provided an economic boost to the 3rd Street corridor. That combined with zoning changes (M-1/M-2 to PDR) enacted in 2008 to protect light industrial uses lays the framework for employment and economic growth in the neighborhood.

The subject is located at the northern end of the neighborhood and is more influenced by the adjacent Dog Patch and Potrero Hill neighborhoods which have been extensively developed with new infill housing during the boom period from 2002-2007. The new PDR zoning that covers much of the neighborhood is designed to protect existing industrial uses from redevelopment to housing or other uses. There are no significant (re)development plans within the immediate environs of the subject.

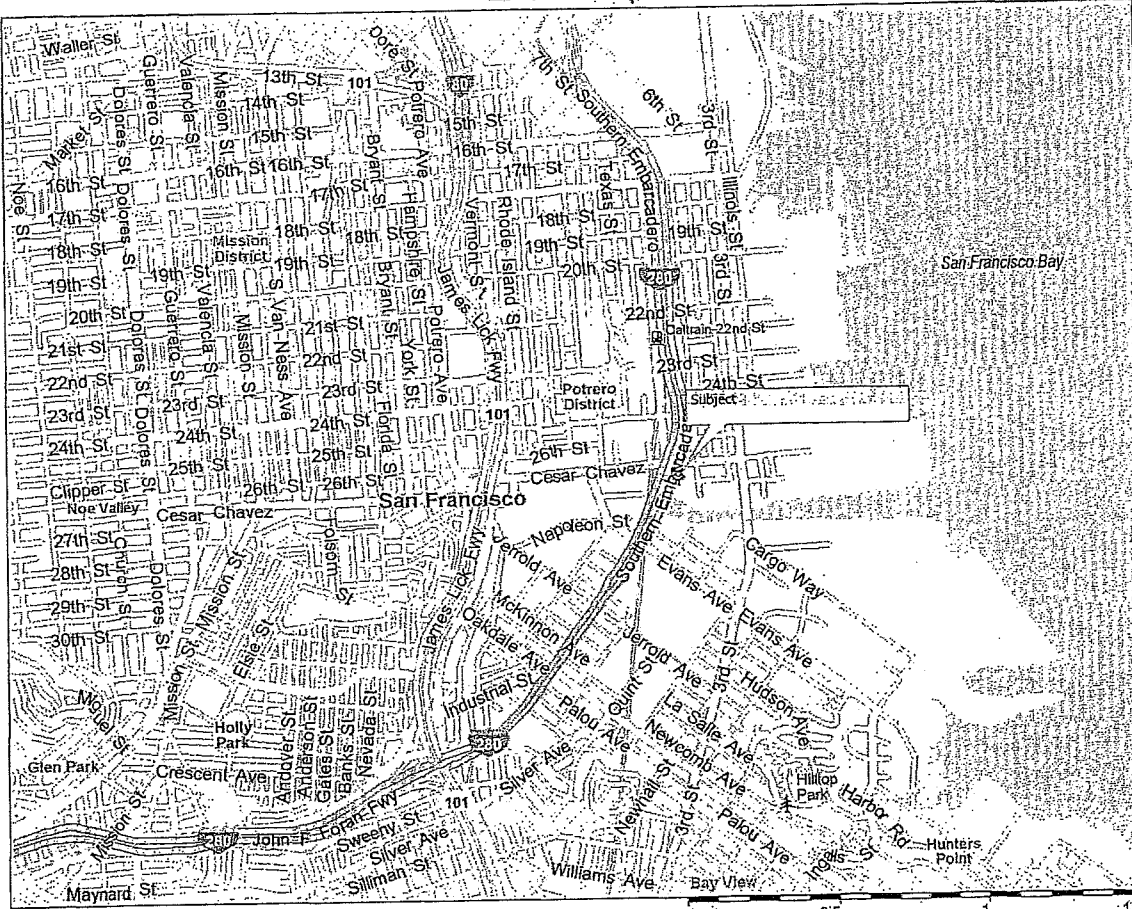
However, there are several large projects at various stages of planning being undertaken by:

- 1) Forest City's proposed redevelopment of Pier 70 and the associated Ballot measure, Proposition B (June 3, 2014) which proposes height limit increase for that area of the waterfront. The total project currently proposes 1,000 housing units, 1.8 million square feet of commercial space and 400,000 square feet of retail, cultural and manufacturing uses.
- 2) The former Hunters Point Naval Shipyards located to the east. The project developer, Lennar Homes has commenced development are undergoing the first phase of a redevelopment plan in which 63 of the 500 acres will undergo infrastructure improvements to support 1,238 homes and 25 acres of recreational and open space.
- 3) Adjacent and to the south of that is the Candlestick Point Special Use District which stretches from Carroll Avenue to Jamestown Extension and is proposed to rejuvenate the district with a new 69,000 seat stadium (to replace Candlestick Park), 6,500 new homes, 400,000 square feet of retail space, 150,000 square feet

of office, a 200 room hotel and 150 acres of parks and open space. New York-based L+M Development Partners recently completed the second phase of construction in April 2014 Candlestick Heights. The development's 130 new rental units that will bring a high-quality affordable living option to The City's Bayview Hunters Point neighborhood.

- 4) San Francisco-based Avant Housing, a joint venture of AGI Capital Group and TMG Partners together with the California Public Employees Retirement System, is planning to file permits for a 259-unit apartment development in the Dog Patch district of San Francisco. An official name for the project has not been determined at this time. The site for the development covers half of a city block. It is located between 3rd Street, 23rd Street and Tennessee Street. The site's official address is listed as 1201 Tennessee Street. The location of the project now includes an old warehouse and a gas station. These facilities will be torn down for the project. These are long term project plans but they demonstrate the support of local government to improve and develop these areas that have for a long time been underutilized and a blight of economic progress to this part of the City. As such, renewed interest is likely to be sparked with the potential for a gentrification of the neighborhood over the next several years.

Location Map



Islands Greek/1-280 Parcels, San Francisco, Ca.

III. Site Description

A. Physical Characteristics

A summary of the parcels is provided on Table 1.

Parcel No. 1: 04-SF-280-8A

This irregular shaped level parcel comprises a gross site area of 71,557 square feet. The parcel lies adjacent and beneath an elevated portion of Interstate 280 but is not part of the continuous Interstate 280 right of way. The Interstate 280 right of way continues beyond the property boundaries as an elevated right of way. The parcel has a maximum depth of 441 feet and a highly variable width with a minimum of 157 feet. The parcel is bordered to the north by City owned unimproved property and to the south by unimproved City owned property being the line of the paper street of Tulare Street and Islais Creek. The parcel is not a legal lot of record but has been created for the purposes of acquisition (lease) by the City of San Francisco. The parcel forms a part of existing assessor parcel numbers 4382-003, 4349-002, 2A, 13. Prior to development by SFMTA, the parcel had no direct public street access or utilities. The parcel appeared encumbered by a large sewer main crossing from southwest to northeast as well as 10 freeway bents.

Parcel No. 2: 04-SF-280-8b

This highly irregular shaped level parcel comprises a gross site area of 2,591 square feet. The parcel lies adjacent and beneath an elevated portion of Interstate 280 but is not part of the continuous Interstate 280 right of way. The Interstate 280 right of way continues beyond the property boundaries as an elevated right of way. The parcel is bordered to the north by State owned unimproved property and to the south by unimproved City owned property being the line of the paper street of Tulare Street and Islais Creek. The parcel is not a legal lot of record but has been created for the purposes of acquisition by the City of San Francisco. The parcel forms a part of existing assessor parcel numbers 4349-002, 13. The parcel as currently configured has no public street access or utilities.

B. Utilities

The *parcels* are not served by urban utilities. However, utilities are available in the street for water, sewer, gas and electricity and could be extended on site at no extraordinary cost. The acquiring parcel has full access to all normal urban utilities.

PROPERTY SUMMARY

TABLE 1

ISLAIS CREEK SAN FRANCISCO									
PCL	ID	APN	AREA ACRES	AREA SF	INTEREST	ZONE HT/BULK	FAR SF/DU	B/D/B/L NO./DU'S	FEATURES
APPRAISAL PARCELS									
1	04-SF-280-8A	Ptn 4382-003	1.6427	71,557	Lease	M-2/65J-40X	5.00	357,785	Use restricted to storage of operational vehicles
		Ptn 4349-002A					800/600		Subject to access rights
		Ptn 4349-002							
		Ptn 4349-013							
2	04-SF-280-8B	Ptn 4349-002	0.0595	2,591	Lease	M-2/40X	5.00	12,955	Use restricted to storage of operational vehicles
		Ptn 4349-013					800/600		Subject to access rights
ASSOCIATED PARCELS									
3	DD-030660-01-02	Ptn 4382-003	0.9810	42,732	Fee Simple	M-2/65J-40X	5.00	213,662	No use restrictions
		Ptn 4349-002A					800/600	53/71	Subject to access rights
4	DD-030660-01-03	Ptn 4382-003	0.1250	5,445	Fee Simple	M-2/40X	5.00	27,225	No use restrictions
		Ptn 4349-002A					800/600		Subject to access rights
5	City Property	4381-001	1.8400	80,263		PDR-2/40X			Indiana Street frontage
		4381-004	0.7600	32,935		PDR-2/40X			Islais Creek frontage
		4382-004	1.1600	50,580		PDR-2/40X-65J			No street access
		4382-005	0.2071	9,020		PDR-2/65J			Cesar Chavez frontage
		4382-006	0.7600	33,292		PDR-2/40X-65J			Islais Creek frontage
		4352-001	0.2400	10,659		PDR-2/65J			Cesar Chavez frontage
		4352-006	0.2400	10,249		PDR-2/65J			Indiana Street frontage
		4352-007	2.0500	89,328		PDR-2/65J			Indiana Street frontage
			7.26	316,326					
Total Fee parcels as assembled			8.90	387,883					

Islais Creek/280 Parcels, San Francisco, Ca.

C. Earthquake and Flood Hazard

The *parcels* are not identified as being within the Alquist Priolo earthquake study zone. The parcels are however located within a seismically active area and could be adversely impacted by strong seismic activity.

The City and County of San Francisco does not participate in any flood mapping program. The subject is therefore assumed to be unaffected by and located outside of the 500 year flood plain. However, the subject was reportedly subject to occasional run off flooding/inundation.

D. Soils and Hazards

The *parcel's* are reportedly subject to surface and/or subsurface soil contaminations. The cost to remediate the contaminations across the project site from May 2011 to February 2012 was \$1,590,374 which represents Caltrans' share of the total remediation cost of \$4,298,308 (see addendum). The remediation will allow full development of the *project site*. The remediation cost has been spread over the subject *Parcel No. 1* (71,557 square feet) and *Parcel No. 3* (42,732 square feet) which combine for 114,289 square feet. Allocated across these parcels, the allocated unit cost of remediation is \$13.91 per square foot.

E. Legal and Title

The appraiser was provided with a title report for the *project site* completed by Chicago Title Company dated May 6, 2011. Exceptions to title in addition to the usual exceptions for mortgage liens and property taxes include the following:

Exception No. 4 refers to an existing sewer line easement affecting APN 4382-003 and 4349-002, 002A. The exact location size and dimensions are not provided in the record however on site observation confirmed the presence of a large sewer main running beneath *Parcel No. 1* from southwest to northeast.

Exception No. 5, references an easement for the construction and maintenance of batter piles in favor of the City and County of San Francisco affecting APN 4349-013. This would appear to impact *Parcel No. 1*.

All other exceptions are more general in nature.

F. Zoning and Use

The *take* parcels have an M-2 (Heavy Industrial) zoning category with a 65J height and bulk limit and a maximum floor area ratio (FAR) of 5:1.

M-2 zones allow for heavy industry in contrast to M-1 zones and are least restrictive on use. M-2 zones allow 1 dwelling unit per 800 square feet or the density of the nearest R district which is RM-2 (1 unit per 600 square feet), whichever is greater. The RM-2 zoning has the higher density which may be permitted if residential uses were to be developed.

The acquiring parcels are zoned PDR-2 Production, Distribution and Repair.

The intent of this district is to encourage the introduction, intensification, and protection of a wide range of light and contemporary industrial activities. Thus, this district prohibits new housing, large office developments, large-scale retail, and the heaviest of industrial uses, such as incinerators. Generally, all other uses are permitted. The conservation of existing flexible industrial buildings is also encouraged. These districts permit certain non-industrial, non-residential uses, including small-scale retail and office, entertainment, certain institutions, and similar uses that would not create conflicts with the primary industrial uses or are compatible with the operational characteristics of businesses in the area.

Parcel Nos. 1 and 2 are to be leased under a long term lease agreement. The proposed lease would be for a 50 year term with 2x15 year options to extend. The defined use of the leased area would be for parking and temporary storage and subject to typical Caltrans Lease restrictions. Caltrans will however be granted a right of access across the leased parcels fronting Cesar Chavez Street for the maintenance of the Interstate 280 freeway structure. The exact location of the right of access has not been determined.

G. Taxes and Assessments

Since passage of Proposition 13, or the Jarvis Gann Initiative in 1978, real property taxes are limited to 1% of Market Value, as of a specified base year. The base year valuation is the Assessor's 1975 Market Value estimate, unless there is a transfer of ownership (sale), new construction, or the property is leased on a long-term basis. Whenever this occurs, the property is reassessed at full Market Value. If a reassessment is not triggered, the assessed value is trended upward at 2% annually.

Furthermore, Proposition 13 limits annual taxes to 1%, plus an amortized amount for voter approved bonded indebtedness, of the assessed value.

All the *take* parcels and the acquiring parcels are publically owned and tax exempt.

H. Conclusion

The *subject* parcels represent undeveloped industrial land (prior to the development of improvements by the lessee) located under and adjacent and east of Interstate 280. Site hazards have been identified and the cost to cure estimated as noted herein. There are some pre-existing easements which have an impact on the development potential of the property. The property has a creekside location but also adjacent to the Interstate 280 freeway.

IV. Market Overview

A. General Economic Indicators

The Federal Reserve commenced reduction of quantitative easing in 2013 reflecting improving economic conditions. However, the Federal budget deficit continues to grow at a \$1tr. Annual rate of growth to record levels and government spending has continued to balloon with increased unemployment benefits.

There are a number of key issues surrounding the economy that remain a concern and how these are resolved will determine the path to recovery. Among the issues are the size of the federal deficit and taxes, the rate of Federal Reserve tapering and the start of raising interest rates.

The rate of unemployment as of *February 2014* has declined although this improvement is largely due to job hunters giving up hope of finding employment. The employment outlook therefore remains guarded. National unemployment (U-3) hovers around 6.70%, with the State of California at 8.10% and San Francisco at 5.20%. However, the National U-6 unemployment rate (those collecting unemployment, plus those seeking employment plus those unemployed or underemployed and no longer actively seeking employment) is still in excess of 14.90%

Interest rates have climbed from an all time low of the 10 year treasury at 1.60% to 2.61%. The 'Fed' has signaled a tapering of the bond buying program suggesting a further rise in rates is imminent. The problem still exists with the availability of capital which continues to exasperate business lending, residential and commercial mortgage resets and purchase money for new acquisitions and construction funding.

The roll out of the Affordable Health Care Act is also creating concern amongst both employers and employees. The overall cost of the program together with the yet to be discovered unforeseen circumstances continue to promote uncertainty.

Conventional 30 year mortgage rates for the San Francisco Bay area have risen in recent months to 4.36% and 15 year rates around 3.43%. The Federal Funds rate has remained stable since the 1st quarter of 2012 at 0.07% as has the Reserve bank rate at 0.75% and prime rate at 3.25%. Signals from the Federal Reserve's new chairperson, Janet Yellen, suggest continued quantitative easing with a 'tapering of the taper'.

The Cost of Living index for the San Francisco area rose 2.2% for the year ending *December 2013*.

The stock market (DJI30) which peaked in October 2007 at over 14,000 slumped 53% to 6,500 in March 2009 but recovered in 2012 and continued to rise into 2013 surpassing 16,000. 2014 has seen a minor market correction and oscillations (less than 10%) to date.

Continued volatility on low volume appears to be the market characteristic. The price of a barrel of oil has risen to \$105 per barrel while gold has fallen sharply from its high close to \$1,900 an ounce to \$1,300 an ounce.

Overall, current conditions reflect cautious optimism although the lack of capital lending, consumer spending and lack of job growth will continue to hold the economy in check.

B. Industrial Market

The industrial market comprises three primary districts, the South of Market, the 3rd Street/Potrero district and Bayview/India Basin. The market may be further divided between the warehouse/distribution market and the Life Sciences market. There is no appreciable manufacturing market in San Francisco.

The warehouse/distribution market experienced slight increase in vacancies from the 3rd quarter 2013 at 6.00% to 6.60% in the 1st quarter 2014, according to the Industrial Market Snapshot published by Cassidy Turley Commercial Real Estate Services.

Limited available inventory maintains the low vacancy rate. Limited space choice plus the higher costs of doing business in San Francisco (high land cost, taxes city mandated minimum wage and health care), acts as a deterrent to large industrial users. However, smaller incubator style users still seek a location close to their primary market. The City's introduction of the PDR (Production, Distribution and repair) facilitates the preservation of industrial uses against alternative higher and better uses.

Average asking rates have increased from the 4th quarter 2011 at \$0.83 per square foot triple net to \$1.00 per square foot in the 3rd quarter 2013 but falling back to \$0.80 per square foot in Q.1, 2014.

Net absorption for the 1st quarter is 51,285 square feet or 4% of the direct vacancy representing a 25 month inventory. There continues to be little or no new industrial development principally as a result of high land prices which makes industrial uses difficult to develop. Hence, much of the inventory is older industrial and not new industrial parks more commonly found in the suburban markets. The introduction of the PDR district zoning is an attempt to reverse this trend.

On the Life Science side of the market, Bay area regional improvement of vacancies and increased rents can be attributed to increased venture capital activity and the strong performance of the San Francisco market. The vacancy for San Francisco in the 1st

quarter stood at just 4.7% following zero absorption for the 1st quarter. Total vacancy is only 76,573 square feet square feet.

Asking rents one year ago stood at \$4.50 per square foot, but have increased to \$5.19 per square foot for the 1st quarter and continues to be the highest in the Bay Area.

Limited inventory and continued VC activity suggests more space will be developed as a market response.

C. San Francisco Development Land Market

The development land market has seen some significant activity in specific areas over the last 24 months as buyers seek to solidify holdings and position themselves for development during the current boom in both residential and office development. The table below shows the latest development pipeline figures for the City of San Francisco.

Recent transactions include KB Home's acquisition of 2655 Bush Street, fully entitled for 81 units; SOMA Hotel LLC's acquisition of the 23,000 square foot fully entitled site in Mission Bay (Channel Street between 3rd and 4th) for a 15 story 250 room hotel; KB Home's acquisition of the fully entitled 9 story, 74 unit condo site at 72 Townsend Street; Build Inc's acquisition of 1532 Harrison Street, American Pacific Capital's acquisition of 5 Thomas Mellon Circle at Candlestick Point, a 500 unit fully entitled 4.69 acre waterfront site.

Recent construction starts include 333 Brannan Street, Kilroy Realty's 182,000 square feet preleased (to DropBox) office development; several Mission Bay residential, Life Science and office projects; Trumark Urban's 27 unit project at 1501 Filbert Street; 55 Laguna Street with 330 market rate and 110 affordable units; Equity Residential's 396,200 square foot, 16 story, 273 unit project called Sol at Mission Bay; 1100 Ocean Avenue, 71 affordable housing units; Jay Paul's 181 Fremont Street for a 54 story office/residential tower.

Mid Market Street continues to provide record breaking deals as the resurgence of the neighborhood following the Twitter deal and the 'Payroll Tax' haven has attracted seasoned developers including Shorenstein and will likely see continued construction activity on top of projects already under construction or renovation at 8th and 9th and Market Streets.

Islais Creek/I-280 Parcels, San Francisco, Ca.

Pipeline Status/ Stage in the Development Process	Total No. of Projects	Net Housing Units	Net Comm'l Sq. Ft.	Commercial GSF, of Which:		
				Office	PDR	Retail
Filed with Planning	92	7,400	2,593,500	2,709,900	-415,500	488,600
Approved by Planning	105	27,300	5,943,800	3,067,800	309,000	1,942,100
BP Filed	40	2,400	162,400	85,900	-26,800	98,800
BP Approved/Issued/ Re-Instated	176	2,700	963,000	879,000	-134,000	19,800
Construction	167	3,930	830,000	264,000	-132,000	33,000
Grand Total	857	50,400	16,140,700	10,287,500	-335,900	2,608,500

San Francisco Development Pipeline Report – 4th Quarter, 2013

Outside SOMA, larger deals are gaining momentum. Activity in India Basin and Bayview are for sites with a residential development capability verses pure industrial sites is limited to 2 recent deals at 2121 3rd/720 Illinois and 800 Indiana Street which reflect new interest for residential in this area. There are no known proposed industrial developments in the area.

D. Conclusion

San Francisco and especially the South of Market District is bucking the trend of commercial land development with several land transactions and a jump in building permits for new projects initially residential but more recently of speculative office. The subject is outside the main focus of the market but progress on new developments in India Basin and Hunters Point and the public housing projects will likely see a spillover response to adjacent parcels and neighborhoods.

V. Highest and Best Use

According to the revised edition of *Real Estate Appraisal Terminology*, a joint publication of the American Institute of Real Estate Appraisers the Highest and Best Use is defined as follows.

That reasonable and probable use which supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, 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.

The definition differs somewhat for improved property and vacant property; however, four criteria must in effect be met for both. The Highest and Best Use must (1) be physically possible, (2) be legally permitted, (3) be feasible, and (4) produce the highest return or value.

The Highest and Best Use is that use which is most likely to produce the greatest return over a given period of time. Net return refers to the residual of gross yield after all costs are met. Only those uses, which are natural, probable, and legally permitted may be properly considered tenable. Thus, it may be defined as the available use and program of future utilization, which produces the highest present value to the land.

Even when improvements exist upon a site, it is possible that the current use does not represent the Highest and Best Use. An estimate of Highest and Best Use requires two separate analyses: the Highest and Best Use of the property as improved, and the Highest and Best Use of the property as if vacant. The purpose of the separate analyses is to ensure consistency of uses between the subject land and land sales used to value the subject site, as well as to determine if the existing improvements have contributory value, which warrants their continuance. In other words, an existing use may not represent the Highest and Best Use of the site as if vacant, but the economic benefit (or value) the improvements contribute, exceeds the value of the site at its Highest and Best Use, less removal costs.

Since the subject property is vacant, only the Highest and Best Use of the site as vacant will be considered. The Highest and Best Use for each parcel has been analyzed as follows:

A. Parcel No. 1

Physically Possible

Parcel No. 1 comprises a combined area of 71,557 square feet. The parcel has no direct public street access. No main utilities were available to the site. The topography is generally level and is not identified to be within a flood zone. The parcel has a highly irregular shape which may hinder development design flexibility. In addition, a portion of the site may be within 100 feet of Islais Creek and thus subject to development restrictions within that 100 foot zone.

Surrounding land use is predominantly industrial and public highways. Soil conditions are unknown but assumed mitigated of any hazardous conditions as previously noted. The site otherwise has physical potential for development. Use of the site is also physically hindered by 10 freeway bents located throughout the site and the existence of a main sewer line running diagonally through the site.

Legally Permissible

Based upon the zoning code, *Parcel No. 1* could be developed with a variety of uses ranging from industrial to residential.

The surrounding uses and specific site characteristics might be better suited to industrial uses. Under the M-2 zoning, up to 89 residential units might be developable on the subject site based upon 1 unit per 800 square feet of site area. Based upon the density of the nearest residential district which is RM-2, the site might be developed with up to 119 residential units at 1 unit per 600 square feet of site area.

Industrial uses can be developed up to a 5:1 FAR or 357,785 square feet within the 65 foot height limit.

The site does not appear to have any access to a public street. The site does appear to benefit from a right of access over City property for 'highway purposes' but this may not extend the right for development purposes. Notwithstanding evidence to the contrary, the site is assumed to have no direct public street access. As such, the legal development potential and/or use of the subject would appear to be limited to assemblage with an adjacent site that has such public street access.

The site is proposed to be leased under a 'long term' lease. The use of the site as defined in the proposed lease will be restricted to parking and vehicle storage.

Economically Feasible/Maximally Productive

Given the limitations of use prescribed by the proposed long term lease and the need for assemblage with adjacent parcels for purposes of public street access, the highest and best use is concluded for assemblage and subsequent use for the parking and storage of operational vehicles.

B. Parcel No. 2

Parcel No. 2 appears to predominantly lie within the 100 foot setback zone adjacent to Islais Creek and thus has by itself limited to no development potential. The site might have use for plottage purposes only.

At the instructions of the client, this parcel is assumed to have a value of \$1.00 and no further consideration is given to its highest and best use.

VI. Valuation Methodology

There are three major approaches to the valuation of real property--the *Cost Approach*, the *Sales Comparison Approach*, and the *Income Approach*. The type and age of a property and the quantity and quality of data that can be obtained affect the utility of each approach for any given appraisal task.

The *Cost Approach to Value* utilizes a method in which the value of the property is derived by estimating the reproduction or replacement costs new of the improvements, deducting there from depreciation due to all causes attributable to the improvements, and then adding the Market Value of the land. This method is based on the theory of substitution, which implies that a knowledgeable buyer will pay no more for the real property than the cost of producing a comparable property of similar utility.

The *Sales Comparison Approach* is a method of comparing recent sales of similar properties to the subject property. This approach is based on the principle that the prudent investor would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. The value of a particular property tends to coincide to the value indicated by the actions of informed buyers and sellers in the marketplace for similar properties.

The *Income Approach to Value* is based upon the economic principle that the value of an income producing property is the present worth of anticipated future benefits; which are comprised of the annual income stream (cash flow or net income) and the reversion benefits (resale value). The net operating income is estimated by deducting from the gross annual income and appropriate allowance for vacancy and operating expenses. The net income can be converted into a present value estimate using a capitalization process. There are various methods of capitalization that are based upon inherent assumptions concerning the pattern of the income stream, as well as the quantity, quality and durability of the income stream.

Based upon the conclusion of the highest and best use, the most appropriate valuation approach for the subject is the Sales (lease) Comparison Approach to value.

VII. Sales Comparison Approach

A. Methodology

The *Sales Comparison Approach* is a method of comparing recent sales (leases) of similar properties to the subject property. This approach is based on the principle that the prudent investor/lessee would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. The value of a particular property tends to coincide to the value indicated by the actions of informed buyers/lessees and sellers/lessors in the marketplace for similar properties.

B. Analysis of Land Leases

Parcel Nos. 1 and 2 are to be leased under a long term lease (50 years). At the instruction of the client, *Parcel No. 2* is assumed to be valued at \$1.00 and is given no further consideration.

Parcel No. 1 comprises 71,557 square feet located partially beneath the I-280 freeway and is restricted in use to parking and the storage of operational vehicles. As such, market data of land leases with similarly restricted use has been researched. Such sites are generally leased on a short term basis (year to year up to 5 years). The limited term of these leases precludes a tenant pursuing the highest and best use for the land (which might be a building development) and as a result, are limited in their use to parking, bulk material and yard storage.

Other features of the subject are that the subject is not paved, fenced or has any power. In addition, the layout and useable area of the site is impacted by the location of freeway bents

Table 2 provides a summary of lease comparables while below, each is discussed in turn. Each comparable was adjusted for lease terms and the amortized value of the improvements. The improvements typically involved 6 or 8 foot security fencing with metal gates, asphalt site paving, power and yard lighting and also some building improvements. The adjustment was initially based upon the calculated depreciated replacement cost of the improvements using the Marshall Valuation Service Cost Guide directory. The improvements were amortized at a cost of funds rate of 6% over the normal life expectancy of the improvements. Table 3 provides a summary of adjustments made to the lease comparables for comparison to the subject.

Land Lease No. 1 is located at 1950 Galvez Avenue at Selby. This 46,658 square foot site is a fenced, paved and lit yard. The site was leased in May 2014. The 5 year term commenced at a rent of \$0.204 per square foot, gross or \$0.1586 per square foot triple net. Adjusting the rate by \$0.0310 per square foot for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.1276 per square foot. The rent escalates 3% per annum. The site is used for equipment storage.

The location of the comparable is inferior to the subject requiring upward adjustment but, the site is encumbered by bents requiring no adjustment. An adjusted rate of \$0.13 per square foot is estimated.

Land Lease No. 2 is located at 201 Toland Street at Evans Street. There are 2 leased areas on this parcel. The first is a 42,000 square foot site that is a fenced, paved and lit yard with a 1,500 metal warehouse. A lease to a construction company for yard storage was executed June 2012. The 5 year term commences at a rent of \$0.42 per square foot, triple net. The rent escalates 3% per annum. The rent was factored on the land only. There were no concessions. Adjusting the rate by \$0.0428 per square foot for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3772 per square foot.

The location of the comparable is similar to the subject, but the site is not encumbered by bents requiring downward adjustments. An adjusted rate of \$0.36 per square foot is estimated.

The second lease is a 35,000 square foot site that is a fenced, paved and lit yard. A lease was executed in March 2013 by Google. The 3 year term commences at a rent of \$0.42 per square foot, triple net. The rent escalates 3% per annum. There were no concessions. Adjusting the rate by \$0.0428 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3772 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.37 per square foot is estimated.

Lease Nos. 3-6 relate to Port of San Francisco leases.

Land Lease No. 3 is located at Seawall Lot 349 at 20th and Illinois Streets and comprises a rectangular level parcel containing 119,960 square feet. The parcel is fully fenced, asphalt paved and has power and lighting.

The parcel was leased in August 2013 for a 3 year term to Yellow Cab Company at \$0.23 per square foot per month, NNN. The use of the parcel is for vehicle parking and storage.

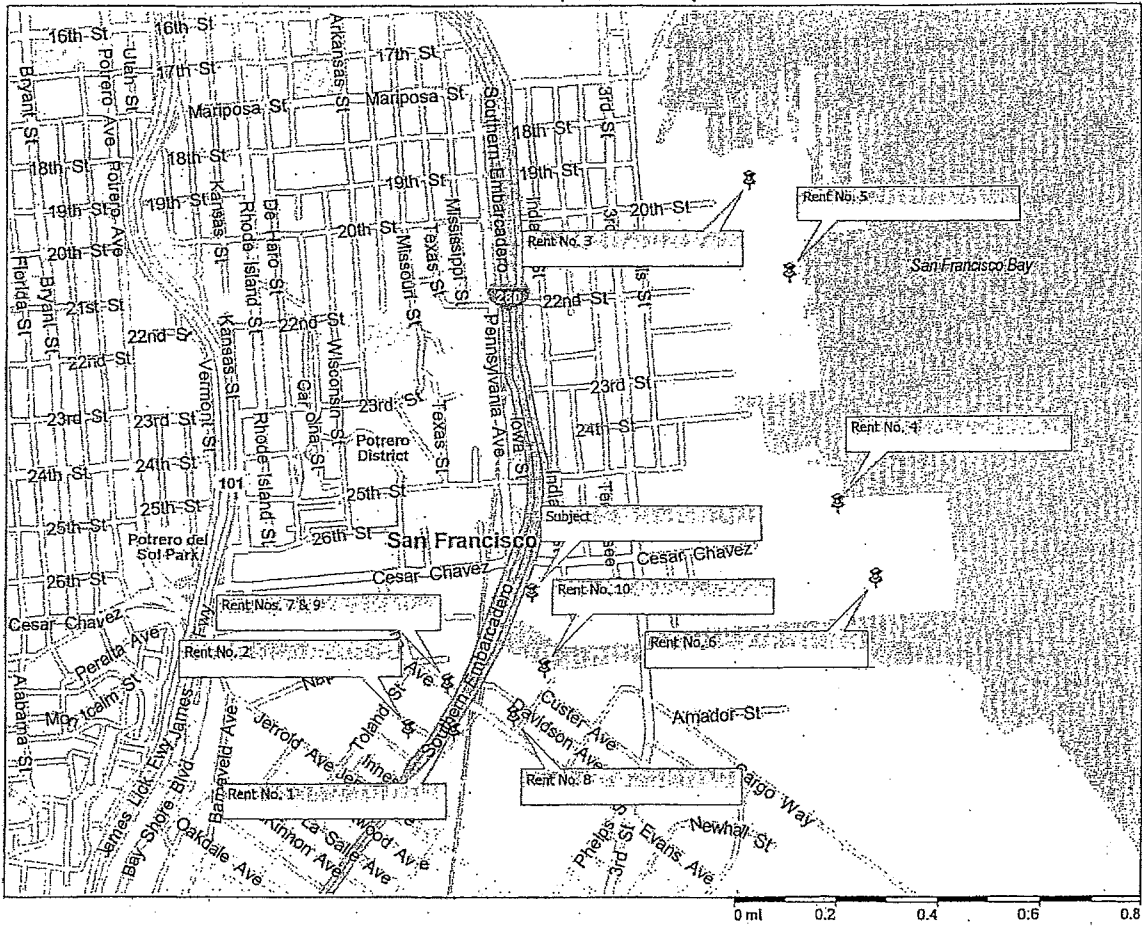
Islais Creek/I-280 Parcels, San Francisco, Ca.

INDUSTRIAL LAND LEASES

TABLE 2

ISLAIS CREEK SAN FRANCISCO									
NO	LOCATION/APN	DATE	AREA	TERM	RENT \$/sf/mo	ESCAL	EXPENSE	EFFECT. \$/sf/mo	TENANT/COMMENTS
	Subject		71,557	50					Restricted use to storage of operational vehicles; freeway bunnis Unpaved; unfenced; no power.
Private Leases									
1	1950 Galvez Ave	5/1/2014	46,658	5 yrs 1x5 opt	\$ 0.20	3%/pa	Gross* NNN	\$ 0.2036 \$ (0.0450)	Elevated freeway crosses; bus plg Fenced, paved, electricity
							Improvement adjustment	\$ (0.0310)	
								\$ 0.1276	
2	201 Toland Street	6/1/2012	42,000	5 yrs	\$ 0.42	3%/pa	NNN	\$ 0.4200 \$ (0.0428)	Construction company Fenced, paved lit yard w. 1,500 maint. bldg
							Improvement adjustment	\$ 0.3772	
		3/1/2013	35,000	3 yrs	\$ 0.42	3%/pa	NNN	\$ 0.4200 \$ (0.0310)	Google Fenced, paved, lit yard.
							Improvement adjustment	\$ 0.3890	
Port of SF Leases									
3	Seawall Lot 349 20th/Ilinois	8/1/2013	119,960	3 yrs	\$ 0.23	3%/pa	NNN	\$ 0.2300 \$ (0.0291)	Yellowcab Co-op; vehicle storage Fenced and paved yard
							Improvement adjustment	\$ 0.2009	
4	Seawall Lot 356 Cesar Chavez/Ilinois	2/28/2014 L-15690	74,742	10 yrs	\$ 0.32	3%/pa	NNN	\$ 0.3200 \$ (0.0298)	Affordable Self Storage Trailer storage; fenced, paved, power
							Improvement adjustment	\$ 0.2902	
		2/28/2014 L-1591	144,818	10 yrs	\$ 0.32	3%/pa	NNN	\$ 0.3200 \$ (0.0289)	Affordable Self Storage Trailer storage; fenced, paved, power
							Improvement adjustment	\$ 0.2911	
5	Seawall Lot 349 22nd/Ilinois	1/15/2014 3 yrs	61,409	3 yrs	\$ 0.35	3%/pa	NNN	\$ 0.3500 \$ (0.0299)	Bose International Motors/German Motors Vehicle overflow storage
							Improvement adjustment	\$ 0.3201	Paved and fenced
6	Pier 80 Cesar Chavez/Ilinois	Pending	75,000	3 yrs	\$ 0.28	3%/pa	NNN	\$ 0.24	Affordable Storage Unimproved site; rate adjusted for size discount and 3 months free rent
Caltrans Leases									
7	NWC Evans/Shelby 004-030200-001-04	12/20/2013 renewal	34,900	2 yrs	\$ 0.28	CPI/pa	NNN	\$ 0.2799 \$ (0.0284)	Koehler Enterprises; parking & storage Asphalt paved yard; 6' chain link fence
							Improvement adjustment	\$ 0.2515	metal gates installed by tenant and paid through rent offset in 2006
		10/1/2006		3 yrs	\$ 0.17				
8	220 Rankin St 04-030670-0002-03	12/18/2013 renewal	70,000	5 yrs	\$ 0.36	CPI/pa	NNN	\$ 0.3571 \$ (0.0840)	Koehler Enterprises; parking & storage Concrete paved lot; 3,200 SF 6 bay auto
							Improvement adjustment	\$ 0.2732	garage; 6,000 SF Office/whse; 8' mll fence remote control gate; security system; 3 side metal gates
		1/20/2010		5 yrs	\$ 0.12				Auto wrecking
		3/1/2008		1 yr	\$ 0.10	Sch			
				2 yr	\$ 0.20				
				3 yr	\$ 0.20				
				4 yr	\$ 0.22				
9	1890 Evans Ave 04-034263-0001-01	1/7/2014	19,725	2 yrs	\$ 0.28	None	NNN	\$ 0.2788 \$ (0.0441)	Richard Cole; dba ABC Auto Auto wrecking
							Improvement adjustment	\$ 0.2347	Various auto garage bldgs
		7/5/2008		2 yrs	\$ 0.20				
10	2 Rankin 04-030669-0013-03	12/18/2013	43,014	2 yrs	\$ 0.26	CPI/pa	NNN	\$ 0.2557 \$ (0.0003)	Ryan Engineering; bulk storage 8' chain link fence and metal gate
							Improvement adjustment	\$ 0.2554	
		2/10/2010		5 yrs	\$ 0.18	2 yrly CPI	NNN		Tenant install fencing with rent offset
* Adjustment from gross to NNN is \$0.045/SF/mo									
Improvement adjustment based upon Marshall Valuation amortized Depreciated Replacement cost									

Rent Comparable Map



Islands Creek/7-280 Parcels, San Francisco, Ca.

Adjusting the rate by \$0.0291 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2009 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.21 per square foot is estimated.

Land Lease No. 4 is located at Seawall Lot 356, 22nd Street at Illinois Street and comprises 2 leases. The first is a 74,742 square foot site and the second site is 148,818 square feet. Both sites are fenced, paved and have power. There are no bents on the sites. The sites were leased in February 2014 to Affordable Self Storage. The 3 year terms commenced at a rent of \$0.32 per square foot, triple net. The rent escalates at 3% per annum. Adjusting the rates by \$0.0298 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2902 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. The second site is larger than the subject requiring upward adjustment. The adjusted rates of \$0.29 and \$0.31 per square foot are estimated.

Land Lease No. 5 is located at Seawall Lot 349 at 22th and Illinois Streets and comprises a rectangular level parcel containing 61,409 square feet. The parcel is fully fenced, asphalt paved and has power and lighting.

The parcel was leased in January 2014 for a 3 year term to Bose International Motors at \$0.35 per square foot per month, NNN. The use of the parcel is for vehicle parking and storage. Adjusting the rate by \$0.0299 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3201 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.32 per square foot is estimated.

Land Lease No. 6 is located at Pier 80 at Cesar Chavez and Illinois Streets and comprises a dirt lot (unimproved) currently under negotiation at with 75,000 square feet. The current lease, due to expire in August 2014 is rented at \$0.19 per square foot. The new proposed minimum rent is \$0.28 per square foot. Mr. Jeff Bauer, leasing manager at the Port, indicated that a 5% discount may need to be applied for size and up to 3 months free rent for a 36 month lease. The net effective rate with these discounts equates to \$0.24 per square foot. An upward adjustment for location is offset by a downward adjustment for no impact by freeway bents. This comparable suggests a rate for the subject at \$0.24 per square foot.

Lease Nos. 7-10 relate to Caltrans leases.

Land Lease No. 7 is located at the NWC of Evans and Selby Streets partially under the I-280 freeway. The parcel comprises an irregular shaped level parcel containing 34,900 square feet. The parcel is fully fenced and asphalt paved. The improvements were paid for by the tenant and reimbursed through rent offset in 2008.

The lease was renewed in December 2013 for a 2 year term to Koehler Enterprises for parking and storage. The tenant also occupies an adjacent site. The rent was set at \$0.28 per square foot, NNN. The use of the parcel is for vehicle parking and storage. Adjusting the rate by \$0.0284 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2515 per square foot.

A downward adjustment is made for size. An adjusted rate of \$0.24 per square foot is estimated.

Land Lease No. 8 is located at 220 Rankin Street at the corner of Evans Street. The parcel comprises a rectangular shaped level parcel containing 70,000 square feet. The parcel is fully fenced, asphalt paved and has power. In addition, the site contains a 3,200 square foot 6 bay auto service building and a 6,000 square foot office/warehouse.

The lease was renewed in December 2013 for a 5 year term to Koehler Enterprises (Courtesy Tow) for parking and storage. The rent was set at \$0.36 per square foot, NNN.

Adjusting the rate by \$0.0840 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2732 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.26 per square foot is estimated.

Land Lease No. 9 is located at the 1890 Evans at Selby. The parcel comprises a regular shaped level parcel containing 19,725 square feet. The parcel is fully fenced and asphalt paved.

The lease was renewed in January 2014 for a 2 year term to Richard Cole (ABC Auto) for parking and storage. The rent was set at \$0.28 per square foot, NNN. The use of the parcel is for vehicle parking and storage.

Adjusting the rate by \$0.0441 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2347 per square foot.

The location of the comparable is similar to the subject. An downward adjustment is made for size. An adjusted rate of \$0.19 per square foot is estimated.

Land Lease No. 10 is located at the 2 Rankin Street adjacent to Islais Creek. The parcel comprises an irregular shaped level parcel containing 43,014 square feet. The parcel is fully fenced.

The lease was renewed in December 2013 for a 2 year term to Ryan Engineering for bulk material storage. The rent was set at \$0.26 per square foot, NNN. Adjusting the rate by \$0.0003 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.26 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.26 per square foot is estimated.

The land leases all represent short term leases which limit the highest and best use of the parcels to open storage and not building development. Although the subject is proposed for a long term lease, the use restriction of the subject to operational vehicle storage is comparable to the lease examples noted. None of the comparable lease parcels reported any flood, drainage or soil contamination issues that impacted their value or use for short term parking and storage rentals.

The lease comparables are split into 3 sections.

Lease Nos. 1-2 are private sector leases with an adjusted range of \$0.13-\$0.37 per square foot. These sites generally had no impediments and were improved with paving, fencing and power. The lease terms were generally short (2-3 years) and leases were subject to 3% per annum escalations.

Lease Nos. 3-6 are Port of San Francisco leases. Again, these parcels were improved with fencing paving and power. The adjusted rates range from \$0.21 to \$0.32 per square foot. The rates are subject to the minimum rates approved by the Port Commission in 2013. Jeff Bauer, leasing manager at the Port indicated that the minimum rates are shortly to be *lowered* as the most recent rent increase was seen to be over aggressive. Lease rates are to drop \$0.02 per square foot for 2014/15. Larger parcels (1 acre plus) receive a 5% discount and up to 3 months free rent is available on 36 month terms. **Lease No. 6** offers a good example of a similar sized, unimproved parcel presenting comparable conditions as the subject with an effective proposed rate of \$0.24 per square foot.

Islais Creek/I-280 Parcels, San Francisco, Ca.

INDUSTRIAL LAND LEASE ADJUSTMENT

TABLE 3

ISLAIS CREEK SAN FRANCISCO		MVS Adjusted Basis							
NO	LOCATION/APN	RENT \$/sf/mo	DATE	AREA	LOCATION	CONDITION	BENTS	% ADJ	ADJ \$/SF
	Subject		5/20/2014	71,557	CC/Indiana	Level/reg shape	Yes		
1	1950 Galvez Ave	\$ 0.1276	5/1/2014	46,658	Galvez/Selby	Level/reg shape	Yes		
			0.00%	0.00%	5.00%	0.00%	0.00%	5.00%	\$ 0.13
2	201 Toland Street	\$ 0.3772	6/1/2012	43,560	Tol/Evans	Level/reg shape	No		
			0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	\$ 0.36
		\$ 0.3890	3/1/2013	35,000	Tol/Evans	Level/reg shape	No		
			0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	\$ 0.37
Port of SF Leases									
3	Seawall Lot 349 20th/Illinois	\$ 0.2009	8/1/2013	119,960	20th/Illinois	Level/reg shape	No		
			0.00%	5.00%	5.00%	0.00%	-5.00%	5.00%	\$ 0.21
4	Seawall Lot 356 22nd/Illinois	\$ 0.2902	2/28/2014	74,742	22nd/Illinois	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.29
		\$ 0.2911	2/28/2014	144,818	22nd/Illinois	Level/reg shape	No		
			0.00%	5.00%	5.00%	0.00%	-5.00%	5.00%	\$ 0.31
5	Seawall Lot 349 22nd/Illinois	\$ 0.3201	1/15/2014	61,409	22nd/Illinois	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.32
6	Pier 80 Cesar Chavez/Illinois	\$ 0.2400	Pending	75,000	Cesar/Illinois	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.24
Caltrans Leases									
7	NWC Evans/Shelby 004-030200-001-04	\$ 0.2515	12/20/2013	34,900	Evans/Shelby	Level/reg shape	Yes		
			0.00%	-5.00%	0.00%	0.00%	0.00%	-5.00%	\$ 0.24
8	220 Rankin St 04-030670-0002-03	\$ 0.2732	12/18/2013	70,000	Evans/Rankin	Level/reg shape	No		
			0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	\$ 0.26
9	1890 Evans Ave 04-034263-0001-01	\$ 0.2347	1/7/2014	19,725	Evans	Level/reg shape	Yes		
			0.00%	-10.00%	0.00%	0.00%	0.00%	-10.00%	\$ 0.21
10	2 Rankin 04-030669-0013-03	\$ 0.2554	12/18/2013	43,014	E/O Rankin	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.26
Mean								\$	0.27
Median								\$	0.25

Lease Nos. 7-10 are Caltrans leases. The adjusted range of these leases is \$0.21-\$0.26. Adjustments were made for site improvements and bents. Two of these sites were impacted by freeway bents and had an adjusted range of \$0.21-\$0.24 per square foot.

The mean and median of the adjusted range of rents is \$0.27 and \$0.25 per square foot respectively.

The size and lack of improvements of the subject will likely command a rent at the lower end of the adjusted range. The similar mean and median adjusted rates suggest well balanced data. The pending Port lease at Pier 80 offers an indication of a rate on a similar sized, unimproved parcel at an effective rate of \$0.24 per square foot.

Accordingly, it is my opinion that the subject *Parcel No. 1* should support a monthly rental rate of \$0.25 per square foot per month, calculated as follows:

Parcel No. 1	71,557 square feet @ \$0.25/SF	=	\$17,889/month
		=	\$214,671/annum
Parcel No. 2		=	\$1.00

C. Site Remediation Cost

The 2 subject parcels form a part of a 4 parcel assemblage (2 parcels in fee and 2 parcels under a long term lease) which were impacted by various soil contaminants. Remediation costs of the subject's geotechnical and hazardous soil conditions was \$1,590,374 according to the actual costs incurred May 2011 and February 2012 as reported by the client (see addendum). The appraiser is further instructed to use this cost amount for any needed adjustment to the opinion of value whereby such remediation is required to support the estimated value of the subject at its highest and best use.

The subject, as assembled with the adjoining City property offers a large industrial development site. Full utility of the assembled site will require remediation of the geotechnical and hazardous soil conditions impacting the subject.

No allocation of the remediation cost has been provided between the 4 parcels. Two of these parcels are per client instruction, allocated a value of \$1.00. The other two parcels comprise Parcel 1 of this appraisal and another parcel (Parcel 3) held in fee. The remediation cost has therefore been applied to the subject Parcel No.1 and to the fee Parcel No. 3.

The remediation costs are therefore spread across these 2 parcels and provide a unit cost of \$13.91 per square foot as follows:

Remediation Cost (allocated)	\$1,590,374
Parcel No. 1-subject	71,557 SF
Parcel No. 3	<u>42,732 SF</u>
Total	114,289 SF
Unit Cost of Remediation	\$13.91 per square foot.

Notwithstanding information to the contrary, the remediation cost is allocated on a pro-rata basis between the 2 parcels.

Parcel No. 1

Parcel No. 1 has not been valued in fee but rather an estimate of market rent has been determined taking account of the physical and legal limitations presented by the site.

In order to apply the remediation costs allocated to this site, the estimated rental value has been capitalized to generate a per square foot value of the site in fee. From that, the remediation unit cost is deducted and the result de-capitalized to provide a rental value net of the remediation costs and summarized as follows:

ITEM	COST \$	AREA SF	\$/SF/MO	\$/MO	\$/PA
Market Rental Value (MRV)					
MRV gross of remediation		71,557.00	\$ 0.2500	\$ 17,889	\$ 214,671
Less Remediation Cost	\$ 1,590,374	114,289.00			
\$/SF cost for assembled site		\$ 13.9154			
DeCapitalize @	6.00%	\$ 0.8349			
Monthly Rental Adjustment			\$ (0.0696)		
MRV net of remediation			\$ 0.1804	\$ 12,911	\$ 154,926

The de-capitalization rate of 6% is represents a cost of funds rate as used in this report for amortizing improvements of the comparable leases. The remediation cost has been decapitalized in perpetuity rather than limited to the term of the lease. The 50 year lease term could be extended by 2x15 year options allowing a total term of 80 years. There is a marginal mathematical difference between decapitalizing in perpetuity rather than 80 years.

Making the adjustment for the cost of remediation, the market rental value, net of allocated remediation costs is estimated at \$12,911 per month or \$154,926 per annum.

Note: This rental estimate was based upon short term lease comparables which generally had 3% per annum rent escalations. However, the short term nature of these leases also indicated that at renewal, the rent was reset back to market which often was lower than the annually escalated rent. For the subject long term lease, some rent adjustment should be factored into this rental estimate perhaps on a CPI basis every 5 years with a mark to market every 10 years. If the rent is to remain flat for the entire term, an upward adjustment to the commencement rate will be necessary.

VIII. Reconciliation and Conclusion

The appraisal has considered the Sales (rental) Comparison Approach to Value as the only relevant approach given the conclusion of highest and best use.

The *Sales(Lease) Comparison Approach* provides the most direct evidence of unit value for industrial land. A number of leases were located but each possessed unique features and site characteristics not only in terms of location but also in terms of functional and economic use.

The highest and best use for *Parcel Nos. 1 and 2* is limited by the proposed long term lease to 'operational vehicle storage'. As such, research on similarly restricted use leased land was sought and included parcels which use was restricted by virtue of the short term of the lease.

The actual site remediation costs were deducted on a pro-rata basis from Parcel Nos. 1 only given that Parcel Nos. 2 has a predetermined value of \$1.00 each.

Based upon the assumptions and conclusions of this report, it is my opinion that the *market rental value* of the subject parcels as described herein, as of May 20, 2014, is considered to be:

Gross of Allocated Remediation Cost

***Parcel No.1: TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED
SEVENTY ONE DOLLARS PER ANNUM
(\$214,671/pa)***

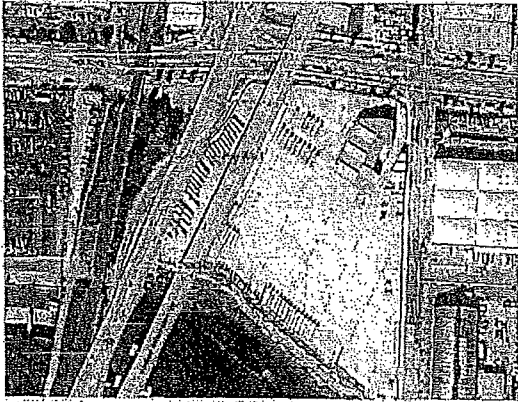
Net of Allocated Remediation Cost

***Parcel No. 1: ONE HUNDRED FIFTY FOUR THOUSAND NINE HUNDRED
TWENTY SIX DOLLARS PER ANNUM
(\$154,926/pa)***

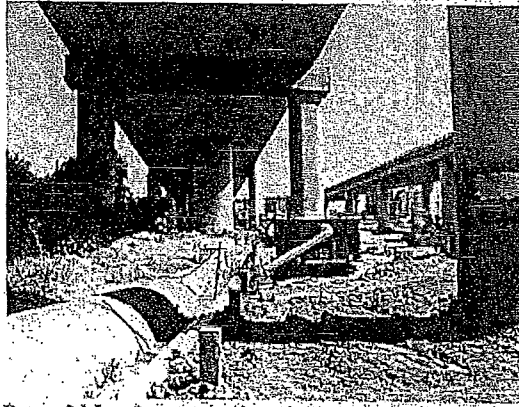
Parcel No. 2:

***ONE DOLLAR
(\$1.00)***

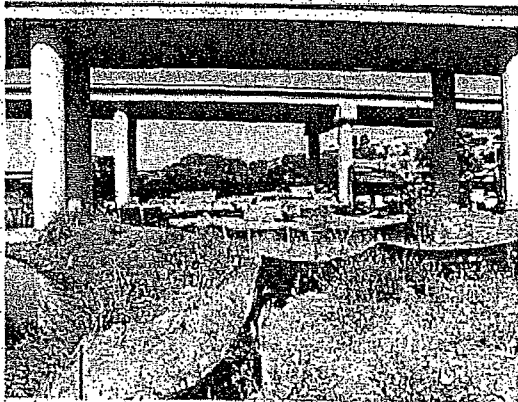
SUBJECT PHOTOGRAPHS



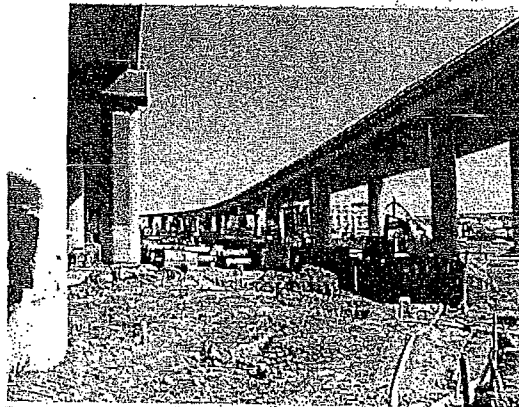
Google aerial with parcels outlined



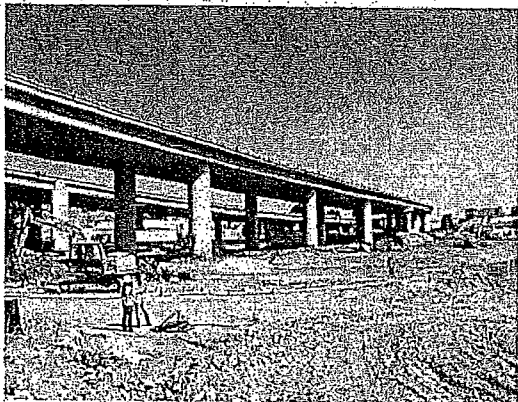
Parcel No. 1-sewer line and freeway bents



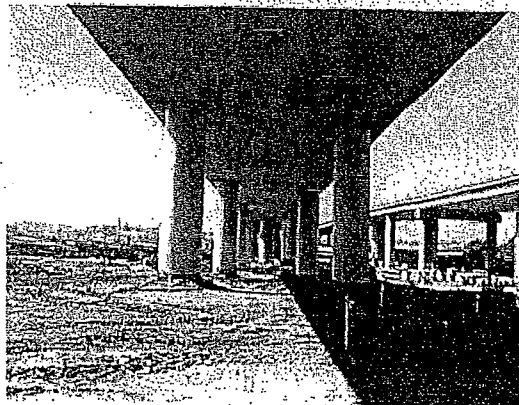
Islais Creek adjacent to Parcel Nos. 2



Parcel No. 1 view north

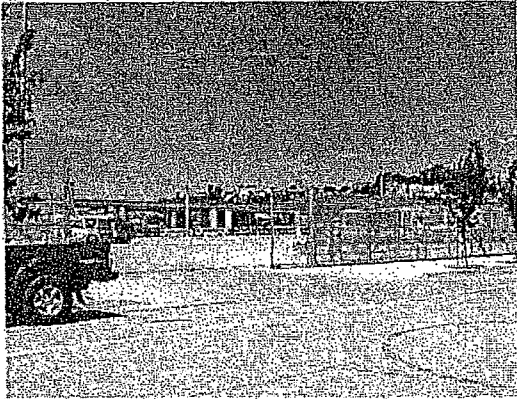


Parcel No. 1 from Parcel No. 3



Parcel No. 1 freeway bents

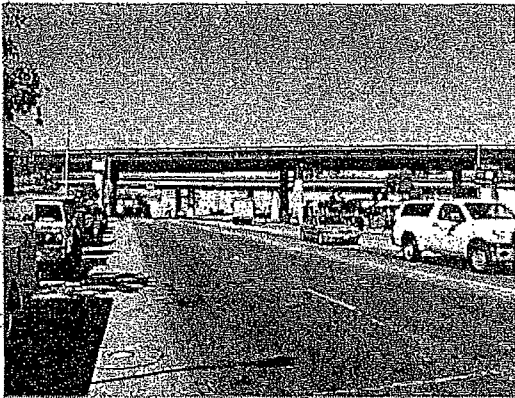
SUBJECT PHOTOGRAPHS



View of project site as improved as of the date of value from Indiana Street.



Indiana Street view north



Cesar Chavez frontage view west.



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, Mayor

Tom Nolan, Chairman

Michael Henrich, Director

Joe Ramos, Director

Edward D. Reiskin, Director of Transportation

Cheryl Burdette, Vice-Chairman

Jerry Lee, Director

Cristina Ruyke, Director

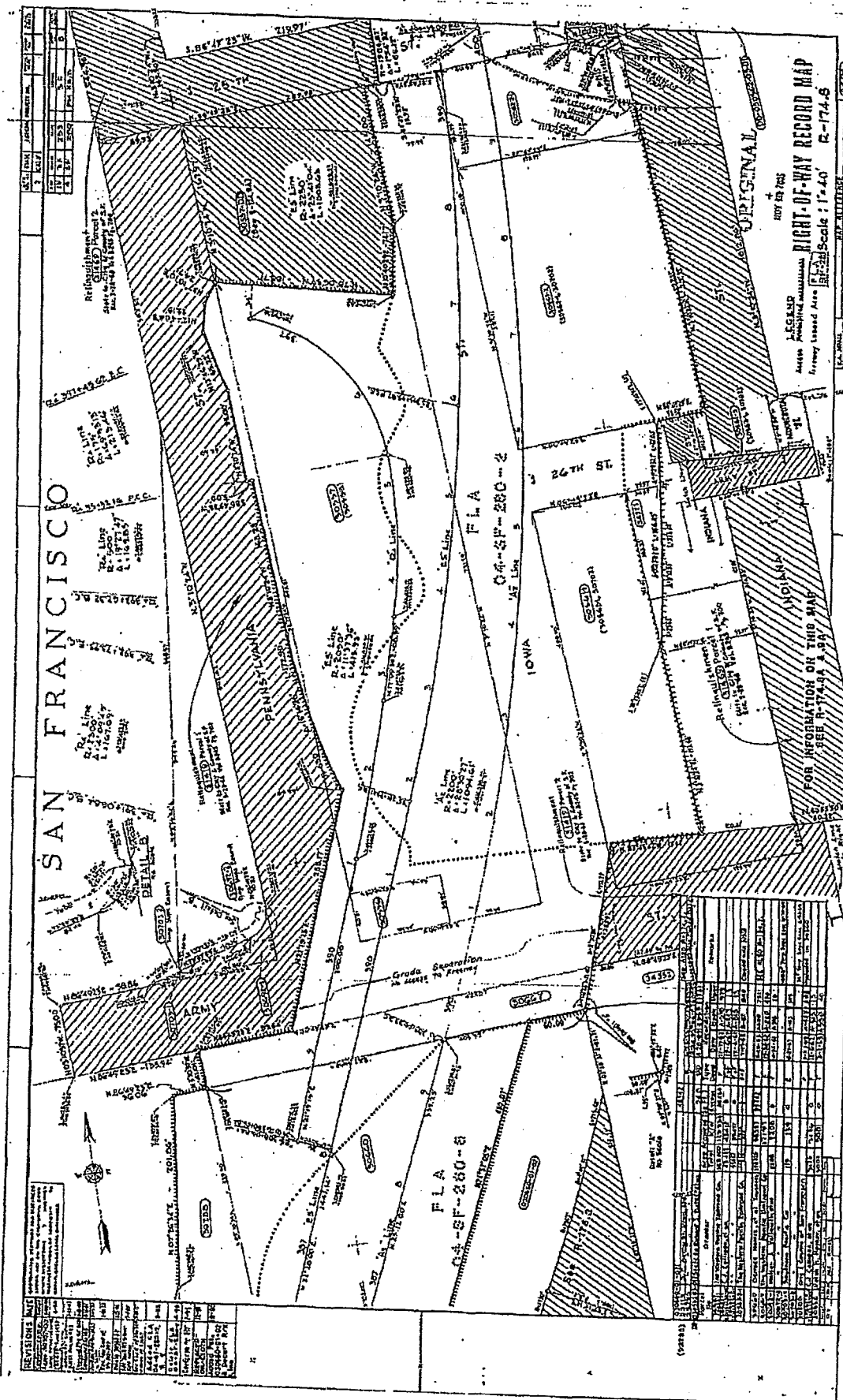
Islais Creek Project: Summary of Remediation Costs

Through the Right of Entry Permit from Caltrans, the SFMTA's Islais Creek Project Phase 1 construction proceeded, which included the final, actual remediation costs shown below, of which Caltrans' prorated share was \$1,590,374.10 (37%):

Bid Item No.	Description	Final Contractor Quantity	Unit Price	Total
8A	TRANSPORTATION OF HAZARDOUS NON-RCRA MATERIALS TO CLASS I DISPOSAL FACILITIES, METRIC TONS	4,130.56	\$23	\$95,002.88
8B	HANDLING AND DISPOSAL OF HAZARDOUS NON-RCRA MATERIALS TO CLASS I DISPOSAL FACILITIES, METRIC TONS	4,130.56	\$56	\$231,311.36
10A	TRANSPORTATION OF MATERIALS TO CLASS II DISPOSAL FACILITIES, METRIC TONS	40,061.67	\$32	\$1,281,973.44
10B	HANDLING AND DISPOSAL OF MATERIALS TO CLASS II DISPOSAL FACILITIES, METRIC TONS	40,061.67	\$31	\$1,241,911.77
12	CELLULAR CONCRETE FOR BACKFILL (LIGHTWEIGHT CONCRETE), CUBIC METERS	21,130	\$42	\$887,460.00
	DESIGN COSTS (10%)			\$373,765.95
	CONSTRUCTION MANAGEMENT COSTS (5%)			\$186,882.97
			GRAND TOTAL:	\$4,298,308.37
	CALTRANS SHARE (37%)			\$1,590,374.10

Date Remediation construction work started: 5/3/2011

Date Remediation construction work ended: 2/3/2012



RIGHT-OF-WAY RECORD MAP
Scale: 1" = 40' R-174.6

LEGEND
Right of Way
Easement
Other

FOR INFORMATION ON THIS MAP
SEE R-174.6 & 90

ORIGINAL

NO. 1000

NO. 1000

NO. 1000

NO. 1000

MUNI ISLAIS CREEK MAINTENANCE AND OPERATIONS FACILITY

Project Site - Existing and Proposed Parcels

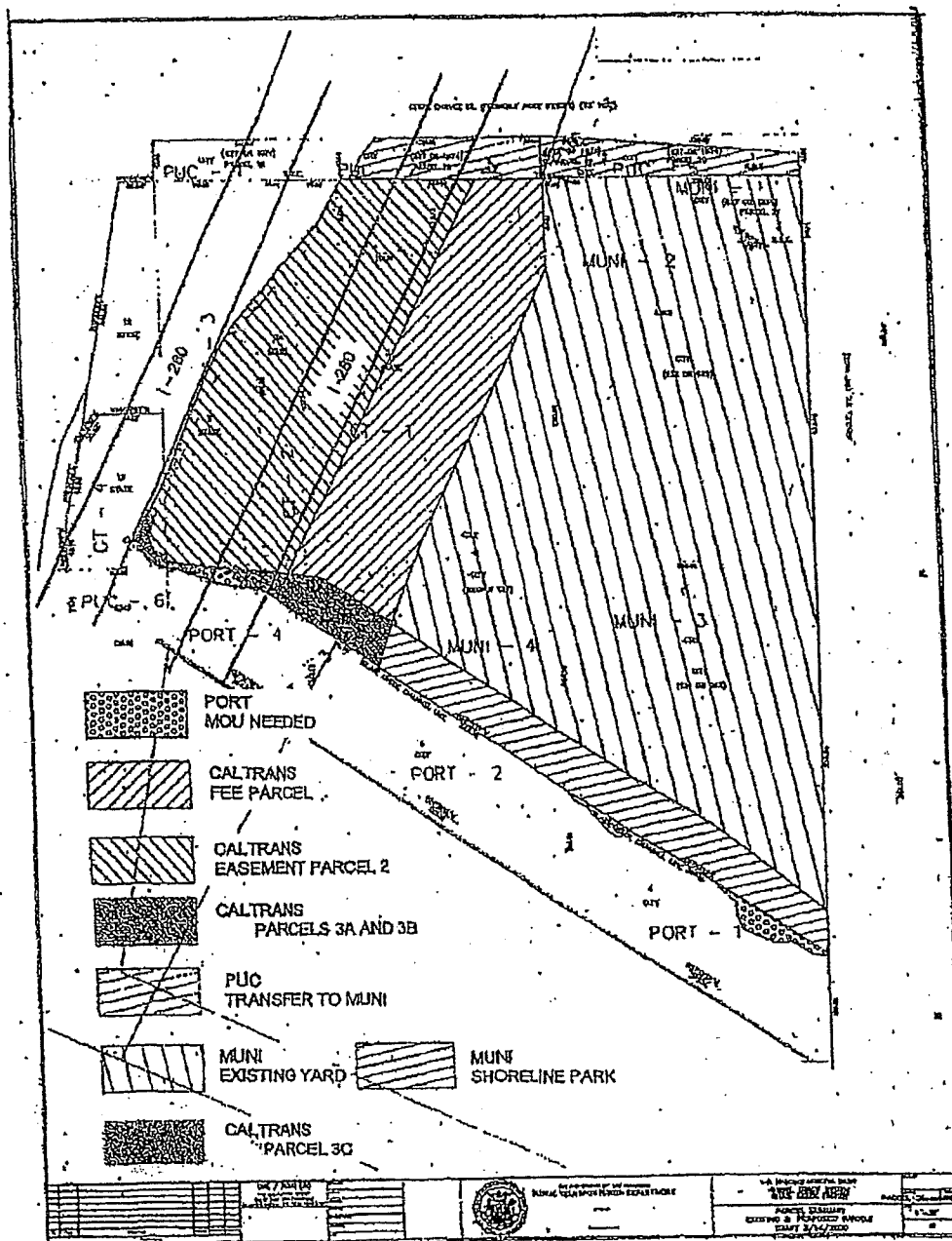


EXHIBIT C-1

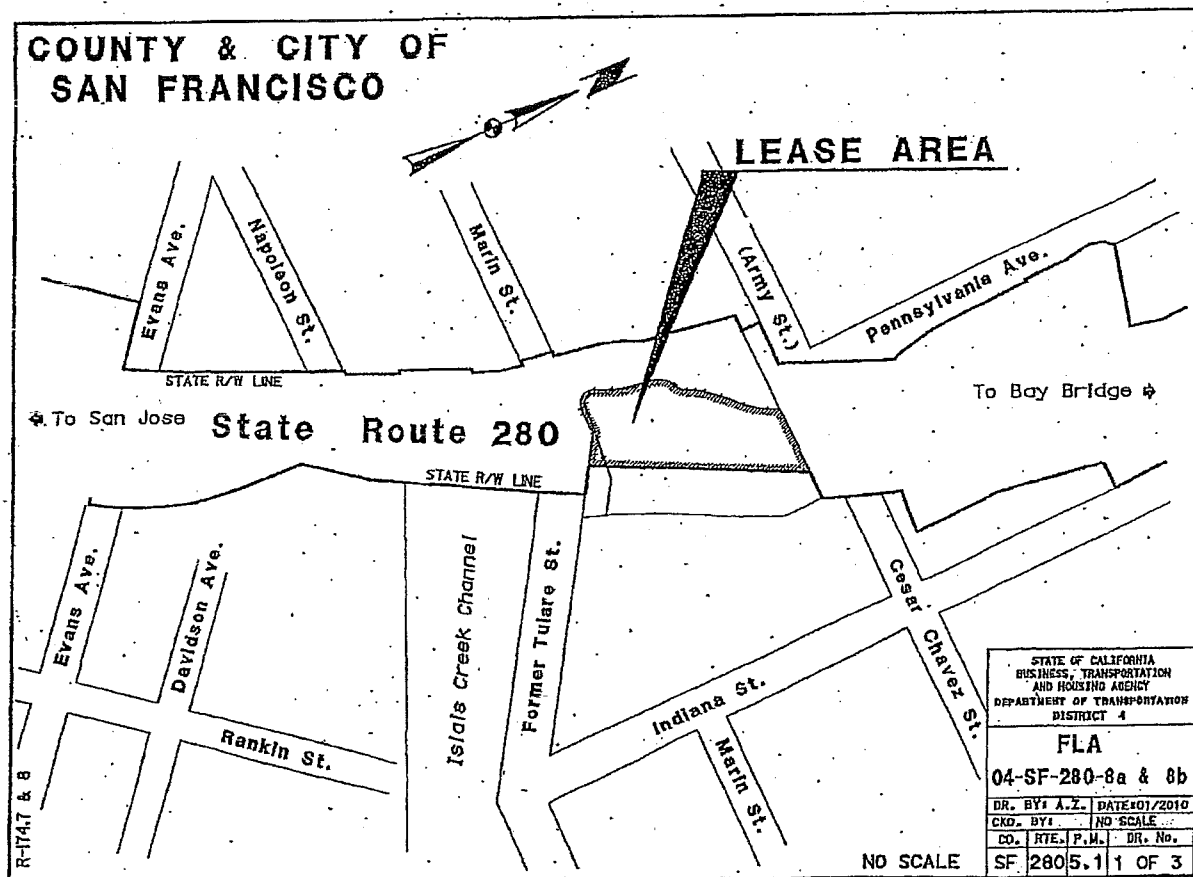
PLAT MAP OF LARGE LEASE PARCEL

Also known as

Caltrans Large Lease Parcel, Caltrans FLA 04-SF-280-8a

Note: No legal description from Caltrans for the Large Lease Parcel

COUNTY & CITY OF SAN FRANCISCO



STATE OF CALIFORNIA BUSINESS, TRANSPORTATION AND HOUSING AGENCY DEPARTMENT OF TRANSPORTATION DISTRICT 4			
FLA			
04-SF-280-8a & 8b			
DR. BY: A.Z.	DATE: 01/2010		
CKD. BY: NO SCALE			
CO.	RTE.	P.M.	DR. No.
SF	280	5.1	1 OF 3

COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1927, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000717 TO OBTAIN GROUND-LEVEL DISTANCES.

EXHIBIT C-1

CITY OF SAN FRANCISCO

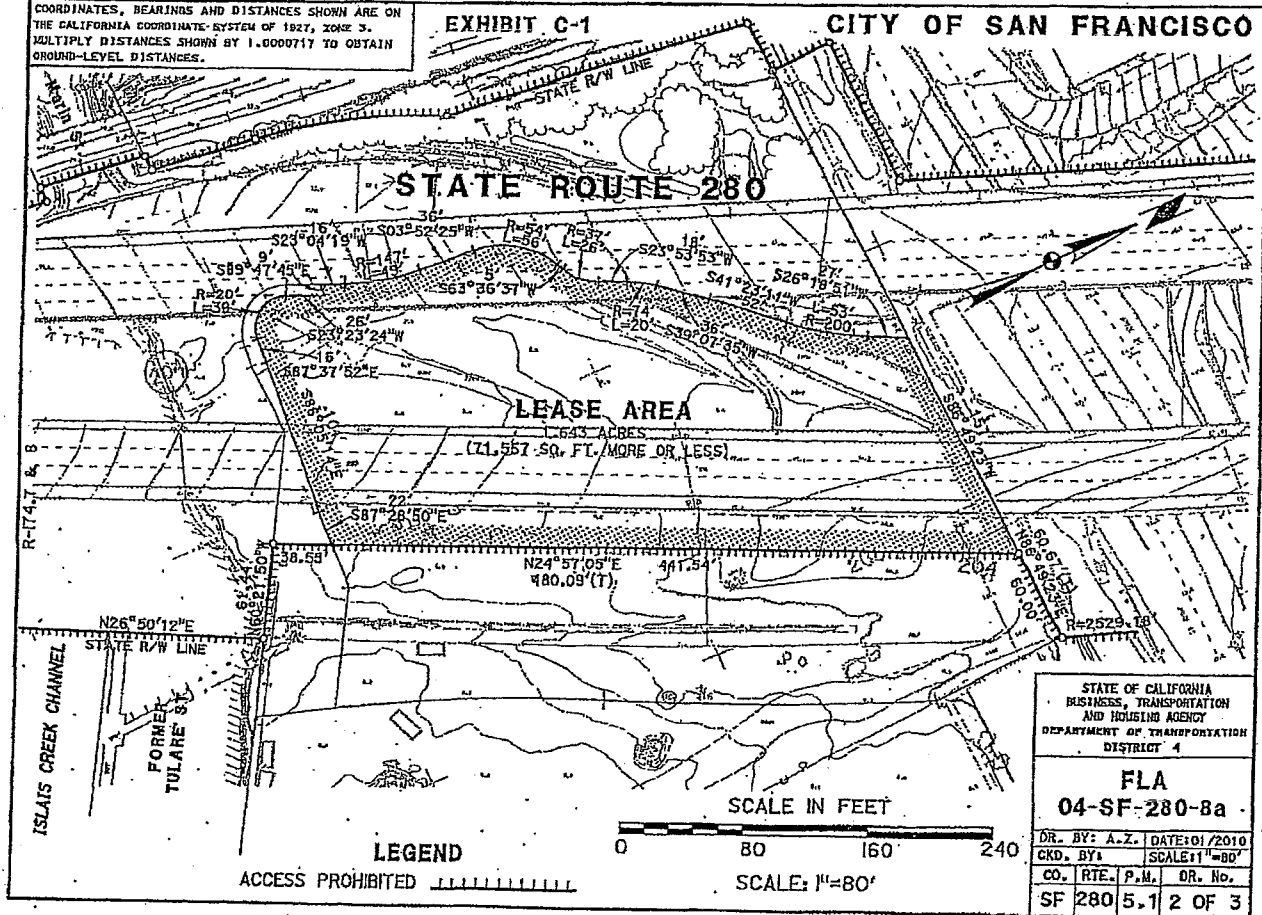


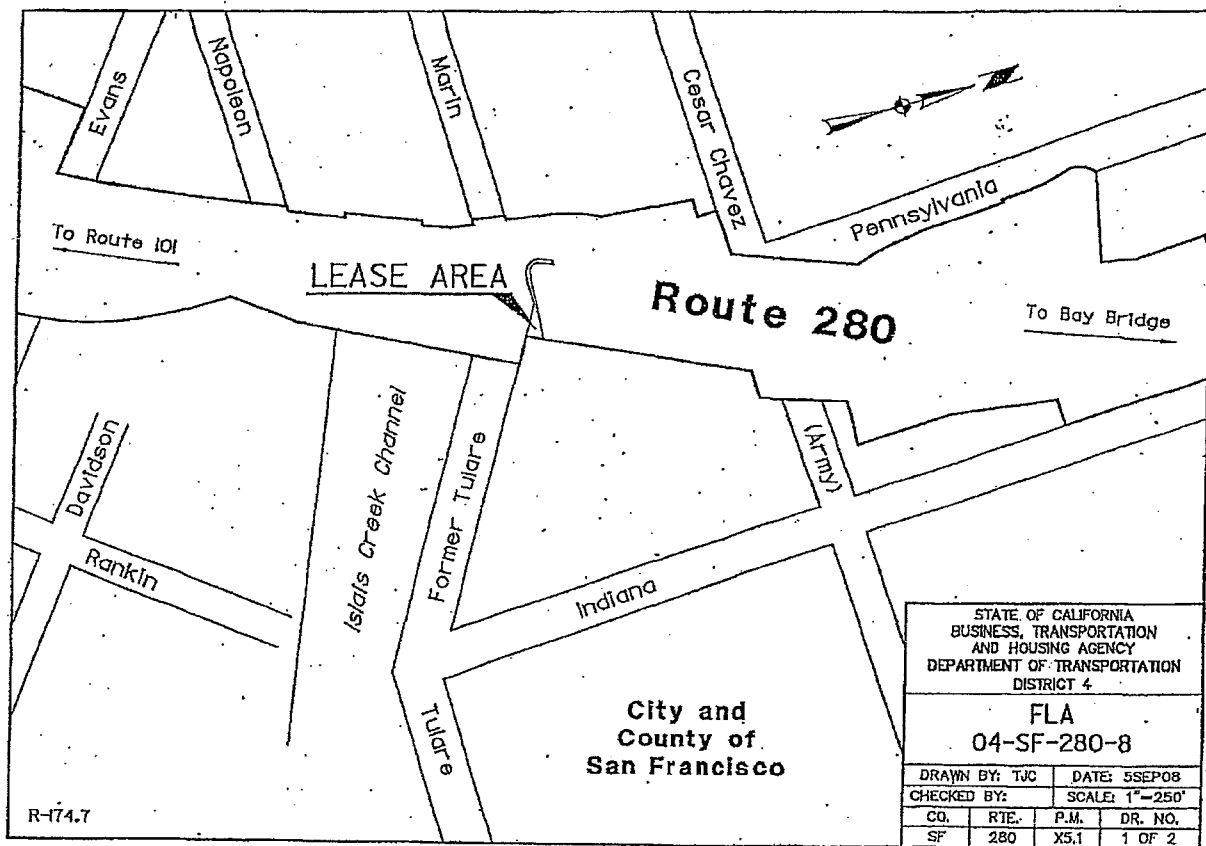
EXHIBIT C-2

PLAT MAP OF SMALL LEASE PARCELS 3A AND 3B

Also known as

Caltrans Small Lease Parcel, Caltrans FLA 04-SF-280-8b

Note: No legal description from Caltrans for the Small Lease Parcels



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

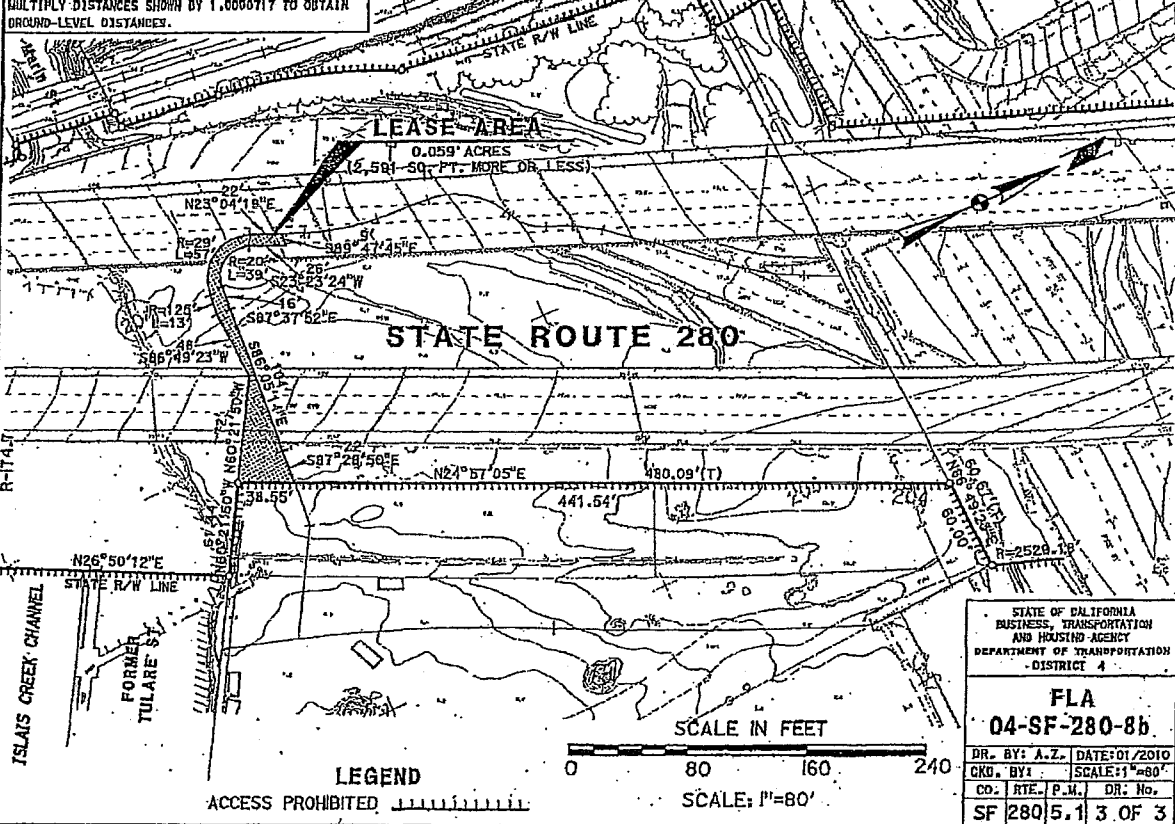
FLA
04-SF-280-8

DRAWN BY: TJC		DATE: 5SEP08	
CHECKED BY:		SCALE: 1"=250'	
CO.	RTE.	P.M.	DR. NO.
SF	280	X5.1	1 OF 2

COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1983, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000717 TO OBTAIN GROUND-LEVEL DISTANCES.

EXHIBIT C-2

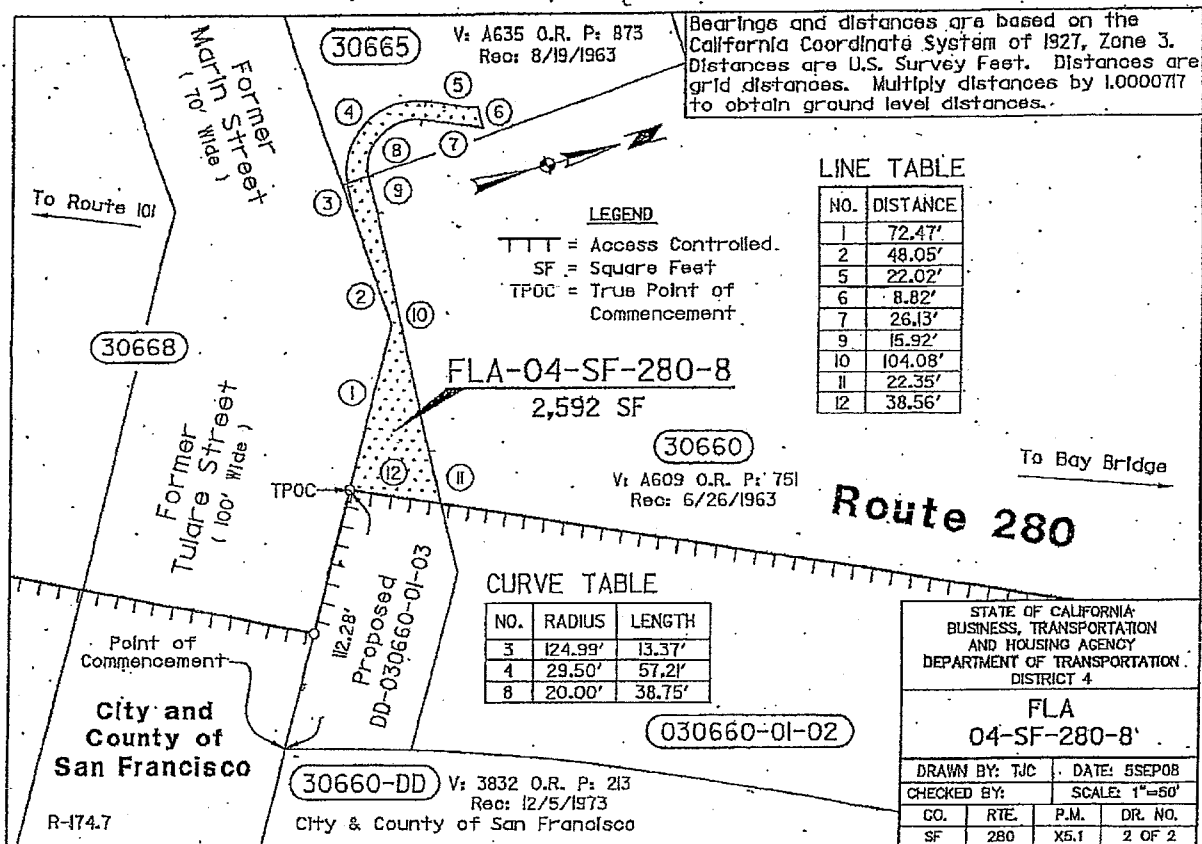
CITY OF SAN FRANCISCO



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

FLA
04-SF-280-8b

DR. BY: A.Z.	DATE: 01/2010
CKD. BY: 1	SCALE: 1"=80'
CO. RTE. P.M.	DR. No.
SF 280 5.1	3 OF 3

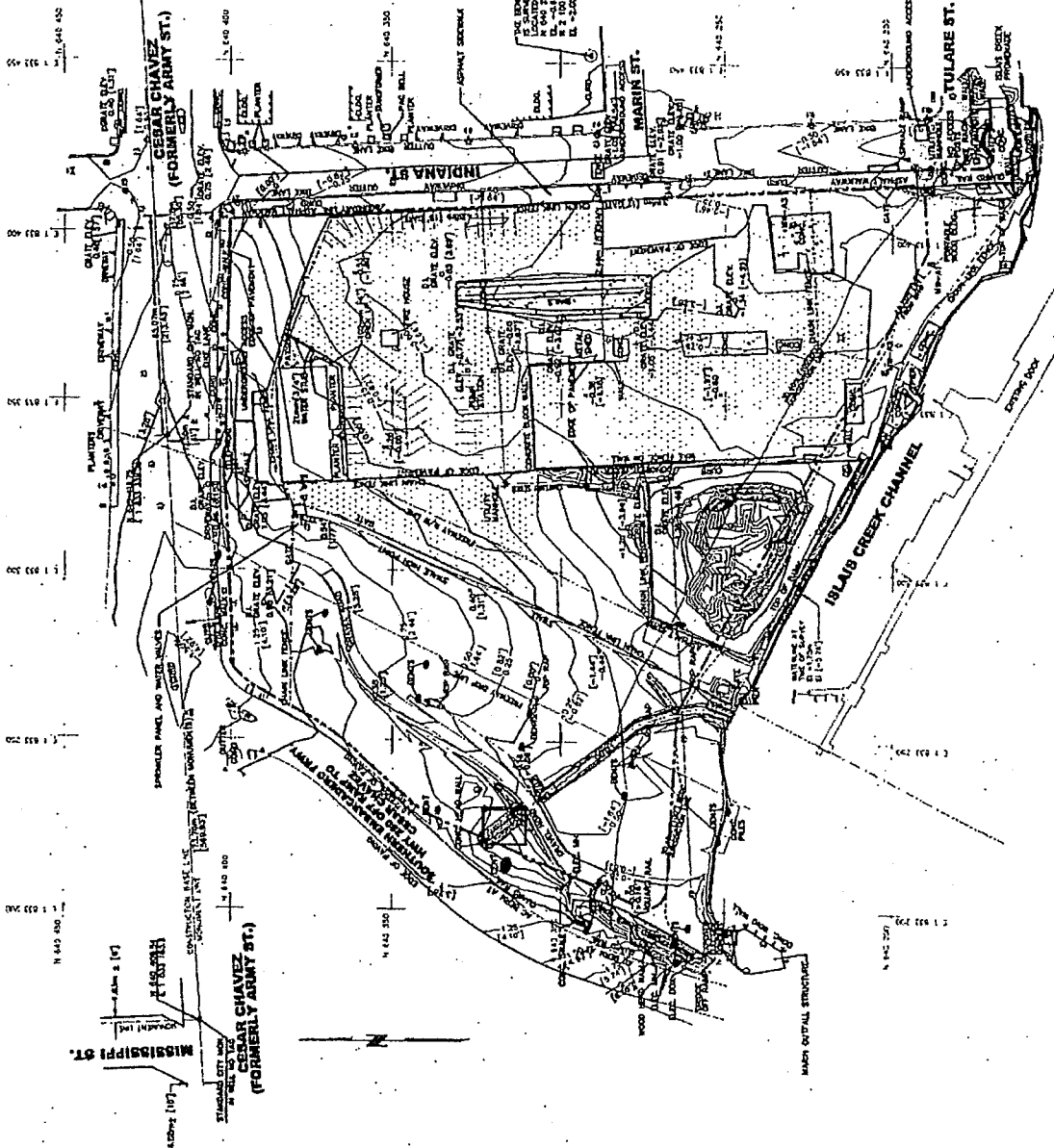


NOTES

1. FOR EXISTING TOPOGRAPHY INFORMATION SEE GENERAL NOTES, DRAWING CH-2.
2. CONTOURS AND SPOT ELEVATIONS IN METERS AND [FEET].
3. FOR BELOW GRADE RECONSTRUCTION SEE NOTE 13, DRAWING CH-4.
4. EXISTING UTILITIES NOT SHOWN FOR CLARITY. REFER TO DRAWING CH-20 FOR A COMPREHENSIVE LISTING OF EXISTING UTILITIES.
5. SEE OTHER DRAWINGS FOR ADDITIONAL EXISTING FEATURES AND CONDITIONS.

LEGEND

- LIMIT OF ASPHALT PAVING
- LIMIT OF CONCRETE
- MONITORING WELL



FOR ORIGINAL SIGNATURES SEE CH-15401, BTL-1

0 10 20 30 40 50 60 70 80 90 100
Feet
0 10 20 30 40 50 60 70 80 90 100
Meters
Drawing Scale in Feet

MR-12008
CL-12401
CV-04
178 2

GLASS CREEK
MOTOR COACH MAINTENANCE & OPERATIONS FACILITY
PHASE I - SITE DEVELOPMENT & FUEL/WASH BUDS
EXISTING CONDITIONS AND TOPOGRAPHY

MUNICIPAL TRANSPORTATION AGENCY
CITY OF LOS ANGELES
1000 N. GARDEN ST., 10TH FLOOR
LOS ANGELES, CA 90012
(213) 475-1000



URS
1000 N. GARDEN ST., 10TH FLOOR
LOS ANGELES, CA 90012
(213) 475-1000

URS/BCCO (JV)
1000 N. GARDEN ST., 10TH FLOOR
LOS ANGELES, CA 90012
(213) 475-1000

URS/BCCO (JV)
1000 N. GARDEN ST., 10TH FLOOR
LOS ANGELES, CA 90012
(213) 475-1000

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(213) 475-1000

URS/BCCO (JV)
1000 N. GARDEN ST., 10TH FLOOR
LOS ANGELES, CA 90012
(213) 475-1000

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Chicago Title Company

ISSUING OFFICE: 2150 John Glenn Drive, Suite 300 • Concord, CA 94520
925 288-8000 • FAX 925 521-9562

PRELIMINARY REPORT

Amended

Title Officer: Meg Heppell

Title No.: 06-36902446-B-MH
Locate No.: CACTI7738-7738-2369-0036902446

TO: Chicago Title Company-San Francisco
455 Market Street, Suite 2100
San Francisco, CA 94105

ATTN: Sue Trowbridge
YOUR REFERENCE: 16020472

SHORT TERM RATE: No

PROPERTY ADDRESS: Lot 003, Block 4382; Lot 013, Block 4349;
Lot 002, Block 4349; Lot 002A, Block 4349
San Francisco, California

EFFECTIVE DATE: May 6, 2011, 05:00 P.M.

The form of Policy or Policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy - 1990

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee
2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

State of California
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

KH\KH 05/05/2006

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel One:

Beginning at a point perpendicularly distant westerly 20 feet from the center line of Iowa Street (as said street line existed prior to the closing of said street) and perpendicularly distant northeasterly 34 feet from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street line existed prior to the closing of said street) with the westerly line of Indiana Street to a point which is perpendicularly distant southerly 484 feet from the southerly right of way line of the Western Pacific Railroad Company (said right of way line being perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened) and perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue (as said street line existed prior to the closing of said street); running thence northwesterly, parallel with the line so drawn, to a point which is perpendicularly distant southerly 384 feet from the said southerly right of way line of the Western Pacific Railroad Company; thence westerly, parallel with said right of way line, to a point which is perpendicularly distant westerly 100 feet from said westerly line of Pennsylvania Avenue; thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet to the said right of way line of the Western Pacific Railroad Company; thence easterly along the last named line, 410 feet to a point perpendicularly distant westerly 20 feet from said center line of Iowa Street; thence southerly, parallel with said center line of Iowa Street, to the point of beginning.

Excepting therefrom, that portion thereof described in that certain Deed recorded December 5, 1973, in Book B832, Page 213, Document No. W35912, Official Records.

Lot 003, Block 4382

Parcel Two:

Beginning at a point perpendicularly distant westerly 20 feet from the center line of Iowa Street (as said street line existed prior to the closing of said street) and perpendicularly distant northeasterly 34 feet from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street line existed prior to the closing of said street) with the westerly line of Indiana Street to a point which is perpendicularly distant southerly 384 feet from the southerly right of way line of the Western Pacific Railroad Company (said right of way line being perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened), and perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue (as said street line existed prior to the closing of said street); running thence northwesterly, parallel with the line so drawn, to a point which is perpendicularly distant southerly 384 feet from the said southerly right of way line of the Western Pacific Railroad Company; thence westerly, parallel with said right of way line, to a point which is perpendicularly distant westerly 100 feet from said westerly line of Pennsylvania Avenue; thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet to the said right of way line of the Western Pacific Railroad Company; thence easterly along the last named line, 410 feet to a point perpendicularly distant westerly 20 feet from said center line of Iowa Street; thence southerly, parallel with said center line of Iowa Street, to the point of beginning.

Excepting therefrom, that portion thereof described in that certain Deed recorded December 5, 1973, in Book B832, Page 213, Document No. W35912. Also excepting Parcel One of this report.

Lots 002 and 002A, Block 4349

Parcel Three:

Beginning at a point on the northerly line of Marin Street (formerly Tulare Street) perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue, as said Pennsylvania Avenue formerly existed, and perpendicularly distant southerly 425 feet from the southerly line of Army Street (as widened); running thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet; thence at a right angle westerly 37.4 feet, more or less, to a point perpendicularly distant easterly 53.5 feet from the center line of the westerly constructed main track of the Southern Pacific Company's railroad, known as the "Bay Shore Route";

thence southerly, parallel with and perpendicularly distant easterly 53.5 feet from the center line of said railroad track, 346 feet, more or less, to a point perpendicularly distant westerly 200 feet from said westerly line of Pennsylvania Avenue; thence southerly, parallel with said westerly line of Pennsylvania Avenue, 45 feet, more or less, to a point on the northerly line of Marin Street, distant thereon 100 feet westerly from the point of beginning; thence easterly along said line of Marin Street, 100 feet to the point of beginning.

Being portion of Potrero Nuevo Blocks No. 293 and 294.

Excepting therefrom, the following parcel of land:

Beginning at a point on a line parallel with and perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened, distant thereon 100 feet westerly from the westerly line of Pennsylvania Avenue, extended southerly; and thence running southerly, parallel to said line of Pennsylvania Avenue, 229.846 feet; thence at a right angle westerly 64.106 feet; thence deflecting $54^{\circ} 47' 19.7''$ to the left from the preceding course and running southwesterly 35.254 feet to the easterly boundary line of the Southern Pacific Railroad Company's right of way; thence deflecting $155^{\circ} 24' 26.7''$ to the right from the preceding course, and running northeasterly along said boundary line, 263.156 feet to the above mentioned line, parallel to the southerly line of Army Street; thence deflecting $79^{\circ} 22' 53''$ to the right from the preceding course and running easterly along said parallel line, 35.941 feet to the point of beginning.

Being portion of Potrero Nuevo Block No. 294.

Lot 013, Block 4349

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2011-2012.
2. **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.
3. The following Streets are described as closed:

Tulare, Marin, Iowa, Pennsylvania, between the south line of Army Street, as widened, and the north line of Islais Creek.

Vacation proceeding should be had or recorded
4. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes, condemned by final decree

Purpose: Sewer
Case No.: 431045
Recorded: August 4, 1955, Book 6669, Page 236, Official Records
Affects: Parcels One and Two
5. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: City and County of San Francisco
Purpose: An easement to drive and maintain batter piles
Recorded: September 29, 1958, Instrument No. H21770, Book 7375, Page 579, of Official Records
Affects: Westerly portion of Parcel Three
6. Unrecorded Highway Agreement between State of California and City and County of San Francisco, as disclosed by documents of record.
7. Any right, title or interest of persons, known or unknown, who claim or may claim adversely to the vested owner herein, by reason of the record title to said land not having been established and quieted under the provisions of the McEnerney Act, so called.

Affects portions of the herein described land, including, but not limited to, current and former streets and avenues included within the lands described herein.
8. Rights and easements for commerce, navigation and fishery.

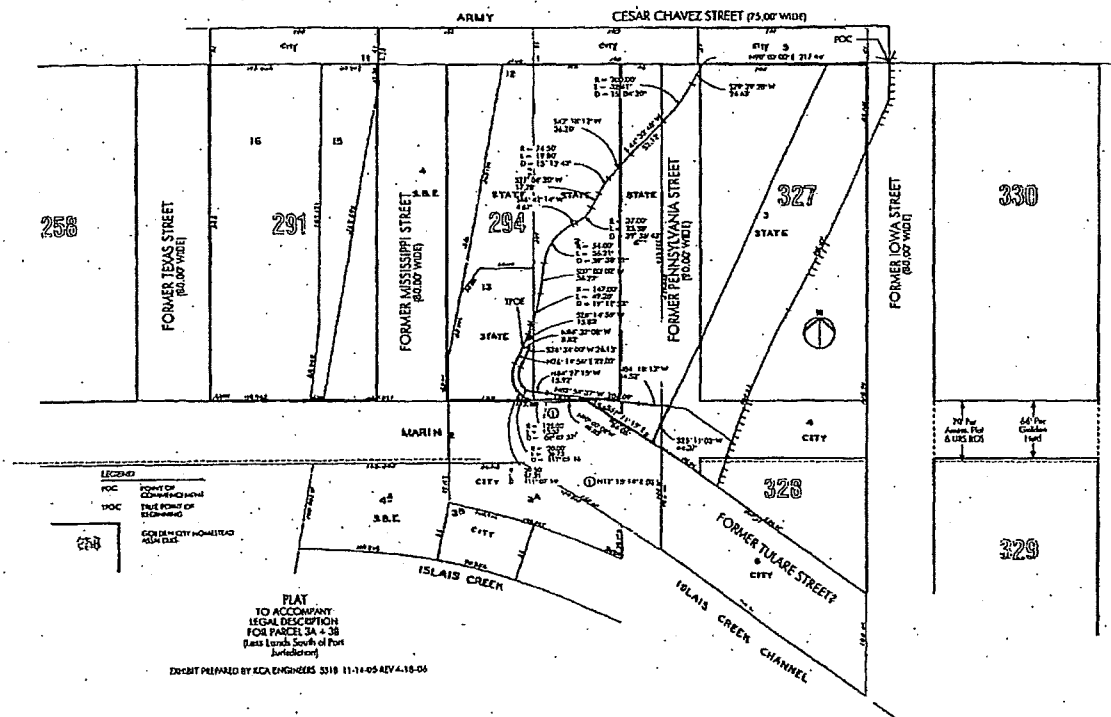
9. Any adverse claim based upon the assertion that:
 - a) Some portion of Tide Land Survey No. 14 was not included within the land authorized to be sold pursuant to the Act of the Legislature of April 4, 1964 (1863-64, Chapter 407, Page 463).
 - b) Some portion of Tideland Survey No. 14 has ceased to be included within the land authorized to be sold pursuant to said Act of the Legislature of April 4, 1864 (1863-64, Chapter 407, Page 463).
 - c) Some portion of said land has been created by artificial means or has accreted to such portion so created.
10. The terms, conditions, reservations and provisions of the Act of the Legislature of April 4, 1864 (1863-64, Chapter 407, Page 463) and the effect of any failure to comply therewith.
11. Any adverse claim based upon the assertion that any portion of said land was not tide or submerged land subject to disposition by the State of California on the effective date of the Legislative Grant of such land to the City and County of San Francisco, a municipal corporation, in trust, or that any portion thereof has ceased to be tide or submerged land.
12. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants and by law as to the land, or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionsary Rights and Interests as may be possessed by the State of California under the terms and provisions of said legislative Grants, or by law.
13. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded January 30, 1969, Instrument No. R40413, Book B308, Page 686, Official Records.
14. An easement for public street purposes over that portion of said land within all streets and avenues lying within the herein described land, which have not been previously vacated.
15. Any and all existing easements for public utilities and right of way for ingress and egress in connection therewith.
16. Parties in possession by reason of unrecorded leases, if any.
17. 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 or persons in possession of the herein described land.

18. 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.
19. 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/ACSM land title surveys.

END OF ITEMS

- Note 1.** There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.
- Note 2.** No taxes were assessed for the 2010-2011 fiscal year.
- Note 3.** Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow or subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all funding should be done through wire transfer, certified check or checks drawn on California financial institutions.
- Note 4.** The charge where an order is canceled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be canceled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.
- Note 5.** California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.

END OF NOTES



NEW YORK, N.Y., MAY 17, 1968.

11-17-64
 1000 1/2 S. 10th St.
 Omaha, Neb.
 P.S. No. 7338 (BANK DEPOSITS 11-17-64)

THE NEW JERSEY OFFICE, 2000 AVENUE A, SUITE 200, NEWARK, NEW JERSEY 07102, IS THE OFFICE OF THE SAN FRANCISCO POLICE DEPARTMENT, SAN FRANCISCO, CALIFORNIA 94104. SAN FRANCISCO MAY CONSIDERED AN INTERNATIONAL COMMISSION, FINANCIAL INSTITUTION, SPECIALIZED IN INTERNATIONAL TRADES, EXPORTS, IMPORTS, SAN FRANCISCO PORT COMMISSION, PORT OF SAN FRANCISCO AND THE SAN FRANCISCO RECREATION AGENCY.

13-200

→ REMOVE SUBJECT TO MONITORING LINE FOR 404. HAVE 300 AND 325
 IN PLAIN VIEWMENTS FOR MON. HAVE 300 AND 325
 • FOOD STIMULATED OFF BEHIND MONITOR

THE ABOVE RETROFIED STRUCTURE REPRESENTS SET ON WITHOUT STRUCTURES AND ARE RETROFIED TO CONTAINING "WORKOFF LINES" AS NOTED ON BIDDING: 100% JOB AND 100%

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 05-17-2017 BY 60322 UCBAW

1-14-78
2-16-78
3-14-78

NOTED ON THE DOCUMENT WITH
THE CITY ENGINEER
OFFICE OF U.S. NAVY

IT - PAGE OF CARD
() - ON FILE / ATTACHED PERTINENT
1901 - LEAD FILE AND MASS INDEX

POB - POINT OF ORIGIN

PG - FOOT OF DOCUMENT
 MS - NOT TO SCALE
 NCR - NOTED

204 - SOCIETY OF AMERICAN ENGINEERS, 1000 LEXINGTON AVENUE, NEW YORK 17, N.Y.

FILED
Not Returnable

Not Notarizable
5/1/88

NOT TO SCALE

VICINITY MAP

RECORD OF SURVEY

THE UNIVERSITY OF CHICAGO PRESS

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1000

Page 10 of 10

2010

143

Businesses note.

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2. The Catholic Department of Birmingham, writing to the "Times of London," mentioned the Report of May on indicated issues and "light of my interest there." On 15th, at 10-11, the indicated documents are indicated. The Department of Birmingham, writing to the "Times of London," mentioned the Report of May on indicated issues and "light of my interest there." On 15th, at 10-11, the indicated documents are indicated. The Department of Birmingham, writing to the "Times of London," mentioned the Report of May on indicated issues and "light of my interest there." On 15th, at 10-11, the indicated documents are indicated.

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EDUCATION

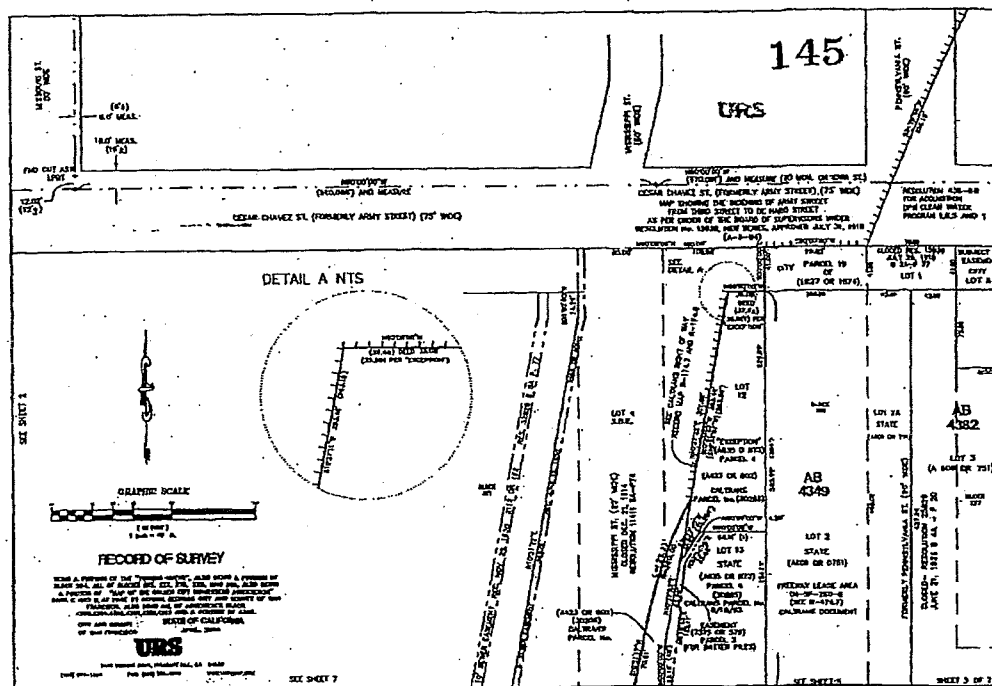
RECORD OF SURVEY

6606 E. 4th St. Suite 100, Phoenix, AZ 85018
 (602) 944-1111
 FAX (602) 944-1112
 WWW: WWW.CITYOFPHOENIX.ORG
 CITY OF PHOENIX
 OFFICE OF THE CITY CLERK

100-3

[illegible][illegible]

Donatello, San Francisco, CA Map Book- by Alpha 88.143 Page: 3 of 7
Order: cal Comment:

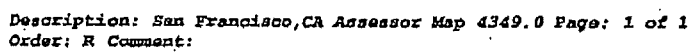


IMPORTANT: This plat is not a survey,
it is merely furnished as a convenience
to locate the land in relation to adjoining
streets and other lands, and not to
guarantee dimensions, distances,
bearings or area.

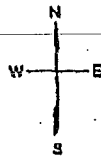


4349

REVISED 30
" '75
" '88
" '89



LINE FROM S.E. INTO CITY - '64



Former City line
of PENNSYLVANIA AVE

ARMY

Former City line
of 10TH ST

4382

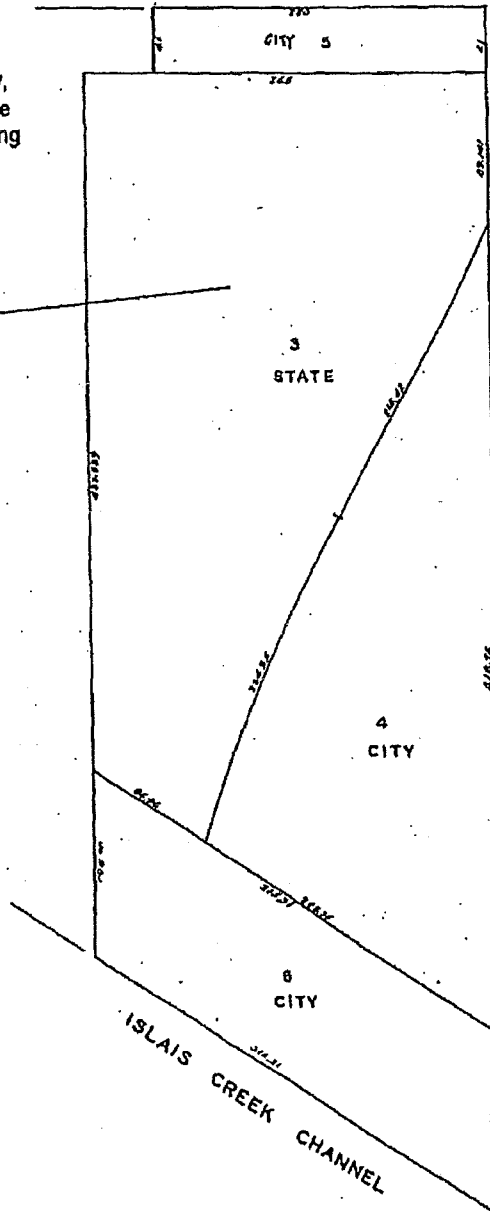
NEW POTRERO
BLK 327 & 328

REVISED 1974
REVISED 1975
'64

IMPORTANT: This plat is not a survey,
it is merely furnished as a convenience
to locate the land in relation to adjoining
streets and other lands, and not to
guarantee dimensions, distances,
bearings or acreage.

PIQ

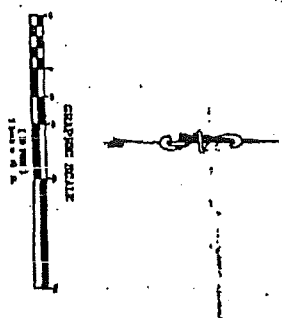
BLK. 4349



BLK. 4352

MARIN
(CLOSED)

BLK. 4381



RECORD OF SURVEY

[illegible]

DISC

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U.S.A. and Canada
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£12.00 net (elsewhere)

2011-12

parcel 30667

RWB:AM

2:8

11-7-62

7620

See Map No. R-174
Sheet 16774 B1a
Entered on 3/7/1962

BOOK 1520 PAGE 480

By NB 4-3-63
DATE

IV-SF-253-SF
No. 30667-M

THE WESTERN PACIFIC RAILROAD COMPANY, a corporation,

Grantor, does hereby grant unto the STATE OF CALIFORNIA, Grantee,
an easement for highway purposes over and across that certain
real property situate in the City and County of San Francisco,
State of California, described as follows:

Commencing at a point on the southerly
line of Army Street, as widened, distant thereon
South 86° 49' 23" West, 242.10 feet from the
point of intersection of the westerly line of
Indiana Street and said southerly line of Army
Street; thence from a tangent that bears South
19° 06' 21" West, along a curve to the right, with
a radius of 2529.18 feet, through an angle of 1°
02' 46.2", an arc length of 46.18 feet, to the
property line common to the lands, now or formerly
of The Western Pacific Railroad Company, a corpo-
ration, and of Bernice Harris, et al, Trustees;
thence along said common property line North 3° 10'
37" West, 1.55 feet and South 86° 49' 23" West,
410 feet to the property line common to the lands,
now or formerly of The Western Pacific Railroad
Company and of Southern Pacific Company; thence
along said common property line North 3° 10' 37"
West, 41.01 feet to said southerly line of Army
Street; thence along last said line North 86°
49' 23" East, 427.90 feet, to the point of
commencement.

Containing an area of 17,197.0 square
feet.

Said easement is granted upon the following conditions

subsequent:

1. Grantor contributions will not be required toward cost
of any future grade separation if and when any grade separation
structure is required for highway purposes; however, this clause
shall be null and void as to a future separation should any said
separation be required because of change in railroad facilities.

2. This conveyance is made for the purposes of a freeway
and the Grantor hereby releases and relinquishes to the Grantee
any and all abutter's rights, including access rights, appurtenant
to Grantor's remaining property, in and to said freeway.

52458 DEC

52458 DEC2462

QUALIFICATIONS OF DAVID N. TATTERSALL, MAI

David N. Tattersall, MAI, is the founding principal of David Tattersall & Company and has over 38 years experience in the field of commercial real estate appraisal, 35 years of which have been focused in the United States.

David has served as the Chair of the West Branch of the San Francisco Bay Area Chapter of the Appraisal Institute in 1993 and 1994 and was actively involved with the merger of the Society of Real Estate Appraisers and the American Institute of Real Estate Appraisers San Francisco West Branch. David's reputation in the Appraisal community led to his appointment in 1994 as Vice Chair for the Chapter's Admissions Committee which oversees the quality of work product of candidates seeking the MAI designation.

David has also served as President of the Northern California Chapter of the Royal Institution of Chartered Surveyors, 1996.

Experience

David Tattersall & Company, San Francisco, Ca. President, 1990-present. Appraisal for private and public sector for mortgage lending, acquisitions/dispositions, condemnation and eminent domain, tax appeal, arbitration, expert witness and court testimony. David has testified as expert witness in San Mateo, Sonoma, San Francisco and Santa Clara County Superior Courts, and has also been involved in numerous depositions and arbitrations.

Clifford & Tattersall Inc., San Francisco, Ca: Co-founder/Partner, 1985-1990. Appraisal for both private and public sector clients including assignments for bank lending/OREO properties, FSLIC/FDIC valuation of bank portfolios, right of way, bond underwriting, eminent domain, tax appeal etc.

Hamilton & Associates, San Francisco, Ca: Associate Appraiser, 1979-1985. Assignments included a wide variety of major commercial, industrial and residential real estate located throughout the San Francisco Bay Area, in addition to assignments located in more than 22 states.

Fuller Peiser, London, England: Valuation Surveyor, 1976-1979. Assignments included business asset valuation for institutional and major industrial companies, commercial and industrial valuations, property tax appeals, arbitrations and brokerage, throughout the United Kingdom and northwest Europe. Typical assignments included petro-chemicals, food processing, auto/aero engineering, in addition to associated office premises, medical facilities, and retail units.

Education/Designations

State Certified General Real Estate Appraiser, State of California.
Fellow of the Royal Institution of Chartered Surveyors
Appraisal Institute: Member, Appraisal Institute
Department of Real Estate, California
International Right of Way Association- member
Portsmouth Polytechnic: B.Sc. Urban Land Administration. 1976
Continuing education maintained for current certification.

(OREA ID: AG02681).
(FRICS) Retired
(MAI)
(Broker ID. 01310840)

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE
WITH GRANT OF ACCESS EASEMENT AND ACCESS LICENSE

by and between

STATE OF CALIFORNIA, Acting By and Through Its Director of Transportation
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the purchase and sale of

DD030660-01-02, DD 030660-01-03 and DD 030667-01-01 at Indiana and Cesar Chavez Streets
San Francisco, California
(Portion of Block 4382, Lot 003)

_____, 2017.

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE
WITH GRANT OF ACCESS EASEMENT AND ACCESS LICENSE

(DD 030660-01-02, DD 030660-01-03, and DD 030667-01-01 at
Indiana and Cesar Chavez Streets, San Francisco)
(Portion of Block 4382, Lot 003)

THIS AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE AND GRANT
OF ACCESS EASEMENT AND ACCESS LICENSE ("Agreement") dated for reference
purposes only as of _____, 2017, is by and between the STATE OF CALIFORNIA,
acting by and through its Director of Transportation ("State"), and the CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation ("City").

RECITALS

A. State owns that certain real property located in the City and County of San
Francisco and comprised of approximately 48,177 square feet of land, as more particularly
described in Director's Deed 030660-01-02 attached hereto as Exhibit A (the "Land"), and City

owns that certain real property adjacent to the Land and commonly known as Block 4382, Lot 005, as more particularly described in Exhibit B to this Agreement ("Lot 5").

B. State and City entered in a Right of Entry on April 5, 2007 (the "Right of Entry"), wherein State granted City, its employees, agents, consultants and contractors the right to enter and use the Land and adjacent State land further described in such Right of Entry and commonly referred to as State's Airspace Parcel FLA 04-280-8A & 8B (the "State's Lease Parcels").

C. City constructed its Islais Creek Motor Coach Operation and Maintenance Facility on the Land, the State's Lease Parcels, and adjacent City property (the "Remaining Bus Yard Property"), and City wishes to purchase the Land pursuant to the terms of this Agreement.

D. State agrees to sell the Land to City pursuant to the terms of this Agreement, and has obtained all approvals necessary for this transaction, including any required by the California Transportation Commission ("CTC").

E. City understands that if State sells the Land to City, State requires access to the State's Lease Parcels either via Indiana Street or Cesar Chavez Street, and City is amenable to providing such access by (1) granting State an easement over Lot 5 and the Land to provide access between the State's Lease Parcels and Cesar Chavez Street in the form attached to this Agreement as Exhibit C (the "Cesar Chavez Access Easement"); and (2) granting State a license over the Land and the Remaining Bus Yard Property in the form attached to this Agreement as Exhibit D (the "Indiana Street Access License") to provide interim access between the State's Lease Parcels and Indiana Street until the requisite curb cut for access to the State's Lease Parcels via Cesar Chavez Street is installed by City pursuant to the terms of the Cesar Chavez Access Easement. Both the Cesar Chavez Access Easement and the Indiana Street Access License are contemplated by City and the State as part of the purchase and sale of the Land pursuant to this Agreement.

WITNESSETH

Now, therefore, in consideration of the respective agreements contained below, State and City agree as follows:

1. PURCHASE AND SALE

State agrees to sell and convey to City, and City agrees to purchase from State, subject to the terms, covenants and conditions hereinafter set forth, the following (collectively, the "Property"):

- (a) the Land;
- (b) all State's interest in the improvements and fixtures located on the Land, if any (the "Improvements"); and
- (c) all existing rights, privileges, and easements incidental or appurtenant to, the Land 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, and any and all of State's right, title and interest in and to all roads and alleys (collectively, the "Appurtenances").

2. PURCHASE PRICE

2.1 Purchase Price

The total purchase price for the Property is \$1,150,000.00 (the "Purchase Price"), plus an amount equal to the interest calculated on the Purchase Price for the period between January 31, 2007, and the Closing Date (as defined in Section 5.2), pursuant to Section 1268.350 of the California Code of Civil Procedure (the "Interest"). By way of example, if the Closing Date had been on June 30, 2017, the Interest would have been \$161,849.18. Such amount will be increased by the Interest that accrues between June 30, 2017, and the Closing Date.

On the Closing Date, City shall pay State an amount equal to the Purchase Price and the Interest. 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 State.

3. TITLE TO THE PROPERTY

3.1 Conveyance of Title to the Property

At the Closing, State shall convey to City, or its nominee, marketable title to the Land and the Improvements and the Appurtenances, if any, by duly executed and acknowledged Director's Deed 030660-01-02 attached hereto as Exhibit A, subject to the Title Conditions (as defined in Section 3.2).

3.2 Title Insurance

Delivery of title in accordance with the preceding Section shall be evidenced by the commitment of Chicago Title Company (the "Title Company") to issue to City, at City's sole expense, an ALTA extended coverage owner's policy of title insurance (2006 Form) (the "Title Policy") in the amount of the Purchase Price and the Interest, insuring fee simple title to the Land, the Appurtenances and the Improvements in City, free of the liens of any kind and all deeds of trust, mortgages, assignments of rents, financing statements, creditors' claims, rights of tenants or other occupants, and all other exceptions, liens and encumbrances except solely for the following (such exceptions approved by City are collectively referred to herein as the "Title Conditions"): (i) the lien of real property taxes, not yet due or payable, provided City shall be shown as exempt from such taxes in the Title Policy, (ii) the lien of the Indiana Street Access License and the Cesar Chavez Access Easement, and (iii) exception numbers [REDACTED] and [REDACTED] in Schedule B of the preliminary report prepared by Title Company for the Land and dated [REDACTED] (the "Preliminary Report").

The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Land by or for State, shall not contain any exclusion from coverage for bankruptcy, and shall contain an affirmative endorsement that there are no violations of restrictive covenants, if any, affecting the Land and such special endorsements as City may reasonably request. The Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request.

4. CONDITIONS PRECEDENT

4.1 City's Conditions to Closing

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

- (a) State shall have delivered to Buyer a copy of any existing or proposed easements, covenants, restrictions, agreements or other documents that affect the Land and are not disclosed by the Preliminary Report ("Documents") and other information relating to the Land that is specifically requested by City or State in writing prior to the Closing Date (collectively, the "Other Information") and City shall have reviewed and approved of the Documents, or, if State does not know of any Documents and there is no Other Information, a written certification of State to that effect.
- (b) State shall not be in default in the performance of any covenant or agreement to be performed by State under this Agreement, and all of State'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.
- (c) The physical condition of the Land shall be substantially the same on the Closing Date as on the date of City's execution of this Agreement, except as may be changed by City's activities, and there shall be no litigation or administrative agency or other governmental proceeding, pending or threatened, which after the Closing would materially adversely affect the value of the Land or the ability of City to operate the Land for its intended use, and no proceedings shall be pending or threatened which could or would cause the change, redesignation or other modification of the zoning classification of any of the Land or of any building or environmental code requirements applicable to any of the Land.
- (d) State shall have delivered an Airspace Lease for the State Lease Parcels to City (the "Lease"), duly executed by State and in a form and on terms mutually acceptable to State and City.
- (e) State shall have delivered the items described in Section 5.3 below on or before the Closing.
- (f) Title Company shall be committed at the Closing to issue to City, the Title Policy as provided in Section 3.2 and to perform the obligations of the Real Estate Reporting Person (as defined in Section 6.4).
- (g) The transactions contemplated herein and the Lease shall have been approved by all applicable City and State departments and agencies, including, without limitation, the San Francisco Municipal Transportation Agency, the City's Board of Supervisors and Mayor, and the CTC, each in their respective sole discretion.

The Buyer Conditions Precedent are solely for the benefit of City. If any Buyer Condition Precedent is not satisfied, City shall have the right in its sole discretion either to waive in writing the Buyer Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement, provided that the Buyer Condition Precedent described in Section 4.1(g) above may not be waived. The waiver of any Buyer Condition Precedent shall not relieve State of any liability or obligation with respect to any representation, warranty, covenant or agreement of State. If City shall not have approved or waived in writing all of the Buyer Conditions Precedent in Sections 4.1(a) through (f) above by the Closing Date, then this Agreement shall automatically terminate. Alternatively, the Closing Date may be extended, at City's option, for a reasonable period of time specified by City, to allow such Buyer Conditions Precedent to be satisfied, subject to City's further right to terminate this Agreement upon the expiration of the period of any such extension if all such Buyer Conditions Precedent have not

been satisfied.

If the sale of the Land is not consummated because of a material default under this Agreement on the part of State, or if a Buyer Condition Precedent cannot be fulfilled, City may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to State, whereupon neither party shall have any further rights or obligations hereunder, or (2) continue this Agreement pending City's action for specific performance and/or damages hereunder, including, without limitation, City's costs and expenses incurred hereunder.

4.2 Cooperation with City

State shall cooperate with City and do all acts as may be reasonably requested by City with regard to the fulfillment of any Buyer Conditions Precedent including, without limitation, execution of any documents, but State's representations and warranties to City shall not be affected or released by City's waiver or fulfillment of any Buyer Condition Precedent.

4.3 State's Conditions to Closing.

State's obligation to sell the Land to City pursuant to this Agreement is conditioned on the following (collectively, "State Conditions Precedent"):

- (a) The transaction contemplated herein and the Lease shall have been approved by all applicable City and State departments and agencies, including, without limitation, the San Francisco Municipal Transportation Agency and the CTC, in their respective sole discretion.
- (b) City shall not be in default in the performance of any covenant or agreement to be performed by City under this Agreement.
- (c) City shall have delivered the items described in Section 5.4 below on or before the Closing and Title Company shall be committed to perform the obligations of the Real Estate Reporting Person.

The State Conditions Precedent are solely for the benefit of State. If any State Condition Precedent is not satisfied, State shall have the right in its sole discretion either to waive in writing the State Condition Precedent in question and proceed with the sale or, in the alternative, terminate this Agreement, provided that the State Condition Precedent described in subsection (a) above may not be waived. The waiver of any State Condition Precedent shall not relieve City of any liability or obligation with respect to any representation, warranty, covenant or agreement of City. If State shall not have approved or waived all of the State Conditions Precedent by the Closing Date, then this Agreement shall automatically terminate. Alternatively, the Closing Date may be extended, at State's option, for a reasonable period of time specified by State, to allow such State Conditions Precedent to be satisfied, subject to State's further right to terminate this Agreement upon the expiration of the period of any such extension if all such State Conditions Precedent have not been satisfied.

If the sale of the Land is not consummated because of a material default under this Agreement on the part of City, or if a State Condition Precedent cannot be fulfilled, State may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to City, whereupon neither party shall have any further rights or obligations hereunder, or (2) continue this Agreement pending State's action for specific performance and/or damages hereunder, including, without limitation, State's costs and expenses incurred hereunder.

4.4 Cooperation with State

City shall cooperate with State and do all acts as may be reasonably requested by State

with regard to the fulfillment of any State Conditions Precedent including, without limitation, execution of any documents, but City's representations and warranties to State shall not be affected or released by State's waiver or fulfillment of any State Condition Precedent.

5. ESCROW AND CLOSING

5.1 Escrow

City shall open escrow by depositing a fully executed copy 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. State and City agree to execute such mutually agreed 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 if there is any conflict between the provisions of this Agreement and any additional supplementary instructions, the additional mutually agreed supplementary instructions shall control the transaction.

5.2 Closing Date

The consummation of the purchase and sale contemplated hereby (the "Closing") shall be held, and delivery of all items to be made at the Closing under the terms of this Agreement shall be made, at the offices of the Title Company, on the twenty-first (21st) day immediately following the full execution of this Agreement; or on such other date as City and State may mutually agree (the "Closing Date"), subject to the provisions of Article 4. The Closing Date may not be extended without the prior written approval of both State 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.

5.3 State's Delivery of Documents

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

- (a) an original copy of the Director's Deed 0030660-01-02, duly executed by State and acknowledged;
- (b) an original copy of the Cesar Chavez Access Easement, duly executed by State and acknowledged;
- (c) an original copy of the Indiana Street Access License, duly executed by State and acknowledged;
- (d) originals of the Documents and any other items relating to the ownership of the Property not previously delivered to City;
- (e) such resolutions, authorizations, or other documents or agreements relating to State as City may reasonably require to demonstrate the authority of State 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 State to act for and bind State;
- (f) the closing statement prepared by Title Company in form and content satisfactory to City and State; and

(g) funds sufficient to pay for State's share of prorations costs pursuant to Article 6, if any.

5.4 City's Delivery of Documents and Funds

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

(a) an original copy the certificate of acceptance of Director's Deed 0030660-01-02, duly executed by City's Director of Property and the Director of Transportation of City's Municipal Transportation Agency;

(b) an original copy of the Cesar Chavez Access Easement, duly executed by City and acknowledged;

(c) an original copy of the Indiana Street Access License, duly executed by City and acknowledged;

(d) the closing statement prepared by Title Company in form and content satisfactory to City and State;

(e) an amount equal to the Purchase Price and Interest;

(f) the first month's rent (or portion thereof) owing as of the Closing Date under the Lease and the payment City owes to State under the Right of Entry for City's use of the State's Lease Parcels between February 5, 2007 and the Closing Date, which by way of example, would be \$2,181,229.92 if the Closing Date had been June 30, 2017;

(g) such resolutions, authorizations, or other documents or agreements relating to City as State may reasonably require to demonstrate the authority of City 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 City to act for and bind City; and

(h) funds sufficient to pay for State's share of prorations costs pursuant to Article 6, if any.

6. EXPENSES AND TAXES

6.1 Apportionments

Prior to the Closing Date, State shall have no obligation to maintain the Land and shall take no acts that interfere with City's current use of the Land, except as permitted under the Right of Entry. There shall be no proration for the Land utilities, normal property operation and maintenance expenses and other recurring costs, which shall be borne by City as January 31, 2007.

6.2 Closing Costs

City shall pay the premium for the Title Policy and the cost of the endorsements thereto, and escrow and recording fees. State shall be responsible for all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Land, including, without limitation, any prepayment fees, penalties or charges.

6.3 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. The provisions of this Section shall survive the Closing.

6.4 Real Estate Reporting Person

Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the "Reporting Requirements") require that certain information be made to the United States Internal Revenue Service, and a statement to be furnished to State, in connection with the Closing. Title Company is the party responsible for closing the transaction contemplated in this Agreement and is hereby designated as the real estate reporting person, as defined in the Reporting Requirements (the "Real Estate Reporting Person") for such transaction. Title Company shall perform all duties required of the Real Estate Reporting Person for the Closing under the Reporting Requirements. State and City shall each timely furnish Title Company with any information reasonably requested by Title Company and necessary for the performance of its duties under the Reporting Requirements with respect to the Closing.

7. REPRESENTATIONS AND WARRANTIES

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

- (a) To the best of State's knowledge, there are now, and at the time of the Closing will be, no material physical defects of the Land, and no violations of any laws, rules or regulations applicable to the Land.
- (b) The Documents and Other Information furnished to City are all of the relevant documents and information pertaining to the condition of the Land to the extent available to State, and are and at the time of Closing will be true, correct and complete copies of such documents.
- (c) No document or instrument furnished or to be furnished by the State 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) State 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 Land.
- (e) Except as otherwise described in the Preliminary Report, 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 Land, 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 Land to gain access to other real property. There are no disputes with regard to the location of any fence or other monument of the Land's boundary nor any claims or actions involving the location of any fence or boundary. This provision is not in reference to the easement that City will grant to State pursuant to the Cesar Chavez Access Easement or the license that City will grant to State pursuant to the Indiana Street Access License, both of which are contemplated by City and the State as part of the purchase and sale of the Land pursuant to this Agreement.
- (f) There is no litigation pending or, after due and diligent inquiry, to the best of

State's knowledge, threatened, against State or any basis therefor that arises out of the ownership of the Land or that might detrimentally affect the use or operation of the Land for its intended purpose or the value of the Land or the ability of State to perform its obligations under this Agreement.

(g) State is the legal and equitable owner of the Land, with full right to convey the same, and without limiting the generality of the foregoing, State 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 Land.

(h) All documents executed by State which are to be delivered to City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by State; are, or at the Closing will be, legal, valid and binding obligations of State, enforceable against State 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 State is a party or to which State or the Land is subject.

(i) State knows of no facts nor has State failed to disclose any fact that would prevent City from using and operating the Land after Closing as a bus storage and maintenance facility. However, State makes no representation or warranty as to the suitability of the Land for City's intended purposes, nor is State aware of all City's intended uses of the Land.

(j) State hereby represents and warrants that during the period of State's ownership of the Land prior to January 31, 2007, the date City received the right to possession of the Land under the Right of Entry, State had not taken any actions causing any disposals, releases or threatened releases of hazardous substances or hazardous waste on, from, or under the Land. State further represents and warrants that State has no knowledge of any disposal, release or threatened release of hazardous substances or hazardous waste on, from, or under the Land which may have occurred prior to State taking title to the Land. City has had exclusive possession and use of the Land pursuant to the Right of Entry since January 31, 2007, and State makes no representations or warranties, and assumes no liability, either express or implied, as to any actions by City which may have caused any disposals, releases or threatened releases of hazardous substances or hazardous waste on, from, or under the Land.

The Purchase Price reflects the fair market value of the Land if remediation is not required for any contamination on the Land. If the Land is found to be contaminated by the presence of hazardous waste which requires mitigation under Federal or State law, City and State reserve their rights to recover its clean-up costs from those who caused or contributed to the contamination as allowed by law.

(k) There are now, and at the time of Closing will be, no leases or other occupancy agreements affecting any of the Land, except for any leases or occupancy agreements entered in to between City and State or disclosed by the Preliminary Report. At the time of Closing there will be no outstanding written or oral contracts made by State that have not been fully paid for and State shall cause to be discharged all mechanics' or materialmen's liens arising from any labor or materials furnished to the Land prior to the time of Closing. There are no obligations in connection with the Land which will be binding upon City after Closing.

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

8. AS IS CONDITION

CITY ACCEPTS THE PROPERTY IN ITS "AS IS" CONDITION, AND

ACKNOWLEDGES AND AGREES THAT NEITHER STATE NOR ANY OF ITS AGENTS HAVE MADE, AND STATE HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PROPERTY, EXCEPT AS EXPRESSLY SET FORTH ABOVE.

Without limiting the foregoing, this Agreement is made subject to all applicable laws, rules and ordinances governing the use of the Property, and to any and all covenants, conditions, restrictions, easements, encumbrances, claims of title and other title matters affecting the Property, if any, whether foreseen or unforeseen, and whether such matters are of record or would be disclosed by an accurate inspection or survey. It is City's sole obligation to conduct an independent investigation of the Property and all matters relating to its use as intended. City, at its own expense, shall obtain such permission or other approvals from any third parties with existing rights to the Property if necessary for City's intended use of the Property.

9. MAINTENANCE; POSSESSION

Possession of the Land was delivered to City on January 31, 2007, pursuant to the Right of Entry. State shall have no maintenance obligations as to the Land under this Agreement prior to the Closing Date. After the Closing Date, State shall have no maintenance obligations as to the Land except as otherwise set forth in the Cesar Chavez Access Easement or Indiana Street Access License.

10. GENERAL PROVISIONS

10.1 Notices

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

City: San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section
Facsimile No.: (415) 701-4743

with copy to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Carol Wong
Facsimile No.: (415) 554-4757

State: Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys

State of California Director of Transportation

P. O. Box 23440
Oakland, CA 94623-0440
Facsimile No.: (510) 286-5482

with copy to: State of California Department of Transportation Legal Division

111 Grand Ave, Suite 11-100
Oakland CA, 94612
Facsimile No.: (510) 433-9167

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 delivered by facsimile, sent to the facsimile 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 facsimile copy of the notice.

10.2 Successors and Assigns

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

10.3 Amendments

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

10.4 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 State in conjunction with the transaction contemplated hereby shall constitute representations and warranties hereunder.

10.5 Governing Law

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

10.6 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. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

10.7 Parties and Their Agents; Approvals

As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or

through City's Director of Property unless otherwise provided herein, subject to applicable law.

10.8 Interpretation of Agreement

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

10.9 Sunshine Ordinance

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

10.10 Non-Liability of State and City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, (a) no elective or appointive board, commission, member, officer, employee or agent of City, operating in the course and scope of their position, shall be personally liable to State, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to State, its successors and assigns, or for any obligation of City under this Agreement, and (b) no elective or appointive board, commission, member, officer, employee or agent of State, operating in the course and scope of their position, shall be personally liable to City, its successors and assigns, in the event of any default or breach by State or for any amount which may become due to City, its successors and assigns, or for any obligation of State under this Agreement.

10.11 Counterparts and Copies

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. A true and correct copy of this Agreement shall have the same force and effect of an original for all purposes allowed by law.

10.12 Authority to Sign

City and State represent and warranty that the signatories to this Agreement are authorized to enter into this Agreement to convey real property and to legally bind their respective entities to the obligations set forth herein.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

STATE:

RECOMMENDED FOR APPROVAL:

By: _____
Suzann Goodhue
Senior Right of Way Agent
Acquisition Services

Date: _____

APPROVED AS TO FORM:

By: _____
Lucille Baca
Attorney
State of California
Department of Transportation

STATE OF CALIFORNIA
Department of Transportation

By: _____
Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a
municipal corporation, acting by and through its
Municipal Transportation Agency

By: _____
Edward D. Reiskin
Director of Transportation

Date: _____

San Francisco Municipal Transportation
Agency Board of Directors

Resolution No: _____

Adopted: _____

Attest: _____

Secretary, SFMTA Board of Directors

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Carol Wong
Deputy City Attorney

EXHIBIT A

Form of Directors Deed

RECORDING REQUESTED BY
State of California

WHEN RECORDED RETURN TO
Department of Transportation
P. O. Box 23440
Oakland, CA 94623-0440

Attention: R/W Excess Lands

Documentary Transfer Tax \$
Gov. Code 8103

Space above this line for Recorder's Use

DIRECTOR'S DEED

000009

OCT - - 2014

District	County	Route	Post	Number
04	SF	280	5.1	DD-030660-01-02

(030660-01-02, 030660-01-03, 030667-01-01)

The STATE OF CALIFORNIA, acting by and through its Director of Transportation, does hereby grant to

The City and County of San Francisco, a Municipal Corporation

all that real property in the City of San Francisco, County of San Francisco

State of California, described as:

Please see EXHIBIT "A" attached.

MAIL TAX
STATEMENTS TO:

DOCUMENTARY TRANSFER TAX \$
☒ COMPUTED ON FULL VALUE OF PROPERTY CONVEYED, OR
☐ COMPUTED ON FULL VALUE LESS LIENS & ENCUMBRANCES
REMAINING THEREON AT TIME OF SALE.

Signature of declarant or agent determining tax-firm name

CITY OF SAN FRANCISCO ☐ UNINCORPORATED

EXHIBIT "A"

PARCEL 1 (030660-01-02):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that parcel of land as described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet to the POINT OF BEGINNING; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660-DD); thence along last said line, the following two courses: 1) from a radial line that bears North 71°47'13" West, northerly along a curve to the right with a radius of 1150.00 feet, through an angle of 8°32'59", an arc length of 171.62 feet to a point of reverse curvature, 2) from a tangent curve to the left with a radius of 2565.00 feet, through an angle of 4°48'41", an arc length of 215.41 feet to the easterly line of said State Parcel 30660; thence along last said line, North 03°10'37" West, 89.26 feet to the northerly line of said State Parcel 30660, thence along last said line, South 86°49'23" West, 60.00 feet; thence South 24°57'05" West, 441.54 feet to the POINT OF BEGINNING.

CONTAINING an area of 0.981 acres, more or less.

RESERVING unto the State of California, its successors or assigns, a non-exclusive EASEMENT for ingress and egress and incidents thereto by the most reasonable and practicable means, upon, over, and across all of that parcel of land as described herein above.

PARCEL 2 (030660-01-03):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that certain parcel of land described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660-DD) thence along last said line, from a radial line that bears North 71°47'13" West, southerly along a curve to the left with a radius of 1150.00 feet, through an angle of 2°37'37", an arc length of 52.73 feet to the POINT OF COMMENCEMENT.

CONTAINING an area of 0.125 acres, more or less.

PARCEL 3 (030667-01-01):

The State of California, acting by and through its Director of Transportation, does hereby remise, release, and quitclaim unto the hereinabove named grantee, all right, title and interest in and to the portion of that parcel of land as described in the instrument (State Parcel 30667) to the State of California, recorded December 24, 1962 in Book A520 at Page 480, Official Records of the County of San Francisco, more particularly described as follows:

BEGINNING at the southerly terminus of that course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence northeasterly along the easterly line of said parcel, from a radial line that bears S. 69°50'53" E., along the curve to the left with a radius of 2529.00 feet, through an angle of 0°02'18", an arc length of 1.69 feet to the easterly prolongation of that course described as "South 86°49'23" West, 410 feet" in said parcel; thence along said easterly prolongation, S. 86°49'23" W., 0.67 feet to the northerly terminus of said course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence along last said course, S. 03°10'37" E., 1.55 feet to the POINT OF BEGINNING.

CONTAINING 1 square feet, more or less.

There shall be no abutter's rights of access appurtenant to the above-described real property in and to the adjacent State freeway.

The bearings and distances used in the above descriptions are on the California Coordinate System of 1927, Zone 3. Multiply the above distances by 1.0000717 to obtain ground level distances.

It is expressly made a condition herein that the conveyed property be used exclusively for a public purpose for a period of fifteen (15) years from the recorded date of this deed; that if said property ceases to be used exclusively for a public purpose, during this fifteen (15)-year period, the State may exercise its power of termination. In the event the State exercises its power of termination, all title and interest to said property shall revert to the State of California, Department of Transportation, and that the interest held by the grantee(s), named herein, or its/their assigns, shall cease and terminate.

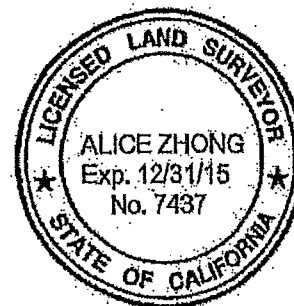
This real property description has been prepared by me, or under my direction, in conformance with the Professional Land Surveyors Act.

Signature _____

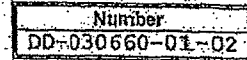
Alice Zhong
Licensed Land Surveyor

Date _____

08/15/2014



AUG 15 2014

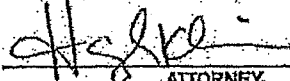


Subject to special assessments if any, restrictions, reservations, and easements of record.

This conveyance is executed pursuant to the authority vested in the Director of Transportation by law and, in particular, by the Streets and Highways Code.

WITNESS my hand and the seal of the Department of Transportation of the State of California, this
23 day of OCTOBER, 2014.

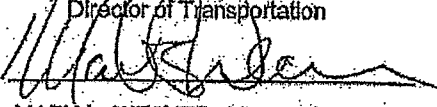
APPROVED AS TO FORM AND PROCEDURE


ATTORNEY
DEPARTMENT OF TRANSPORTATION

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

MALCOLM DOUGHERTY,
Director of Transportation

By


MARK L. WEAVER, Attorney in Fact
Deputy District Director
Right of Way and Land Surveys

ACKNOWLEDGMENT

State of California

County of ALAMEDA

} SS

On OCTOBER 24, 2014 before me, MICHAEL O'CALLAGHAN, Notary Public, personally
(Here insert name and title of the officer)
appeared MARK L. WEAVER

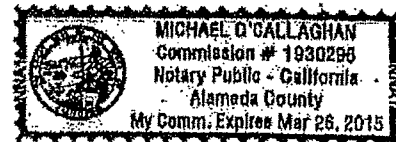
_____, who proved to me on the basis
of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged
to me that he/she/they executed the same in his/her/their authorized capacity (ies), and that by his/her/their signature(s) on
the instrument the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

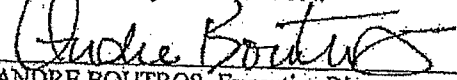
Signature

(Seal)

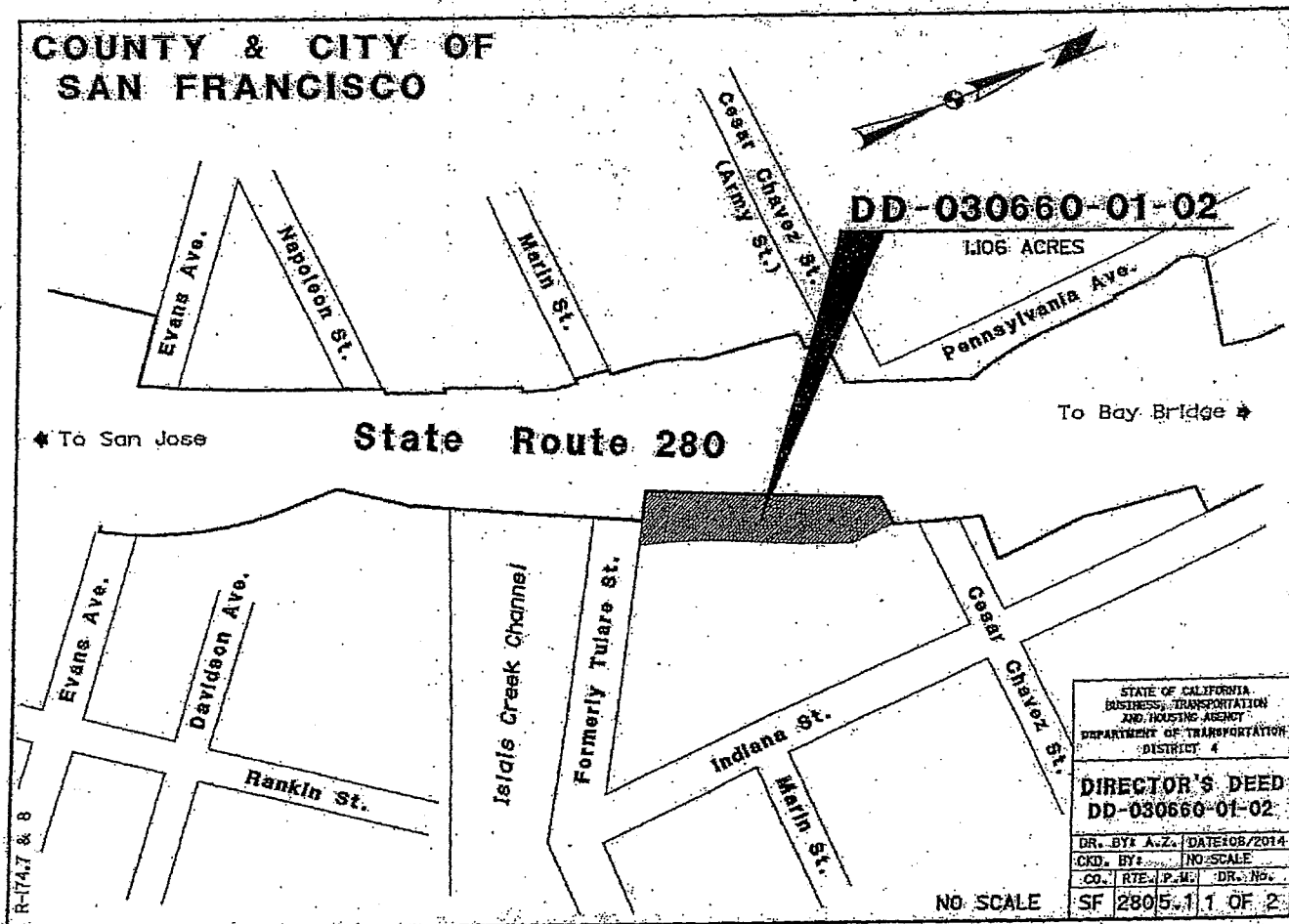


THIS IS TO CERTIFY that the California Transportation
Commission has authorized the Director of Transportation
to execute the foregoing deed at its meeting regularly called and
held on the 8th day of October 2014, in the city of Glendale.

Dated this 8th day of October 2014.


ANDRE BOUTROS, Executive Director
CALIFORNIA TRANSPORTATION COMMISSION

**COUNTY & CITY OF
SAN FRANCISCO**



COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1927, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000117 TO OBTAIN GROUND-LEVEL DISTANCES.

CITY OF SAN FRANCISCO

PARCEL 1: 030660-01-02: 0.98 ACRES
 PARCEL 2: 030660-01-03: 0.125 ACRES
 PARCEL 3: 030667-01-01: 150. FT.

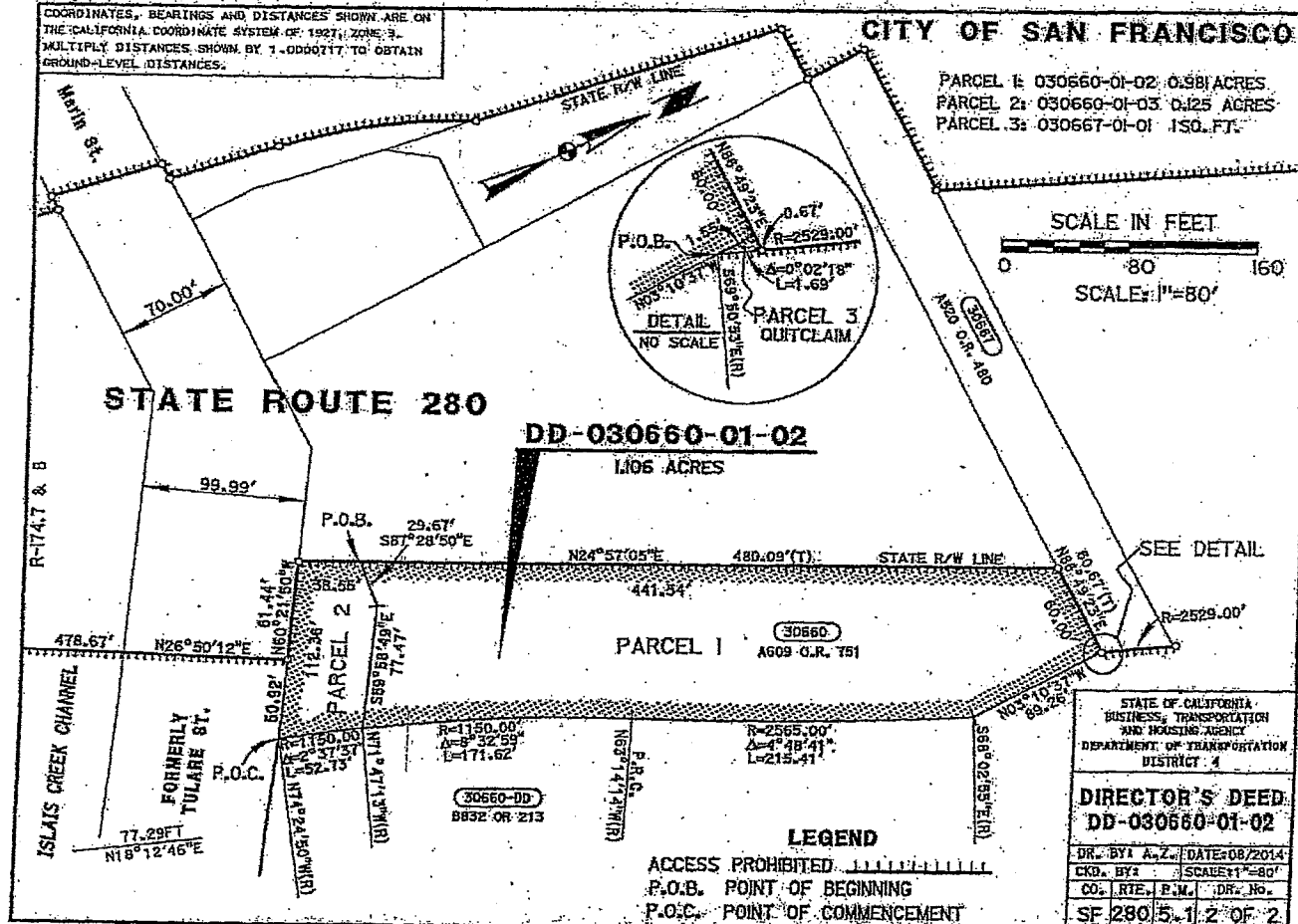
SCALE IN FEET



STATE ROUTE 280

DD-030660-01-02

1.106 ACRES



PARCEL 1

AG09 O.R. T51

30660

30660-DD

8832 OR 213

LEGEND

ACCESS PROHIBITED: [Symbol]
 P.O.B. POINT OF BEGINNING
 P.O.C. POINT OF COMMENCEMENT

STATE OF CALIFORNIA
 BUSINESS, TRANSPORTATION
 AND HOUSING AGENCY
 DEPARTMENT OF TRANSPORTATION
 DISTRICT 4

DIRECTOR'S DEED DD-030660-01-02

DR. BY: A.Z.	DATE: 08/20/14
CKD. BY: []	SCALE: 1"=80'
CO. RTE. P.M.	DR. No.
SF 290.5	12 OF 2

EXHIBIT B
Legal Description of Lot 5

For APN/Parcel ID(s): Lot 005, Block 4382

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE SOUTHERLY LINE OF ARMY STREET (AS WIDENED) WITH THE WESTERLY LINE OF IOWA STREET; AND RUNNING THENCE WESTERLY ALONG THE SOUTHERLY LINE OF ARMY STREET 390 FEET; THENCE AT A RIGHT ANGLE SOUTHERLY 41 FEET; THENCE AT A RIGHT ANGLE EASTERLY 190 FEET; THENCE AT A RIGHT ANGLE SOUTHERLY 75 FEET; THENCE AT A RIGHT ANGLE EASTERLY 100 FEET; THENCE AT A RIGHT ANGLE NORTHERLY 75 FEET; THENCE AT A RIGHT ANGLE EASTERLY 180 FEET TO THE EASTERLY LINE OF IOWA STREET; THENCE NORTHERLY ALONG THE LAST MENTIONED LINE 41 FEET TO THE SOUTHERLY LINE OF ARMY STREET; THENCE WESTERLY ALONG THE LAST MENTIONED LINE 80 FEET TO THE POINT OF BEGINNING.

BEING PART OF POTRERO NUEVO BLOCKS NOS. 327 AND 294, AND A PORTION OF PENNSYLVANIA AVENUE (NOW CLOSED), AND A PORTION OF IOWA STREET (NOW CLOSED).

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE LINES OF PARCEL 3 AS DESCRIBED IN THE DEED TO E.W. NEWELL, ET AL., RECORDED OCTOBER 22, 1926, BOOK 1333, PAGE 494, OFFICIAL RECORDS.

EXHIBIT C

Form of Cesar Chavez Access Easement

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)

Recording requested by and when recorded mail to:

City and County of San Francisco
Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section

with a copy to:

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

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

CESAR CHAVEZ ACCESS EASEMENT AGREEMENT
(Portion of APN Block 4382, Lots 003 and 005)

This Cesar Chavez Access Easement Agreement (this "**Agreement**"), by and between the City and County of San Francisco, a municipal corporation ("**City**"), acting by and through its Municipal Transportation Agency, and the State of California, acting by and through its Director of Transportation ("**Caltrans**"), is executed as of _____, 2017 (the "**Effective Date**").

RECITALS

A. City owns that certain real property in San Francisco, California, which is commonly known as a portion of APN Block 4382, Lot 005, which abuts a portion of Cesar Chavez Street, and is further described on the attached Exhibit A-1 and depicted on the attached Exhibit B (the "**City Lot 5**").

B. City owns that certain real property in San Francisco, California, which is commonly known as a portion of APN Block 4382, Lot 003, which abuts a portion of City Lot 5, and is further described on the attached Exhibit A-2 and depicted on the attached Exhibit B (the "**Former Caltrans Property**"). City acquired the Former Caltrans Property from Caltrans pursuant to that certain Director's Deed (DD-030660-01-02) ("**Director's Deed**") recorded in the Official Records of San Francisco County concurrently with this Agreement.

C. State owns that certain real property depicted on the attached Exhibit B (the "State Property"), which partially abuts a portion of the southern boundary of the City Lot 5 and the western boundary of the Former Caltrans Property, and which State leases to City pursuant to an Airspace Lease between City and State, dated as of _____, 2017, for an initial term of fifty (50) years, as such initial term may be extended by City's two 15-year options to extend such term (the "Lease").

D. City owns that certain real property located between the eastern boundary of the Former Caltrans Property and Indiana Street, as further depicted on the attached Exhibit B (the "City Bus Yard"), and City and State have entered into an access agreement dated as of the Effective Date (the "Indiana Street Access License") to provide for State's ingress and egress between the State Property and Indiana Street by crossing the City Bus Yard and the Former Caltrans Property until City completes the Curb Cut Work (as defined in Section 3(a) below), unless City's obligation as to the Curb Cut Work is waived by State in writing, and the Lease expires or is terminated.

E. City and State wish to enter into this Agreement to (i) provide State with an easement for ingress and egress between the State Property and Cesar Chavez Street over the surface of the twenty-four foot (24') wide area on City Lot 5 and the Former Caltrans Property described on the attached Exhibit C (the "Easement Area") and depicted on the attached Exhibit B on the terms specified in this Agreement, and (ii) terminate the easement granted to State over portions of City Lot 5 by Western Pacific Railroad Company and recorded in the Official Records of San Francisco County at Book A520, Page 480 on December 24, 1962 (the "1962 Easement") and the easement reserved by State on "Parcel 1" of the Former Caltrans Property under the Directors Deed, as further described in Exhibit A to the Directors Deed.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, City and State hereby agree as follows:

1. Grant of Easement; Termination of 1962 Easement and Reserved Director's Deed Easement. Pursuant to the terms and conditions specified in this Agreement, City grants to State an easement for ingress and egress over the surface of the Easement Area for the exercise of its rights and obligations hereunder. On the full execution of this Agreement, City shall record it in the Official Records of San Francisco, and on such recordation, the 1962 Easement and the non-exclusive easement reserved in the Director's Deed shall automatically terminate. State shall concurrently execute and record a Quitclaim Deed terminating any and all interest in the 1962 Easement and the non-exclusive easement reserved on "Parcel 1" of the Former Caltrans Property in the Director's Deed.

2. Use of the Easement Area.

(a) Subject to City's rights under Section 3(c) below, State may use the Easement Area only for (i) commercial and regular vehicular and pedestrian ingress to the State Property from Cesar Chavez Street, and egress from the State Property to Cesar Chavez Street, by State

and any of its employees, agents, representatives, contractors, subcontractors, tenants, and licensees (each, an "Agent") or invitees (but not the general public) and (ii) the performance of State's obligations under this Agreement (collectively, the "Permitted Uses"), all in compliance with all applicable laws. Notwithstanding anything to the contrary in the foregoing sentence, during the period the Indiana Street Access License is in effect, State and its Agents and invitees shall not use the Easement Area pursuant to this Agreement and shall only access the State Property from Indiana Street on the terms and conditions set forth in the Indiana Street Access License.

(b) In entering the Easement Area pursuant to this Agreement, the State shall use, and shall cause its Agents and invitees to use, reasonable efforts to minimize any interference in the use of the Easement Area by City or its Agents. The State shall conduct, and shall cause its Agents and invitees to conduct, entry on the Easement Area in a safe and reasonable manner that avoids damage to the Easement Area and any improvements, fixtures, equipment or personal property located on, under or about the Easement Area (collectively, the "Improvements"), and shall not operate or place vehicles or equipment in the Easement Area that exceed the loading standards established by AASHTO-H20 or its equivalent. State acknowledges that the Permitted Uses do not include the installation of utilities or the parking or storage of vehicles, equipment or other property within the Easement Area, except temporarily as reasonably necessary for the performance of State's obligations under Section 3(b).

(c) During the term of the Indiana Street License, City shall have the right to use the Easement Area for any purpose and to install, maintain, modify, and remove any improvements; provided, however, as of the date the State commences use of the Easement Area pursuant to this Agreement, and during State's use of the same pursuant to this Agreement, City (i) shall remove any improvements installed by City on or over the Easement Area to the extent they interfere with the Permitted Uses, and (ii) shall not do anything in, on, or about the Easement Area that would unreasonably interfere with State's Permitted Uses of the Easement Area, subject to City's rights under Section 3(c) below.

(d) City shall have the right to install one or more gates on the Easement Area, provided that as of the date the State commences use of the Easement Area pursuant to this Agreement, and during State's use of the same pursuant to this Agreement, City shall provide State with the means to open such gates at will. In opening any such gates, State shall close, and cause its Agents and invitees to close, the gates after passing through them.

3. Maintenance, Repair, and Relocation.

(a) Prior to the termination of the Indiana Street Access License and the commencement of the State's Permitted Uses of the Easement Area, City shall install, at its sole cost, a curb cut that has a minimum width of twenty-four (24) feet (or the applicable commercial driveway standard in place at the time the cut is made) and is suitable for regular and commercial vehicular ingress and egress from Cesar Chavez Street onto the Easement Area at the boundary of the Easement Area and Cesar Chavez Street (the "Curb Cut Work"). Completion of the Curb Cut Work shall be a condition of terminating the Indiana Street Access License unless State waives City's obligation to perform the Curb Cut Work in writing. Immediately prior to the date

the State commences use of the Easement Area pursuant to this Agreement, City shall cause the Easement Area to be in a paved and level condition.

(b) Except for City's obligations under Section 3(a) above and Section 3(d) below, City shall have no obligation to maintain the Easement Area; provided, however, that City shall not take any action that makes the surface of the Easement Area unsuitable for pedestrian and regular and commercial vehicular access purposes, subject to City's rights under Section 3(d) below. If City takes any such action, City shall promptly repair the Easement Area to restore it to a condition suitable for pedestrian and regular and commercial vehicular access purposes, and shall provide State with reasonable alternative access for the same purposes as provided for in this Agreement until such time as the Easement Area is restored.

(c) If the Easement Area or any of the Improvements is damaged by the use of the Easement Area by State or its Agents or invitees, State shall promptly notify City of such damage. State shall repair and restore such damaged portion of the Easement Area or Improvements at its sole cost to the condition they were in immediately prior to such damage, subject to City's prior written consent to State's plans and specifications for such repairs and restoration. If State fails to timely perform such repair and restoration obligation within a reasonable time, City may, at its sole discretion, remedy such failure at the State's expense at any time thereafter with at least thirty (30) days' prior written notice of City's intention to cure such failure (unless City determines such failure will cause immediate danger to health or property, in which case no such notice shall be required).

Notwithstanding anything to the contrary in the foregoing paragraph, if City's subsurface sewage transport storage structures and sewer line in the Easement Area (the "**Sewer Facilities**") are damaged by use of the Easement Area by State or its Agents or invitees, City may elect, in its sole discretion, to repair and restore such damaged Sewer Facilities at State's cost. City's election to cure any of the State's failure to perform its repair obligations or to repair and restore any damaged Sewer Facilities under this Section shall not be construed as a waiver of any of City's legal rights or remedies, nor imply any duty of City to do any act that the State is obligated to perform hereunder. State shall pay to City, promptly upon demand, all actual costs incurred by City in remedying or attempting to remedy such default or in repairing and restoring any damaged Sewer Facilities pursuant to this Section.

(d) City shall have the right to restrict the State's vehicular and pedestrian access on the Easement Area to the extent reasonably necessary to accommodate City's inspection, repair, maintenance and replacement of the Sewer Facilities and any pavement in the Easement Area (the "**City Work**") by delivering no less than fifteen (15) days' prior written notice of such restriction to State; provided that no such prior written notice shall be required in the event of an emergency. Notwithstanding anything to the contrary in the foregoing sentence, City shall reasonably accommodate any State vehicular and pedestrian access on the Easement Area required for freeway maintenance and repair activities during the period of any such City Work and shall provide alternative ingress and egress to the State Property during such period(s). If the Easement Area is damaged by any City Work, City shall restore the Easement Area to the condition it was in immediately prior to the commencement of such City Work.

4. Hazardous Materials. State shall not use, store, locate, handle or cause or permit the dumping or other disposal or release of any Hazardous Material (defined as follows) on or about the Easement Area. If there is a leakage or spill of Hazardous Materials on the Easement Area as a result of the activities of State or its Agents (a "State Release"), State shall bear the cost and expense to remediate such leakage or spill in compliance with applicable laws; provided, however, that State shall have no obligation under this Agreement to remediate any pre-existing Hazardous Materials discovered on the Easement Area through the investigation or remediation of a State Release except to the extent such pre-existing Hazardous Materials were caused by the activities of State or its Agents.

"Hazardous Material" means material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to public health, welfare or the environment. "Hazardous Material" includes, without limitation, any material or substance defined as a "hazardous substance, pollutant or contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 et seq., or pursuant to Section 25316 of the California Health & Safety Code; a "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 Easement Area or are naturally occurring substances in the Easement Area, and any petroleum, including, without limitation, crude oil or any fraction thereof, natural gas or natural gas liquids. The term "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 in, on, under or about the Easement Area. Notwithstanding anything to the contrary in this Section, motor vehicles and equipment driven by State or its Agents across the Easement Area pursuant to this Agreement may contain gasoline or petroleum products to the extent they are for the exclusive use of such vehicle or equipment.

If State defaults in its obligations under this Section, then State shall indemnify, defend and hold harmless City against any and all Claims (defined as follows) arising at any time as a result of such default, except to the extent such Claims arise from the negligence or misconduct by City or its Agents. "Claims" shall mean all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind. State's foregoing indemnity obligation shall survive the termination or extinguishment of this Agreement or the easement granted hereunder.

5. Insurance.

(a) City acknowledges that State is self-insured and shall not be required to carry any insurance policies with respect to this Agreement. If fee ownership of the State Property is vested in any party other than the State of California (each, a "Successor Owner"), City shall have the right to require such Successor Owner to procure, carry, and cause its Agents (each, a "Successor Third Party") to procure and carry, insurance coverage, at its sole expense and in form and amounts and from an insurer reasonably required by City, at all times of entry on the Easement Area by such Successor Owner or Successor Third Party, or their respective Agents or

invitees, pursuant to this Agreement. City shall also have the right to require that upon City's request a Successor Owner or Successor Third Party shall deliver to City certificates and endorsements of insurance in form and with insurers satisfactory to City, evidencing the coverages required hereunder, together with complete copies of the policies at City's request. If such party fails to procure such insurance, or to deliver such policies, endorsements, or certificates, City shall have the right to procure, at its option, such insurance on such defaulting party's behalf, and to require that such party pay the City for the cost thereof within five (5) days of City's delivery of bills therefor.

(b) If any Agent of State (each, a "State Third Party") enters the Easement Area pursuant to this Agreement, such State Third Party shall procure at its expense and keep in effect at all times of such entry, the insurance policy or policies that State requires of such State Third Party, and to name City as an additional insured on such policy(ies), during such State Third Party's entry and use of the Easement Area. Such State Third Party shall deliver a certificate of insurance in form satisfactory to City evidencing such coverage.

(c) Compliance by a State Third Party, Successor Owner, or Successor Third Party with the provisions of this Section shall in no way relieve or decrease such party's indemnification obligations or other obligations under this Agreement. Each State Third Party, Successor Owner, and Successor Third Party shall be responsible, at its expense, for separately insuring its personal property.

(d) Notwithstanding anything to the contrary contained herein, by entry on the Easement Area by any State Third Party, Successor Owner, or Successor Third Party, such party shall be deemed to have waived any right of recovery against City for any loss or damage such party sustains with respect to the Easement Area, whether or not such loss is caused by the fault or negligence of such party, to the extent such loss or damage is covered by any insurance policy that the damaged party is required to hold under this Agreement or is otherwise actually recovered from any valid and collectible insurance policy covering such damaged party. If fee ownership of the State Property is vested in any party other than the State of California City shall have the right to require each Successor Owner, or Successor Third Party to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to its entry on the Easement Area; provided, however, that failure to do so shall not affect the above waiver.

(e) City shall have the right to periodically review the limits and types of insurance to be carried by any Successor Owner or Successor Third Party pursuant to this Section. If, at the time of such review, the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or with coverage materially greater than the amount or coverage then required under this Agreement for risks comparable to those associated with the entry on the Easement Area pursuant to this Agreement, then City in its sole discretion shall have the right to increase the amounts or coverage such Successor Owner or Successor Third Party is required to carry under this Agreement to conform to such general commercial practice.

(f) Nothing herein is intended nor shall be construed to impose any obligation on the State of California as to a Successor Owner's or Successor Third Party's compliance with requirements imposed by City.

6. Indemnity. State shall indemnify, defend, and hold harmless City and City's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than State against City or any of City's Agents and arising out of or relating to the use of the Easement Area by State or any of State's Agents, except to the extent caused by the intentional acts or negligence of City or any of City's Agents; provided, however, that State shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the easement granted hereunder.

City shall indemnify, defend, and hold harmless State and State's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than City against State or any of State's Agents arising out of or relating to the use of the Easement Area by City or any of City's Agents, except to the extent caused by the intentional acts or negligence of State or any of State's Agents; provided, however, that City shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the easement granted hereunder.

7. Notices. All notices, demand, consents or approvals given hereunder shall be in writing and shall be personally delivered, or sent by a nationally-recognized overnight courier service that provides next business day delivery services, provided that next business day service is requested, or by United States first-class mail, postage prepaid, to the following addresses (or any other address that a party designates by written notice delivered to the other party pursuant to the provisions of this Section):

If to City: San Francisco Municipal Transportation Agency
1 South Van Ness Avenue; 8th Floor
San Francisco, CA 94103
Attn: Senior Manager, Real Estate Section

with a copy to: City and County of San Francisco
Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

If to State: Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys
State of California Director of Transportation
P. O. Box 23440
Oakland, CA 94623-0440

with copy to:

State of California Department of Transportation
Legal Division
111 Grand Ave, Suite 11-100
Oakland CA, 94612

8. Waiver of Claims. State covenants and agrees that City shall not be responsible for or liable to State for, and hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Claims incurred by State for any injury, accident or death of any person or loss or damage to any property in or about the Easement Area, except to the extent such Claims are within the indemnification obligations in Section 6 above, or are caused by City's breach of its obligations under this Agreement or the negligent, unlawful, or wrongful acts or omissions of City or its Agents. City covenants and agrees that State shall not be responsible for or liable to City for, and hereby waives all rights against State and its Agents and releases State and its Agents from, any and all Claims incurred by City for any injury, accident or death of any person or loss or damage to any property in or about the Easement Area, except to the extent such Claims are within the indemnification obligations in Section 6 above, or are caused by State's breach of its obligations under this Agreement or negligent, unlawful, or wrongful acts or omissions of State or its Agents.

Neither party shall be liable under any circumstances to the other party for any consequential, incidental or punitive damages (all as defined under law), arising from such party's breach of its obligations under this Agreement or the acts or negligence of such party or its Agents or invitees.

9. Run with the Land; Exclusive Benefit of Parties. The rights and obligations set forth herein shall run with the land and shall bind and inure to the benefit of the parties' respective successors and assigns with respect to City Lot 5, the Former Caltrans Property, and the State Property. This Agreement is for the exclusive benefit of State and its successors and assigns to the State Property and not for the benefit of, nor give rise to any claim or cause of action by, any other party. This Agreement shall not be deemed a dedication of any portion of the Easement Area to or for the benefit of the general public.

10. Condition of the Property. Subject to City's performance of its obligations under Section 3(a) above, STATE ACCEPTS THE EASEMENT AREA IN ITS "AS IS" CONDITION FOR STATE'S USES PURSUANT TO THIS AGREEMENT, AND ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE EASEMENT AREA. Without limiting the foregoing, this Agreement is made subject to all applicable laws, rules and ordinances governing the use of the Easement Area, and to any and all covenants, conditions, restrictions, easements, encumbrances, claims of title and other title matters affecting the Easement Area, whether foreseen or unforeseen, and whether such matters are of record or would be disclosed by an accurate inspection or survey. It is State's sole obligation to conduct an independent investigation of the Easement Area and all matters relating to its use hereunder, including, without limitation, the suitability of the Easement Area for such uses. State, at its own expense, shall obtain such permission or other approvals from any third parties with existing rights to the Easement Area if necessary for State's use of the Easement Area in the manner contemplated hereby.

11. Possessory Interest Taxes. State recognizes and understands that this Agreement may create a possessory interest subject to property taxation for any State Third Party, Successor Owner, or Successor Third Party, and that such party may be subject to the payment of property taxes levied on such interest under applicable law. State shall include language in any future lease or similar use agreement with a State Third Party that requires such State Third Party to pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the Easement Area under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the Easement Area that may be imposed on such State Third Party by applicable law. Each Successor Owner or Successor Third Party shall pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the Easement Area under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the Easement Area that may be imposed on such party by applicable law. Such party shall pay all of such charges when they become due and payable and before delinquency. Nothing herein is intended or shall be construed to constitute consent by the State of California to imposition of any tax or assessment of any kind on it.

12. Prohibited Activities.

(a) State shall not use or apply, or allow its Agents to use or apply, any pesticides on the Easement Area without the prior written consent of City, which consent shall be conditioned upon the incorporation of the proposed pesticide use into the City integrated pest management policy applicable to the Easement Area pursuant to Chapter 3 of the San Francisco Environment Code, as may be modified or replaced.

(b) State acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Easement Area. For purposes of this Section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004.

(c) State acknowledges and agrees that no sale or advertising of cigarettes or tobacco products is allowed on the Easement Area.

13. General Provisions.

(a) This Agreement may be amended or modified only by a writing signed by City and State and recorded in the Official Records of the City and County of San Francisco.

(b) No waiver by any party of any of the provisions of this Agreement shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver.

(c) This Agreement contains the entire agreement between the parties with respect to the matters set forth herein and all prior negotiations, discussions, understandings and agreements are merged herein.

(d) City's obligations under this Agreement shall be governed by City's Charter and California law.

(e) This Agreement shall be governed by California law.

(f) This Agreement does not create a partnership or joint venture between City and State as to any activity conducted by State on, in or relating to the Easement Area.

(g) City's obligations hereunder are contingent upon approval of this instrument by the San Francisco Municipal Transit Agency's Board of Directors and the City's Board of Supervisors and Mayor, each in their respective sole discretion, and the easement granted hereunder and this Agreement shall be null and void if such approval is not obtained.

(h) Time is of the essence of this Agreement and each party's performance of its obligations hereunder.

(i) All representations, warranties, waivers, releases, and indemnities given or made in this Agreement shall survive the termination of this Agreement or the extinguishment of the easement granted hereunder.

(j) If any provision of this Agreement is deemed invalid by a judgment or court order, such invalid provision shall not affect any other provision of this Agreement, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as partially invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purpose of this Agreement.

(k) All section and subsection titles are included only for convenience of reference and shall be disregarded in the construction and interpretation of the Agreement.

(l) State represents and warrants to City that the execution and delivery of this Agreement by State and the person signing on behalf of State below has been duly authorized to legally bind the State to the obligations herein, and City represents and warrants to State that the execution and delivery of this Agreement by City and the person signing on behalf of City below has been duly authorized to legally bind City to the obligations herein.

(m) 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. A true and correct copy of this Agreement shall have the same force and effect of an original for all purposes allowed by law.

(n) 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.

(o) State understands and agrees that City is entering into this Agreement in its capacity as a property owner with a proprietary interest in the Easement Area and not as a regulatory agency with police powers.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective
Date.

STATE:

STATE OF CALIFORNIA
Department of Transportation

By: _____
Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys

RECOMMENDED FOR APPROVAL:

By: _____
Suzann Goodhue
Senior Right of Way Agent
Acquisition Services

APPROVED AS TO FORM AND PROCEDURE:

By: _____
Lucille Baca
Attorney
State of California
Department of Transportation

[CITY SIGNATURE ON FOLLOWING PAGE]

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

Edward D. Reiskin
Director of Transportation
San Francisco Municipal Transportation Authority

San Francisco Municipal Transportation Agency
Board of Directors

Resolution No: _____

Adopted: _____

Attest:

Secretary, SFMTA Board of Director

By: _____

John Updike
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Carol Wong, Deputy City Attorney

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT D

Form of Indiana Street Access License

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)

Recording requested by and
when recorded mail to:

City and County of San Francisco
Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section

with a copy to:

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

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

INDIANA STREET ACCESS LICENSE AGREEMENT
(Islais Creek Operations and Maintenance Facility)
(Portions of APN Block 4382, Lots 003, 004 and 005;
APN 4352, Lots 001 and 007; APN 4381, Lot 001)

This Indiana Street Access License Agreement (this "**Agreement**"), by and between the City and County of San Francisco, a municipal corporation ("**City**"), acting by and through its Municipal Transportation Agency, and the State of California, acting by and through its Department of Transportation ("**State**"), is executed as of _____ (the "**Effective Date**").

RECITALS

A. Pursuant to Director's Deed 030660-01-02 recorded in the Official Records of San Francisco County as Instrument No. _____ on _____, 2017 (the "**Recording Date**"), City acquired that certain real property described on the attached Exhibit A (the "**Acquired Fee Property**") from State, the eastern boundary of which abuts the City property described on the attached Exhibit B (the "**Bus Yard Property**"). The Acquired Fee Property and the Bus Yard Property shall be collectively referred to as the "**City Property**" and is generally depicted on the attached Exhibit C.

B. The western boundary of the City Property abuts certain real property commonly known as Lease Area No. 04-SF-280-08, which is owned by the State, generally depicted on the

attached Exhibit C (the "State Property"), and leased by City pursuant to an Airspace Lease between City and State, dated as of _____, for an initial term of fifty (50) years, as such initial term may be extended by City's two 15-year options to extend such term (the "Lease").

C. City granted State an easement to provide access between the State Property and Cesar Chavez Street pursuant to an Access Easement Agreement recorded in the Official Records of San Francisco County as Instrument No. _____ on _____, 2017 (the "Cesar Chavez Access Easement Agreement"), but State's right to use such easement does not commence until the termination of this Agreement.

D. City and State wish to provide for State's commercial and regular vehicular and pedestrian access to the State Property by crossing the City Property from Indiana Street during the term of the Lease pursuant to its reserved entry rights under the Lease, and for any period of time (the "Extended Period") between the expiration or termination of the Lease and City's performance, or State's written waiver, of the Curb Cut Work (as defined in Section 3(a) of the Cesar Chavez Access Easement Agreement) on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, City and State hereby agree as follows:

1. License. Pursuant to the terms and conditions specified in this Agreement, City grants to State a license ("License") for commercial and regular vehicular and pedestrian ingress and egress over and across the City Property to access State Property pursuant to its reserved entry rights under the Lease during the term of the Lease, and for the exercise of State's rights and obligations as to the State Property and highway facilities during any Extended Period, on the terms and conditions of this Agreement.

2. Term. The License is irrevocable for the duration of its term, which shall commence on the date this Agreement is fully executed and shall terminate upon the date (the "Termination Date") the Lease has expired or terminated and City has completed, or State has provided a written waiver of City obligation to perform, the Curb Cut Work. Following the Termination Date, State shall execute any document reasonably requested by City to evidence the termination of this Agreement, which document shall be in a form sufficient for recordation in the Official Records of San Francisco County.

3. Access Conditions.

(a) During the term of the Lease, State, its employees, agents, representatives, contractors, subcontractors, licensees or other authorized persons (each, an "Agent") may cross the City Property to access the State Property pursuant to the terms of this Agreement at the times State is permitted to enter the State Property pursuant to Article 12 of the Lease. During any Extended Period, State and its Agents may cross the City Property to access the State

Property pursuant to the terms of this Agreement. State and City shall use reasonable efforts to cooperate and coordinate access by State and its Agents across the City Property pursuant to this Agreement. Except in the event of an emergency where State must access the State Property due to an immediate threat to public health or safety, or unless otherwise agreed to by City, State shall provide no less than seventy-two (72) hours prior written notice of its intent to enter the City Property pursuant to this Agreement.

Access over the City Property by State and its Agents shall be performed at all times in a lawful, safe, and prudent manner that allows for the State's access as specified herein and minimizes interference with City's use of the City Property and avoids damage to the City Property and any improvements, fixtures, equipment or personal property located thereon (collectively, the "**Improvements**"). Any entry on the City Property by State or its Agents pursuant to this Agreement shall be from the City Property's Indiana Street entrance and over a route that is designated by the City Property Superintendent of Facilities, or his or her designee, which route shall be lawful, suitable, and safe for pedestrian and commercial and regular vehicular access.

(b) City shall have the right to use the City Property for any purpose and to install, maintain, modify, replace, and remove any Improvements, including the gated fence restricting entry to the City Property from Indiana Street, provided that City does not interfere with State's entry on, across and over the City Property for access purposes pursuant to this Agreement.

4. Maintenance and Repair. The unimproved portions of the City Property are currently paved with concrete and City currently intends to maintain such paving as needed for its use of the City Property as a bus maintenance and storage yard; provided, however, that City shall have no obligation to maintain such pavement if City determines it is not necessary for City's use of the City Property. However, City shall continue to provide a route that is lawful, suitable and safe for commercial and regular vehicular and pedestrian ingress and egress over and across the City Property to access the State Property. If the City Property or any of the Improvements is damaged by any entry on the City Property by State or its Agents pursuant to this Agreement, State shall repair such damaged portion of the City Property or Improvements to the condition it was in immediately prior to such damage. If State fails to timely perform such repair obligation within a reasonable time, City may, at its sole discretion, remedy such failure at the State's expense at any time thereafter with at least thirty (30) days' prior written notice of City's intention to cure such failure (unless City determines such failure will cause immediate danger to health or property, in which case no such notice shall be required). City's election to cure any State failure to perform its repair obligations under this Section shall not be construed as a waiver of any of City's legal rights or remedies, nor imply any duty of City to do any act that the State is obligated to perform hereunder. State shall pay to City, promptly upon demand, all reasonable costs incurred by City in remedying or attempting to remedy such default. Such costs, however, shall not include City administrative staff or personnel time.

If any party performs labor at the City Property for State or its Agents pursuant to State's obligations under this Section, and such labor is in connection with any improvements that are a "public work" as defined under California Labor Code Section 1720 *et seq.*, the performing party shall be paid not less than the general prevailing rate of per diem wages determined pursuant to

California Labor Code Section 1770 *et seq.* State shall include, in any contract for any improvements to the City Property pursuant to this Section that are a public work, a requirement that all persons performing labor under such contract shall be paid not less than such general prevailing rate of per diem wages for the labor so performed. State shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the City Property.

5. Hazardous Materials. State shall not use, store, locate, handle or cause or permit the dumping or other disposal or release of any Hazardous Material (defined as follows) on or about the City Property. If there is a leakage or spill of Hazardous Materials on the City Property as a result of the activities of State or its Agents (a "State Release"), State shall bear the cost and expense to remediate such leakage or spill in compliance with applicable laws; provided, however, that State shall have no obligation under this Agreement to remediate any pre-existing Hazardous Materials discovered on the City Property through the investigation or remediation of a State Release except to the extent such pre-existing Hazardous Materials were caused by the activities of State or its Agents

"Hazardous Material" means material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to public health, welfare or the environment. "Hazardous Material" includes, without limitation, any material or substance defined as a "hazardous substance, pollutant or contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 *et seq.*, or pursuant to Section 25316 of the California Health & Safety Code; a "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 City Property or are naturally occurring substances in the City Property, and any petroleum, including, without limitation, crude oil or any fraction thereof, natural gas or natural gas liquids. The term "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 in, on, under or about the City Property. Notwithstanding anything to the contrary in this Section, motor vehicles and equipment driven by State or its Agents across the City Property pursuant to this Agreement may contain gasoline or petroleum products to the extent they are for the exclusive use of such vehicle or equipment.

If State defaults in its obligations under this Section, then State shall indemnify, defend and hold harmless City against any and all Claims (defined as follows) arising at any time as a result of such default, except to the extent such Claims arise from the negligence or misconduct by City or its Agents. "Claims" shall mean all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind. State's foregoing indemnity obligation shall survive the termination or extinguishment of this Agreement.

6. Insurance.

(a) City acknowledges that State is self-insured and shall not be required to carry any insurance policies with respect to this Agreement. If fee ownership of the State Property is vested in any party other than the State of California (each, a "Successor Owner"), City shall have the right to require such Successor Owner to procure, carry, and cause its Agents (each, a "Successor Third Party") to procure and carry, insurance coverage, at its sole expense and in form and amounts and from an insurer reasonably required by City, at all times of entry on the City Property by such Successor Owner or Successor Third Party, or their respective Agents or invitees, pursuant to this Agreement. City shall also have the right to require that upon City's request a Successor Owner or Successor Third Party shall deliver to City certificates and endorsements of insurance in form and with insurers satisfactory to City, evidencing the coverages required hereunder, together with complete copies of the policies at City's request. If such party fails to procure such insurance, or to deliver such policies, endorsements, or certificates, City shall have the right to procure, at its option, such insurance on such defaulting party's behalf, and to require that such party pay the City for the cost thereof within five (5) days of City's delivery of bills therefor.

(b) If any Agent of State (each, a "State Third Party") enters the City Property pursuant to this Agreement, such State Third Party shall procure at its expense and keep in effect at all times of such entry, the insurance policy or policies that State requires of such State Third Party, and to name City as an additional insured on such policy(ies), during such State Third Party's entry and use of the City Property pursuant to this Agreement. Such State Third Party shall deliver a certificate of insurance in form satisfactory to City evidencing such coverage.

(c) Compliance by a State Third Party, Successor Owner, or Successor Third Party with the provisions of this Section shall in no way relieve or decrease such party's indemnification obligations or other obligations under this Agreement. Each State Third Party, Successor Owner, and Successor Third Party shall be responsible, at its expense, for separately insuring its personal property.

(d) Notwithstanding anything to the contrary contained herein, by entry on the City Property by any State Third Party, Successor Owner, or Successor Third Party pursuant to this Agreement, such party shall be deemed to have waived any right of recovery against City for any loss or damage such party sustains with respect to the City Property, whether or not such loss is caused by the fault or negligence of such party, to the extent such loss or damage is covered by any insurance policy that the damaged party is required to hold under this Agreement or is otherwise actually recovered from any valid and collectible insurance policy covering such damaged party. If fee ownership of the State Property is vested in any party other than the State of California, City shall have the right to require each Successor Owner, or Successor Third Party to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to its entry on the City Property pursuant to this Agreement; provided, however, that failure to do so shall not affect the above waiver.

(e) City shall have the right to periodically review the limits and types of insurance to be carried by any Successor Owner or Successor Third Party pursuant to this Section. If, at the time of such review, the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or with coverage materially greater than the amount or

coverage then required under this Agreement for risks comparable to those associated with the entry on the City Property pursuant to this Agreement, then City in its sole discretion shall have the right to increase the amounts or coverage such Successor Owner or Successor Third Party is required to carry under this Agreement to conform to such general commercial practice.

(f) Nothing herein is intended nor shall be construed to impose any obligation on State of California as to a Successor Owner's or Successor Third Party's compliance with requirements imposed by City.

7. Indemnity. State shall indemnify, defend, and hold harmless City and City's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than State against City or any of City's Agents and arising out of or relating to the use of the City Property by State or any of State's Agents pursuant to this Agreement, except to the extent caused by the intentional acts or negligence of City or any of City's Agents; provided, however, that State shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the License.

City shall indemnify, defend, and hold harmless State and State's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than City against State or any of State's Agents arising out of or relating to the use of the City Property by City or any of City's Agents pursuant to this Agreement, except to the extent caused by the intentional acts or negligence of State or any of State's Agents; provided, however, that City shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the License.

8. Notices. All notices, demand, consents or approvals given hereunder shall be in writing and shall be personally delivered, or sent by a nationally-recognized overnight courier service that provides next business day delivery services, provided that next business day service is requested, or by United States first-class mail, postage prepaid, to the following addresses (or any other address that a party designates by written notice delivered to the other party pursuant to the provisions of this Section):

If to City:	San Francisco Municipal Transportation Agency 1301 Cesar Chavez Street San Francisco, CA 94124 Attn: Superintendent, Islais Creek Operations and Maintenance Facility
-------------	---

with a copy to:

San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section

If to State:

Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys
State of California Department of Transportation
P. O. Box 23440
Oakland, CA 94623-0440

with copy to:

State of California Department of Transportation
Legal Division
111 Grand Ave, Suite 11-100
Oakland CA, 94612

9. Waiver of Claims. State covenants and agrees that City shall not be responsible for or liable to State for, and hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Claims incurred by State for any injury, accident or death of any person or loss or damage to any property in or about the City Property pursuant to this Agreement, except to the extent such Claims are within the indemnification obligations in Section 7 above, or are caused by City's breach of its obligations under this Agreement or the negligent, unlawful, or wrongful acts or omissions of City or its Agents.

City covenants and agrees that State shall not be responsible for or liable to City for, and hereby waives all rights against State and its Agents and releases State and its Agents from, any and all Claims incurred by City for to any injury, accident or death of any person or loss or damage to any property in or about the City Property pursuant to this Agreement, except to the extent such Claims are within the indemnification obligations in Section 7 above, or are caused by State's breach of its obligations under this Agreement or the negligent, unlawful, or wrongful acts or omissions of State or its Agents.

Neither party shall be liable under any circumstances to the other party for any consequential, incidental or punitive damages (all as defined under law), arising from such party's breach of its obligations under this Agreement or the acts or negligence of such party or its Agents or invitees.

10. Run with the Land; Exclusive Benefit of Parties; No Public Dedication. The rights and obligations set forth herein shall run with the land and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns to the City Property or the State Property. This Agreement is not for the benefit of, nor give rise to any claim or cause of action by, any other party. This Agreement shall not be deemed a dedication of any portion of the City Property to or for the benefit of the general public.

11. As Is Condition. SUBJECT TO CITY'S CONTINUING OBLIGATION TO PROVIDE

ACCESS ONTO, ACROSS, AND OVER CITY PROPERTY THAT IS LAWFUL, SUITABLE, AND SAFE FOR PEDESTRIAN AND COMMERCIAL AND REGULAR VEHICULAR ACCESS, STATE ACCEPTS THE USE OF CITY PROPERTY UNDER THIS AGREEMENT IN ITS "AS IS" CONDITION, AND ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE CITY PROPERTY. Without limiting the foregoing, this Agreement is made subject to all applicable laws, rules and ordinances governing the use of the City Property, and to any and all covenants, conditions, restrictions, easements, encumbrances, claims of title and other title matters affecting the City Property, whether foreseen or unforeseen, and whether such matters are of record or would be disclosed by an accurate inspection or survey.

12. Possessory Interest Taxes. State recognizes and understands that this Agreement may create a possessory interest subject to property taxation for any State Third Party, Successor Owner, or Successor Third Party, and that such party may be subject to the payment of property taxes levied on such interest under applicable law. State shall include language in any future lease or similar use agreement with a State Third Party that requires such State Third Party to pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the City Property under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the City Property that may be imposed on such State Third Party by applicable law. Each Successor Owner or Successor Third Party shall pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the City Property under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the City Property that may be imposed on such party by applicable law. Such party shall pay all of such charges when they become due and payable and before delinquency. Nothing herein is intended or shall be construed to constitute consent by the State of California to imposition of any tax or assessment of any kind on it.

13. Prohibited Activities.

(a) State shall not use or apply, nor allow its Agents to use or apply, any pesticides on the City Property without the prior written consent of City, which consent shall be conditioned upon the incorporation of the proposed pesticide use into the City integrated pest management policy applicable to the City Property pursuant to Chapter 3 of the San Francisco Environment Code, as may be modified or replaced.

(b) State acknowledges and agrees that no advertising of alcoholic beverages is allowed on the City Property. For purposes of this Section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004.

(c) State acknowledges and agrees that no sale or advertising of cigarettes or tobacco products is allowed on the City Property.

14. General Provisions.

(a) This Agreement may be amended or modified only by a writing signed by City and State and recorded in the Official Records of the City and County of San Francisco.

(b) No waiver by any party of any of the provisions of this Agreement shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver.

(c) This Agreement contains the entire agreement between the parties with respect to the matters set forth herein and all prior negotiations, discussions, understandings and agreements are merged herein.

(d) City's obligations under this Agreement are subject to the requirements of City's Charter.

(e) This Agreement shall be governed by California law.

(f) This Agreement does not create a partnership or joint venture between City and State as to any activity conducted by State on, in or relating to the City Property.

(g) City's obligations hereunder are contingent upon approval of this instrument by the San Francisco Municipal Transit Agency's Board of Directors and the City's Board of Supervisors and Mayor, each in their respective sole discretion.

(h) Time is of the essence of this Agreement and each party's performance of its obligations hereunder.

(i) All representations, warranties, waivers, releases, and indemnities given or made in this Agreement shall survive the termination of this Agreement.

(j) If any provision of this Agreement is deemed invalid by a judgment or court order, such invalid provision shall not affect any other provision of this Agreement, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as partially invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purpose of this Agreement.

(k) All section and subsection titles are included only for convenience of reference and shall be disregarded in the construction and interpretation of the Agreement.

(l) State represents and warrants to City that the execution and delivery of this Agreement by State and the person signing on behalf of State below has been duly authorized to legally bind the State to the obligations herein, and City represents and warrants to State that the execution and delivery of this Agreement by City and the person signing on behalf of City below has been duly authorized to legally bind City to the obligations herein.

(m) 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. A true and correct copy of this Agreement shall have the same force and effect of an original for all purposes allowed by law.

(n) 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.

(o) State understands and agrees that City is entering into this Agreement in its capacity as a property owner with a proprietary interest in the City Property and not as a regulatory agency with police powers.

(p) This Agreement is personal to State and shall not be assigned, conveyed or otherwise transferred by State under any circumstances. Any attempt to assign, convey or otherwise transfer this Agreement shall be null and void and cause the immediate termination and revocation of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

STATE:

STATE OF CALIFORNIA
Department of Transportation

By: _____
Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys

RECOMMENDED FOR APPROVAL:

By: _____
Suzann Goodhue
Senior Right of Way Agent
Acquisition Services

APPROVED AS TO FORM AND PROCEDURE:

By: _____
Lucille Baca
Attorney
State of California
Department of Transportation

[CITY SIGNATURE ON FOLLOWING PAGE]

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By:

Edward D. Reiskin
Director of Transportation
San Francisco Municipal Transportation Authority

San Francisco Municipal Transportation Agency
Board of Directors

Resolution No: _____

Adopted: _____

Attest:
Secretary, SFMTA Board of Director

By:

John Updike
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Carol Wong, Deputy City Attorney

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

RECORDING REQUESTED BY
State of California

WHEN RECORDED RETURN TO
Department of Transportation
P. O. Box 23440
Oakland, CA 94623-0440

Attention: R/W Excess Lands

Documentary Transfer Tax: \$
Gov. Code 6103

Space above this line for Recorder's Use

DIRECTOR'S DEED

000009

OCT - - 2014

District	County	Route	Post	Number
04	SF	280	5.1	DD-030660-01-02

(030660-01-02, 030660-01-03, 030667-01-01)

The STATE OF CALIFORNIA, acting by and through its Director of Transportation, does hereby grant to

The City and County of San Francisco, a Municipal Corporation

all that real property in the City of San Francisco, County of San Francisco,

State of California, described as:

Please see EXHIBIT "A" attached.

MAIL TAX
STATEMENTS TO:

DOCUMENTARY TRANSFER TAX \$
☒ COMPUTED ON FULL VALUE OF PROPERTY CONVEYED, OR
☐ COMPUTED ON FULL VALUE LESS LIENS & ENCUMBRANCES
REMAINING THEREON AT TIME OF SALE.

Signature of declarant or agent determining tax-firm name

CITY OF SAN FRANCISCO ☐ UNINCORPORATED

Number
DD-030660-01-02

EXHIBIT "A"

PARCEL 1 (030660-01-02):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that parcel of land as described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet to the POINT OF BEGINNING; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660-DD); thence along last said line, the following two courses: 1) from a radial line that bears North 71°47'13" West, northerly along a curve to the right with a radius of 1150.00 feet, through an angle of 8°32'59", an arc length of 171.62 feet to a point of reverse curvature, 2) from a tangent curve to the left with a radius of 2565.00 feet, through an angle of 4°48'41", an arc length of 215.41 feet to the easterly line of said State Parcel 30660; thence along last said line, North 03°10'37" West, 89.26 feet to the northerly line of said State Parcel 30660, thence along last said line, South 86°49'23" West, 60.00 feet; thence South 24°57'05" West, 441.54 feet to the POINT OF BEGINNING.

CONTAINING an area of 0.981 acres, more or less.

RESERVING unto the State of California, its successors or assigns, a non-exclusive EASEMENT for ingress and egress and incidents thereto by the most reasonable and practicable means, upon, over, and across all of that parcel of land as described herein above.

PARCEL 2 (030660-01-03):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that certain parcel of land described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660-DD) thence along last said line, from a radial line that bears North 71°47'13" West, southerly along a curve to the left with a radius of 1150.00 feet, through an angle of 2°37'37", an arc length of 52.73 feet to the POINT OF COMMENCEMENT.

CONTAINING an area of 0.125 acres, more or less.

AUG 15 2014

PARCEL 3 (030667-01-01):

The State of California, acting by and through its Director of Transportation, does hereby remise, release, and quitclaim unto the hereinabove named grantee, all right, title and interest in and to the portion of that parcel of land as described in the instrument (State Parcel 30667) to the State of California, recorded December 24, 1962 in Book A520 at Page 480, Official Records of the County of San Francisco, more particularly described as follows:

BEGINNING at the southerly terminus of that course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence northeasterly along the easterly line of said parcel, from a radial line that bears S. 69°50'53" E., along the curve to the left with a radius of 2529.00 feet, through an angle of 0°02'18", an arc length of 1.69 feet to the easterly prolongation of that course described as "South 86°49'23" West, 410 feet" in said parcel; thence along said easterly prolongation, S. 86°49'23" W., 0.67 feet to the northerly terminus of said course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence along last said course, S. 03°10'37" E., 1.55 feet to the POINT OF BEGINNING.

CONTAINING 1 square feet, more or less.

There shall be no abutter's rights of access appurtenant to the above-described real property in and to the adjacent State freeway.

The bearings and distances used in the above descriptions are on the California Coordinate System of 1927, Zone 3. Multiply the above distances by 1.0000717 to obtain ground level distances.

It is expressly made a condition herein that the conveyed property be used exclusively for a public purpose for a period of fifteen (15) years from the recorded date of this deed; that if said property ceases to be used exclusively for a public purpose, during this fifteen (15)-year period, the State may exercise its power of termination. In the event the State exercises its power of termination, all title and interest to said property shall revert to the State of California, Department of Transportation, and that the interest held by the grantee(s), named herein, or its/their assigns, shall cease and terminate.

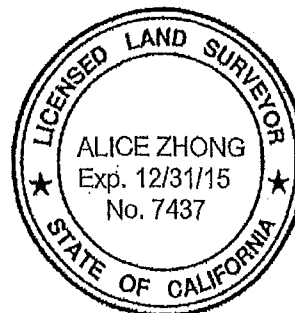
This real property description has been prepared by me, or under my direction, in conformance with the Professional Land Surveyors Act.

Signature _____

Alice Zhong
Licensed Land Surveyor

Date _____

08/15/2014



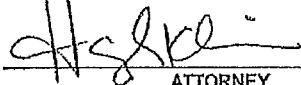
Subject to special assessments if any, restrictions, reservations, and easements of record.

This conveyance is executed pursuant to the authority vested in the Director of Transportation by law and, in particular, by the Streets and Highways Code.

WITNESS my hand and the seal of the Department of Transportation of the State of California, this
23 day of OCTOBER 2014.

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

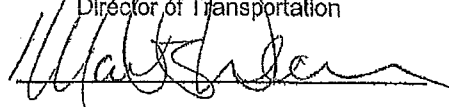
APPROVED AS TO FORM AND PROCEDURE



ATTORNEY
DEPARTMENT OF TRANSPORTATION

MALCOLM DOUGHERTY,
Director of Transportation

By



MARK L. WEAVER, Attorney in Fact
Deputy District Director
Right of Way and Land Surveys

State of California

County of ALAMEDA

} ss

ACKNOWLEDGMENT

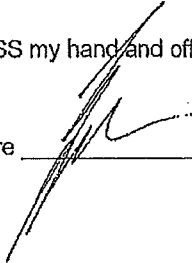
On OCTOBER 24, 2014 before me, MICHAEL O'CALLAGHAN, NOTARY PUBLIC, personally
(Here insert name and title of the officer)
appeared MARK L. WEAVER

_____, 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.

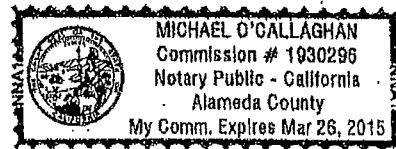
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and
correct.

WITNESS my hand and official seal.

Signature

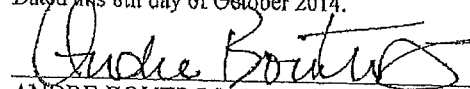


(Seal)



THIS IS TO CERTIFY that the California Transportation
Commission has authorized the Director of Transportation
to execute the foregoing deed at its meeting regularly called and
held on the 8th day of October 2014, in the city of Glendale.

Dated this 8th day of October 2014.



ANDRE BOUTROS, Executive Director
CALIFORNIA TRANSPORTATION COMMISSION

**COUNTY & CITY OF
SAN FRANCISCO**

DD-030660-01-02

1.106 ACRES

Pennsylvania Ave.

To Bay Bridge

State Route 280

To San Jose

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

**DIRECTOR'S DEED
DD-030660-01-02**

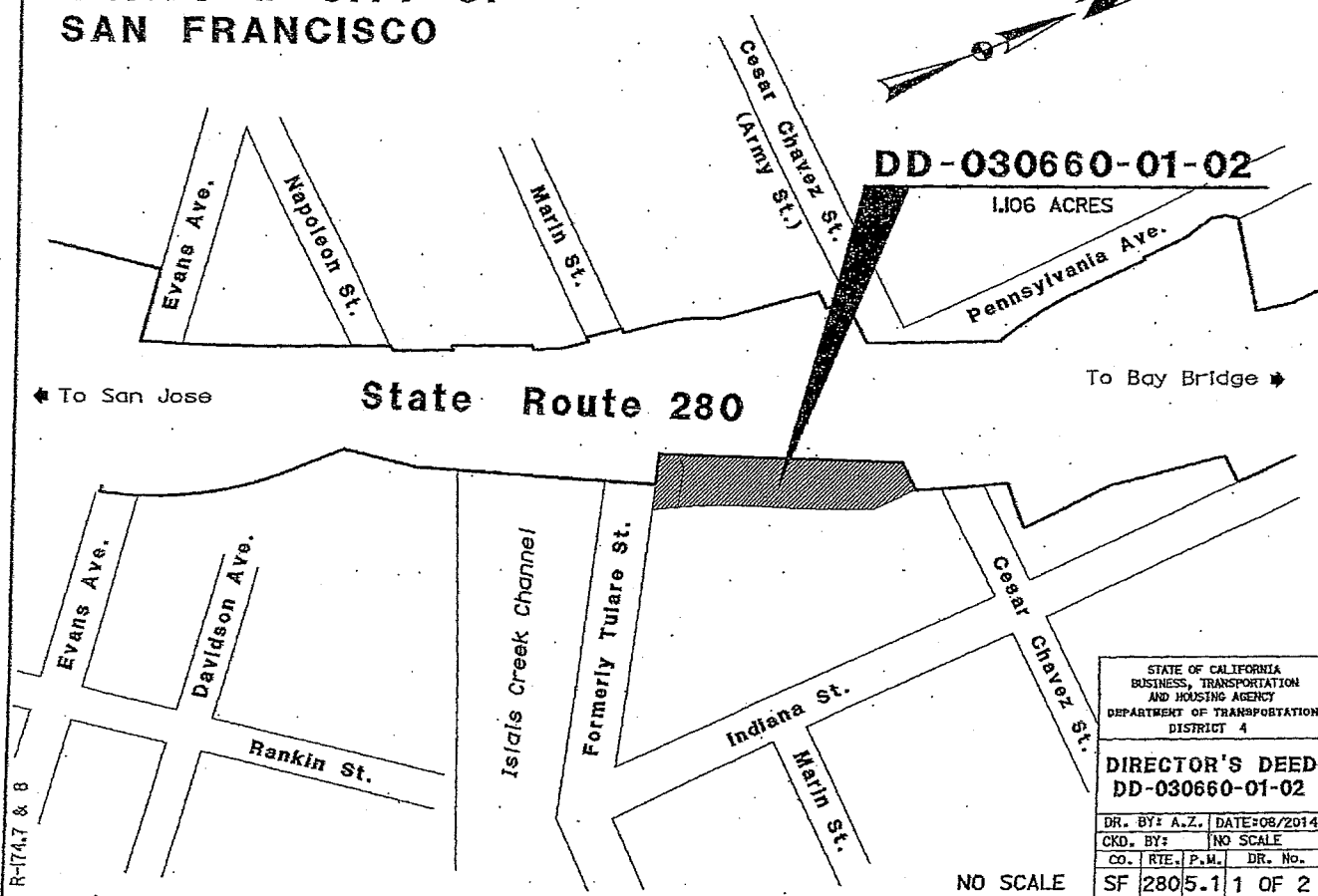
DR. BY: A.Z. DATE: 08/2014

CKD. BY: NO SCALE

CO. RTE. P.M. DR. No.

SF 280 5.1 1 OF 2

NO SCALE



COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1927, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000717 TO OBTAIN GROUND-LEVEL DISTANCES.

CITY OF SAN FRANCISCO

PARCEL 1: 030660-01-02 0.981 ACRES
PARCEL 2: 030660-01-03 0.125 ACRES
PARCEL 3: 030667-01-01 1 SQ. FT.

SCALE IN FEET

0 80 160
SCALE: 1"=80'

STATE ROUTE 280

DD-030660-01-02

1106 ACRES

PARCEL 1

30660
A609 O.R. 751

P.O.B.

29.67'
S87°28'50"E

N24°57'05"E
480.09'(T)
441.54'

STATE R/W LINE

SEE DETAIL

R=2529.00'
N8°51'01"E
80.00'

FORMERLY
TULARE ST.

P.O.C.

77.29FT
N18°12'46"E

50.92'
N60°21'50"W
112.36'
N1°42'45"W(R)
52.13'

559°58'49"E
77.47'

R=1160.00'
Δ=8°32'59"
L=171.62'

30660-DD
B832 OR 213

P.R.C.
N63°14'14"W(R)

R=2565.00'
Δ=4°48'41"
L=215.41'

S68°02'55"E(R)
89.26'

LEGEND

ACCESS PROHIBITED
P.O.B. POINT OF BEGINNING
P.O.C. POINT OF COMMENCEMENT

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

DIRECTOR'S DEED
DD-030660-01-02

DR. BY: A.Z.	DATE: 08/2014
CKD. BY:	SCALE: 1"=80'
CO. RTE. P.M.	DR. No.
SF 280 5.1	2 OF 2

Attachment 5: Indiana Street Access License Agreement

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)

Recording requested by and when recorded mail to:

City and County of San Francisco
Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section

with a copy to:

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

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

INDIANA STREET ACCESS LICENSE AGREEMENT
(Islais Creek Operations and Maintenance Facility)
(Portions of APN Block 4382, Lots 003, 004 and 005;
APN 4352, Lots 001 and 007; APN 4381, Lot 001)

This Indiana Street Access License Agreement (this "**Agreement**"), by and between the City and County of San Francisco, a municipal corporation ("**City**"), acting by and through its Municipal Transportation Agency, and the State of California, acting by and through its Department of Transportation ("**State**"), is executed as of _____ (the "**Effective Date**").

RECITALS

A. Pursuant to Director's Deed 030660-01-02 recorded in the Official Records of San Francisco County as Instrument No. _____ on _____, 2017 (the "**Recording Date**"), City acquired that certain real property described on the attached Exhibit A (the "**Acquired Fee Property**") from State, the eastern boundary of which abuts the City property described on the attached Exhibit B (the "**Bus Yard Property**"). The Acquired Fee Property and the Bus Yard Property shall be collectively referred to as the "**City Property**" and is generally depicted on the attached Exhibit C.

B. The western boundary of the City Property abuts certain real property commonly known as Lease Area No. 04-SF-280-08, which is owned by the State, generally depicted on the attached Exhibit C (the "**State Property**"), and leased by City pursuant to an Airspace Lease between City and State, dated as of _____, for an initial term of fifty (50) years, as such initial term may be extended by City's two 15-year options to extend such term (the "**Lease**").

C. City granted State an easement to provide access between the State Property and Cesar Chavez Street pursuant to an Access Easement Agreement recorded in the Official Records of San Francisco County as Instrument No. _____ on _____, 2017

(the "**Cesar Chavez Access Easement Agreement**"), but State's right to use such easement does not commence until the termination of this Agreement.

D. City and State wish to provide for State's commercial and regular vehicular and pedestrian access to the State Property by crossing the City Property from Indiana Street during the term of the Lease pursuant to its reserved entry rights under the Lease, and for any period of time (the "**Extended Period**") between the expiration or termination of the Lease and City's performance, or State's written waiver, of the Curb Cut Work (as defined in Section 3(a) of the Cesar Chavez Access Easement Agreement) on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, City and State hereby agree as follows:

1. License. Pursuant to the terms and conditions specified in this Agreement, City grants to State a license ("**License**") for commercial and regular vehicular and pedestrian ingress and egress over and across the City Property to access State Property pursuant to its reserved entry rights under the Lease during the term of the Lease, and for the exercise of State's rights and obligations as to the State Property and highway facilities during any Extended Period, on the terms and conditions of this Agreement.

2. Term. The License is irrevocable for the duration of its term, which shall commence on the date this Agreement is fully executed and shall terminate upon the date (the "**Termination Date**") the Lease has expired or terminated and City has completed, or State has provided a written waiver of City obligation to perform, the Curb Cut Work. Following the Termination Date, State shall execute any document reasonably requested by City to evidence the termination of this Agreement, which document shall be in a form sufficient for recordation in the Official Records of San Francisco County.

3. Access Conditions.

(a) During the term of the Lease, State, its employees, agents, representatives, contractors, subcontractors, licensees or other authorized persons (each, an "**Agent**") may cross the City Property to access the State Property pursuant to the terms of this Agreement at the times State is permitted to enter the State Property pursuant to Article 12 of the Lease. During any Extended Period, State and its Agents may cross the City Property to access the State Property pursuant to the terms of this Agreement. State and City shall use reasonable efforts to cooperate and coordinate access by State and its Agents across the City Property pursuant to this Agreement. Except in the event of an emergency where State must access the State Property due to an immediate threat to public health or safety, or unless otherwise agreed to by City, State shall provide no less than seventy-two (72) hours prior written notice of its intent to enter the City Property pursuant to this Agreement.

Access over the City Property by State and its Agents shall be performed at all times in a lawful, safe, and prudent manner that allows for the State's access as specified herein and minimizes interference with City's use of the City Property and avoids damage to the City Property and any improvements, fixtures, equipment or personal property located thereon (collectively, the "**Improvements**"). Any entry on the City Property by State or its Agents pursuant to this Agreement shall be from the City Property's Indiana Street entrance and over a route that is designated by the City Property Superintendent of Facilities, or his or her designee, which route shall be lawful, suitable, and safe for pedestrian and commercial and regular vehicular access.

(b) City shall have the right to use the City Property for any purpose and to install, maintain, modify, replace, and remove any Improvements, including the gated fence restricting entry to the City Property from Indiana Street, provided that City does not interfere with State's entry on, across and over the City Property for access purposes pursuant to this Agreement.

4. Maintenance and Repair. The unimproved portions of the City Property are currently paved with concrete and City currently intends to maintain such paving as needed for its use of the City Property as a bus maintenance and storage yard; provided, however, that City shall have no obligation to maintain such pavement if City determines it is not necessary for City's use of the City Property. However, City shall continue to provide a route that is lawful, suitable and safe for commercial and regular vehicular and pedestrian ingress and egress over and across the City Property to access the State Property. If the City Property or any of the Improvements is damaged by any entry on the City Property by State or its Agents pursuant to this Agreement, State shall repair such damaged portion of the City Property or Improvements to the condition it was in immediately prior to such damage. If State fails to timely perform such repair obligation within a reasonable time, City may, at its sole discretion, remedy such failure at the State's expense at any time thereafter with at least thirty (30) days' prior written notice of City's intention to cure such failure (unless City determines such failure will cause immediate danger to health or property, in which case no such notice shall be required). City's election to cure any State failure to perform its repair obligations under this Section shall not be construed as a waiver of any of City's legal rights or remedies, nor imply any duty of City to do any act that the State is obligated to perform hereunder. State shall pay to City, promptly upon demand, all reasonable costs incurred by City in remedying or attempting to remedy such default. Such costs, however, shall not include City administrative staff or personnel time.

If any party performs labor at the City Property for State or its Agents pursuant to State's obligations under this Section, and such labor is in connection with any improvements that are a "public work" as defined under California Labor Code Section 1720 *et seq.*, the performing party shall be paid not less than the general prevailing rate of per diem wages determined pursuant to California Labor Code Section 1770 *et seq.* State shall include, in any contract for any improvements to the City Property pursuant to this Section that are a public work, a requirement that all persons performing labor under such contract shall be paid not less than such general prevailing rate of per diem wages for the labor so performed. State shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the City Property.

5. Hazardous Materials. State shall not use, store, locate, handle or cause or permit the dumping or other disposal or release of any Hazardous Material (defined as follows) on or about the City Property. If there is a leakage or spill of Hazardous Materials on the City Property as a result of the activities of State or its Agents (a "State Release"), State shall bear the cost and expense to remediate such leakage or spill in compliance with applicable laws; provided, however, that State shall have no obligation under this Agreement to remediate any pre-existing Hazardous Materials discovered on the City Property through the investigation or remediation of a State Release except to the extent such pre-existing Hazardous Materials were caused by the activities of State or its Agents

"Hazardous Material" means material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to public health, welfare or the environment. "Hazardous Material" includes, without limitation, any material or substance defined as a "hazardous substance, pollutant or contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 *et seq.*, or pursuant to Section 25316 of the California Health & Safety Code; a

"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 City Property or are naturally occurring substances in the City Property, and any petroleum, including, without limitation, crude oil or any fraction thereof, natural gas or natural gas liquids. The term "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 in, on, under or about the City Property. Notwithstanding anything to the contrary in this Section, motor vehicles and equipment driven by State or its Agents across the City Property pursuant to this Agreement may contain gasoline or petroleum products to the extent they are for the exclusive use of such vehicle or equipment.

If State defaults in its obligations under this Section, then State shall indemnify, defend and hold harmless City against any and all Claims (defined as follows) arising at any time as a result of such default, except to the extent such Claims arise from the negligence or misconduct by City or its Agents. "Claims" shall mean all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind. State's foregoing indemnity obligation shall survive the termination or extinguishment of this Agreement.

6. Insurance.

(a) City acknowledges that State is self-insured and shall not be required to carry any insurance policies with respect to this Agreement. If fee ownership of the State Property is vested in any party other than the State of California (each, a "**Successor Owner**"), City shall have the right to require such Successor Owner to procure, carry, and cause its Agents (each, a "**Successor Third Party**") to procure and carry, insurance coverage, at its sole expense and in form and amounts and from an insurer reasonably required by City, at all times of entry on the City Property by such Successor Owner or Successor Third Party, or their respective Agents or invitees, pursuant to this Agreement. City shall also have the right to require that upon City's request a Successor Owner or Successor Third Party shall deliver to City certificates and endorsements of insurance in form and with insurers satisfactory to City, evidencing the coverages required hereunder, together with complete copies of the policies at City's request. If such party fails to procure such insurance, or to deliver such policies, endorsements, or certificates, City shall have the right to procure, at its option, such insurance on such defaulting party's behalf, and to require that such party pay the City for the cost thereof within five (5) days of City's delivery of bills therefor.

(b) If any Agent of State (each, a "**State Third Party**") enters the City Property pursuant to this Agreement, such State Third Party shall procure at its expense and keep in effect at all times of such entry, the insurance policy or policies that State requires of such State Third Party, and to name City as an additional insured on such policy(ies), during such State Third Party's entry and use of the City Property pursuant to this Agreement. Such State Third Party shall deliver a certificate of insurance in form satisfactory to City evidencing such coverage.

(c) Compliance by a State Third Party, Successor Owner, or Successor Third Party with the provisions of this Section shall in no way relieve or decrease such party's indemnification obligations or other obligations under this Agreement. Each State Third Party, Successor Owner, and Successor Third Party shall be responsible, at its expense, for separately insuring its personal property.

(d) Notwithstanding anything to the contrary contained herein, by entry on the City Property by any State Third Party, Successor Owner, or Successor Third Party pursuant to this Agreement, such party shall be deemed to have waived any right of recovery against City for any

loss or damage such party sustains with respect to the City Property, whether or not such loss is caused by the fault or negligence of such party, to the extent such loss or damage is covered by any insurance policy that the damaged party is required to hold under this Agreement or is otherwise actually recovered from any valid and collectible insurance policy covering such damaged party. If fee ownership of the State Property is vested in any party other than the State of California, City shall have the right to require each Successor Owner, or Successor Third Party to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to its entry on the City Property pursuant to this Agreement; provided, however, that failure to do so shall not affect the above waiver.

(e) City shall have the right to periodically review the limits and types of insurance to be carried by any Successor Owner or Successor Third Party pursuant to this Section. If, at the time of such review, the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or with coverage materially greater than the amount or coverage then required under this Agreement for risks comparable to those associated with the entry on the City Property pursuant to this Agreement, then City in its sole discretion shall have the right to increase the amounts or coverage such Successor Owner or Successor Third Party is required to carry under this Agreement to conform to such general commercial practice.

(f) Nothing herein is intended nor shall be construed to impose any obligation on State of California as to a Successor Owner's or Successor Third Party's compliance with requirements imposed by City.

7. Indemnity. State shall indemnify, defend, and hold harmless City and City's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than State against City or any of City's Agents and arising out of or relating to the use of the City Property by State or any of State's Agents pursuant to this Agreement, except to the extent caused by the intentional acts or negligence of City or any of City's Agents; provided, however, that State shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the License.

City shall indemnify, defend, and hold harmless State and State's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than City against State or any of State's Agents arising out of or relating to the use of the City Property by City or any of City's Agents pursuant to this Agreement, except to the extent caused by the intentional acts or negligence of State or any of State's Agents; provided, however, that City shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the License.

8. Notices. All notices, demand, consents or approvals given hereunder shall be in writing and shall be personally delivered, or sent by a nationally-recognized overnight courier service that provides next business day delivery services, provided that next business day service is requested, or by United States first-class mail, postage prepaid, to the following addresses (or any other address that a party designates by written notice delivered to the other party pursuant to the provisions of this Section):

If to City:

San Francisco Municipal Transportation Agency
1301 Cesar Chavez Street
San Francisco, CA 94124
Attn: Superintendent, Islais Creek Operations and

Maintenance Facility

with a copy to: San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section

If to State: Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys
State of California Department of Transportation
P. O. Box 23440
Oakland, CA 94623-0440

with copy to: State of California Department of Transportation
Legal Division
111 Grand Ave, Suite 11-100
Oakland CA, 94612

9. Waiver of Claims. State covenants and agrees that City shall not be responsible for or liable to State for, and hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Claims incurred by State for any injury, accident or death of any person or loss or damage to any property in or about the City Property pursuant to this Agreement, except to the extent such Claims are within the indemnification obligations in Section 7 above, or are caused by City's breach of its obligations under this Agreement or the negligent, unlawful, or wrongful acts or omissions of City or its Agents.

City covenants and agrees that State shall not be responsible for or liable to City for, and hereby waives all rights against State and its Agents and releases State and its Agents from, any and all Claims incurred by City for to any injury, accident or death of any person or loss or damage to any property in or about the City Property pursuant to this Agreement, except to the extent such Claims are within the indemnification obligations in Section 7 above, or are caused by State's breach of its obligations under this Agreement or the negligent, unlawful, or wrongful acts or omissions of State or its Agents.

Neither party shall be liable under any circumstances to the other party for any consequential, incidental or punitive damages (all as defined under law), arising from such party's breach of its obligations under this Agreement or the acts or negligence of such party or its Agents or invitees.

10. Run with the Land; Exclusive Benefit of Parties; No Public Dedication. The rights and obligations set forth herein shall run with the land and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns to the City Property or the State Property. This Agreement is not for the benefit of, nor give rise to any claim or cause of action by, any other party. This Agreement shall not be deemed a dedication of any portion of the City Property to or for the benefit of the general public.

11. As Is Condition. SUBJECT TO CITY'S CONTINUING OBLIGATION TO PROVIDE ACCESS ONTO, ACROSS, AND OVER CITY PROPERTY THAT IS LAWFUL, SUITABLE, AND SAFE FOR PEDESTRIAN AND COMMERCIAL AND REGULAR VEHICULAR ACCESS, STATE ACCEPTS THE USE OF CITY PROPERTY UNDER THIS AGREEMENT IN ITS "AS IS" CONDITION, AND ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY HEREBY DISCLAIMS, ANY

REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE CITY PROPERTY. Without limiting the foregoing, this Agreement is made subject to all applicable laws, rules and ordinances governing the use of the City Property, and to any and all covenants, conditions, restrictions, easements, encumbrances, claims of title and other title matters affecting the City Property, whether foreseen or unforeseen, and whether such matters are of record or would be disclosed by an accurate inspection or survey.

12. Possessory Interest Taxes. State recognizes and understands that this Agreement may create a possessory interest subject to property taxation for any State Third Party, Successor Owner, or Successor Third Party, and that such party may be subject to the payment of property taxes levied on such interest under applicable law. State shall include language in any future lease or similar use agreement with a State Third Party that requires such State Third Party to pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the City Property under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the City Property that may be imposed on such State Third Party by applicable law. Each Successor Owner or Successor Third Party shall pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the City Property under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the City Property that may be imposed on such party by applicable law. Such party shall pay all of such charges when they become due and payable and before delinquency. Nothing herein is intended or shall be construed to constitute consent by the State of California to imposition of any tax or assessment of any kind on it.

13. Prohibited Activities.

(a) State shall not use or apply, nor allow its Agents to use or apply, any pesticides on the City Property without the prior written consent of City, which consent shall be conditioned upon the incorporation of the proposed pesticide use into the City integrated pest management policy applicable to the City Property pursuant to Chapter 3 of the San Francisco Environment Code, as may be modified or replaced.

(b) State acknowledges and agrees that no advertising of alcoholic beverages is allowed on the City Property. For purposes of this Section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004.

(c) State acknowledges and agrees that no sale or advertising of cigarettes or tobacco products is allowed on the City Property.

14. General Provisions.

(a) This Agreement may be amended or modified only by a writing signed by City and State and recorded in the Official Records of the City and County of San Francisco.

(b) No waiver by any party of any of the provisions of this Agreement shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver.

(c) This Agreement contains the entire agreement between the parties with respect to the matters set forth herein and all prior negotiations, discussions, understandings and agreements are merged herein.

(d) City's obligations under this Agreement are subject to the requirements of City's Charter.

- (e) This Agreement shall be governed by California law.
- (f) This Agreement does not create a partnership or joint venture between City and State as to any activity conducted by State on, in or relating to the City Property.
- (g) City's obligations hereunder are contingent upon approval of this instrument by the San Francisco Municipal Transit Agency's Board of Directors and the City's Board of Supervisors and Mayor, each in their respective sole discretion.
- (h) Time is of the essence of this Agreement and each party's performance of its obligations hereunder.
- (i) All representations, warranties, waivers, releases, and indemnities given or made in this Agreement shall survive the termination of this Agreement.
- (j) If any provision of this Agreement is deemed invalid by a judgment or court order, such invalid provision shall not affect any other provision of this Agreement, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as partially invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purpose of this Agreement.
- (k) All section and subsection titles are included only for convenience of reference and shall be disregarded in the construction and interpretation of the Agreement.
- (l) State represents and warrants to City that the execution and delivery of this Agreement by State and the person signing on behalf of State below has been duly authorized to legally bind the State to the obligations herein, and City represents and warrants to State that the execution and delivery of this Agreement by City and the person signing on behalf of City below has been duly authorized to legally bind City to the obligations herein.
- (m) 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. A true and correct copy of this Agreement shall have the same force and effect of an original for all purposes allowed by law.
- (n) 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.
- (o) State understands and agrees that City is entering into this Agreement in its capacity as a property owner with a proprietary interest in the City Property and not as a regulatory agency with police powers.
- (p) This Agreement is personal to State and shall not be assigned, conveyed or otherwise transferred by State under any circumstances. Any attempt to assign, convey or otherwise transfer this Agreement shall be null and void and cause the immediate termination and revocation of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective
Date.

STATE:

STATE OF CALIFORNIA
Department of Transportation

By: _____
Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys

RECOMMENDED FOR APPROVAL:

By: _____
Suzann Goodhue
Senior Right of Way Agent
Acquisition Services

APPROVED AS TO FORM AND PROCEDURE:

By: _____
Lucille Baca
Attorney
State of California
Department of Transportation

[CITY SIGNATURE ON FOLLOWING PAGE]

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By:

Edward D. Reiskin
Director of Transportation
San Francisco Municipal Transportation Authority

San Francisco Municipal Transportation Agency
Board of Directors

Resolution No: _____

Adopted: _____

Attest:
Secretary, SFMTA Board of Director

By:

John Updike
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By:

Carol Wong, Deputy City Attorney

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

State of California)
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)

Exhibit A

Description of Acquired Fee Property

PARCEL 1 (030660-01-02):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that parcel of land as described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet to the POINT OF BEGINNING; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660-DD); thence along last said line, the following two courses: 1) from a radial line that bears North 71°47'13" West, northerly along a curve to the right with a radius of 1150.00 feet, through an angle of 8°32'59", an arc length of 171.62 feet to a point of reverse curvature, 2) from a tangent curve to the left with a radius of 2565.00 feet, through an angle of 4°48'41", an arc length of 215.41 feet to the easterly line of said State Parcel 30660; thence along last said line, North 03°10'37" West, 89.26 feet to the northerly line of said State Parcel 30660, thence along last said line, South 86°49'23" West, 60.00 feet; thence South 24°57'05" West, 441.54 feet to the POINT OF BEGINNING.

CONTAINING an area of 0.981 acres, more or less.

RESERVING unto the State of California, it's successors or assigns, a non-exclusive EASEMENT for ingress and egress and incidents thereto by the most reasonable and practicable means, upon, over, and across all of that parcel of land as described herein above.

PARCEL 2 (030660-01-03):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that certain parcel of land described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660 DD) thence along last said line, from a radial line that bears North 71°47'13" West, southerly along a curve to the left with a radius of 150.00 feet, through an angle of 2°37'37", an arc length of 52.73 feet to the POINT OF COMMENCEMENT.

CONTAINING an area of 0.125 acres, more or less.

PARCEL 3 (030667-01-01):

The State of California, acting by and through its Director of Transportation, does hereby remise, release, and quitclaim unto the hereinabove named grantee, all right, title and interest in and to the portion of that parcel of land as described in the instrument (State Parcel 30667) to the State of California, recorded December 24, 1962 in Book A520 at Page 480, Official Records of the County of San Francisco, more particularly described as follows:

BEGINNING at the southerly terminus of that course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence northeasterly along the easterly line of said parcel, from a radial line that bears S. 69°50'53" E., along the curve to the left with a radius of 2529.00 feet, through an angle of 0°02'18", an arc length of 1.69 feet to the easterly prolongation of that course described as "South 86°49'23" West, 410 feet" in said parcel; thence along said easterly prolongation, S. 86°49'23" W., 0.67 feet to the northerly terminus of said course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence along last said course, S. 03°10'37" E., 1.55 feet to the POINT OF BEGINNING.

CONTAINING 1 square feet, more or less.

There shall be no abutter's rights of access appurtenant to the above-described real property in and to the adjacent State freeway.

The bearings and distances used in the above descriptions are on the California Coordinate System of 1927, Zone 3. Multiply the above distances by 1.0000717 to obtain ground level distances.

It is expressly made a condition herein that the conveyed property be used exclusively for a public purpose for a period of fifteen (15) years from the recorded date of this deed; that if said property ceases to be used exclusively for a public purpose, during this fifteen (15)-year period, the State may exercise its power of termination. In the event the State exercises its power of termination, all title and interest to said property shall revert to the State of California, Department of Transportation, and that the interest held by the grantee(s), named herein, or its/their assigns, shall cease and terminate.

This real property description has been prepared by me, or under my direction, in conformance with the Professional Land Surveyors Act.

Signature _____

Alice Zhong

Licensed Land Surveyor

Date _____

08/15/2014

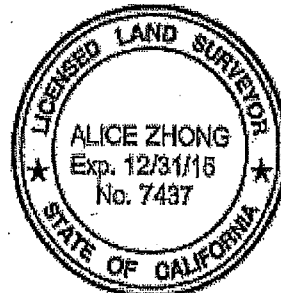


Exhibit B

Description of Bus Yard Property

All that certain real property situate in the City and County of San Francisco, State of California,

Being Parcels 19, 20, and 21 as described in Grant Deed from Union Pacific Railroad Company (a corporation of the State of Utah) to the City and County of San Francisco (a municipal corporation) recorded June 30, 1988 in Reel E627 at Image 1874 Official Records of the County of San Francisco; The lands described in Grant Deed from GRANEX CORPORATION USA, (a California Corporation) to the City and County of San Francisco (a municipal corporation), recorded May 23, 1990 in Reel F131 at Image 962 Official Records of County of San Francisco; State Parcel 30660-DD, described in Grant Deed from the State of California to the City and County of San Francisco (a municipal corporation) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco, being more particularly described as follows:

BEGINNING at the point of intersection of the southerly line of Cesar Chavez Street, 75.00 feet wide (Formerly Army Street as widened shown on 'Map of widening of Army Street from Third Street to De Haro Street' as per order of the Board of Supervisors under Resolution Number 15938. New series, approved July 31, 1918, A-S-84) with the easterly line of Pennsylvania Street, 90.00 feet wide as said street line existed prior to the closing of said street, said point also being the northwesterly corner of said Parcel 19;

thence easterly along said southerly line of said Cesar Chavez Street North $86^{\circ}49'23''$ East, 480.00 feet to the intersection of said Cesar Chavez Street with the westerly line of Indiana Street (80.00 feet wide);

thence leaving said southerly line of said Cesar Chavez Street at right angles along the westerly line of said Indiana Street, South $03^{\circ}10'37''$ East, 816.54 feet, more or less, to a point perpendicular distant 34.00 feet northeasterly from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street existed prior to the closing of said street) with the west line of said Indiana Street, to a point which is perpendicularly distant 425.00 feet south from said southerly line of said Cesar Chavez Street and also perpendicularly

distant 100.00 feet west from the west line of Pennsylvania Avenue, 90.00 feet wide (as the line of said avenue existed prior to the closing of said avenue),

thence leaving said westerly line of said Indiana Street, northwesterly parallel with said line so drawn, North $60^{\circ}2'50''$ West, 309.36 feet to the southwesterly corner of the said lands of the City and County of San Francisco described in Reel F131 at Image 962, said point also being the southeasterly corner of said State Parcel 030660-DD, said point also on a line perpendicularly distant westerly 20 feet from the centerline of said Iowa Street;

thence along the northwesterly prolongation of last said line, North $60^{\circ}21'50''$ West, 228.35 feet to the southwesterly corner of said State Parcel 30660-DD;

thence northerly along the westerly line of said State Parcel 30660-DD the following two courses:

- 1) From a radial line that bears North $74^{\circ}24'50''$ West, along a curve to the right with a radius of 1150.08 feet through a central angle of $11^{\circ}10'36''$, an arc length of 224.35 feet to a point of reverse curvature;
- 2) To the left with a radius of 2565.18 feet, through a central angle of $04^{\circ}48'41''$, for an arc length of 215.42 feet to the northerly corner of said State Parcel 30660-DD, said point also on a line perpendicularly distant westerly 20 feet from the centerline of said Iowa Street, said point also being on said westerly line of said lands of the City and County of San Francisco described in said Reel F131 at Image 962;

thence northerly along said westerly line of said lands of the City and County of San Francisco, also being on a line perpendicularly distant westerly 20 feet from said centerline of said Iowa Street, North $03^{\circ}10'37''$ West 89.27 feet to a point on said southerly line of said Parcel 19;

thence westerly along said southerly line of said Parcel 19, South $86^{\circ}49'23''$ West, 220.00 feet to a point on the easterly line of said former Pennsylvania Street, said point also being the southwesterly corner of said Parcel 19;

thence northerly along the easterly line of last said street and westerly line of said Parcel 19, North $03^{\circ}10'37''$ West, 41.00 feet to said **POINT OF BEGINNING**.

Being Assessor's Block 4352, Lots 001, 006 and 007, Assessor's Block 4382, Lots 004 and 005, and Assessor's Block 4381, Lot 001.

Containing an area of 251,139 Square Feet (5.77 Acres), more or less.

Bearings used in above description are based on California Coordinate System on 1927 Zone 3. Distances used in this description are ground level distances.

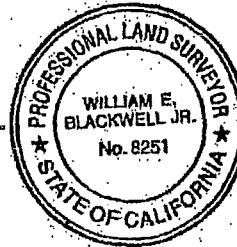
These real property descriptions have been prepared by me, or under my direction in conformance with the Land Surveyors Act.

Signature

William E. Blackwell Jr.
William E. Blackwell Jr., PLS 8251

Date:

August 1, 2017



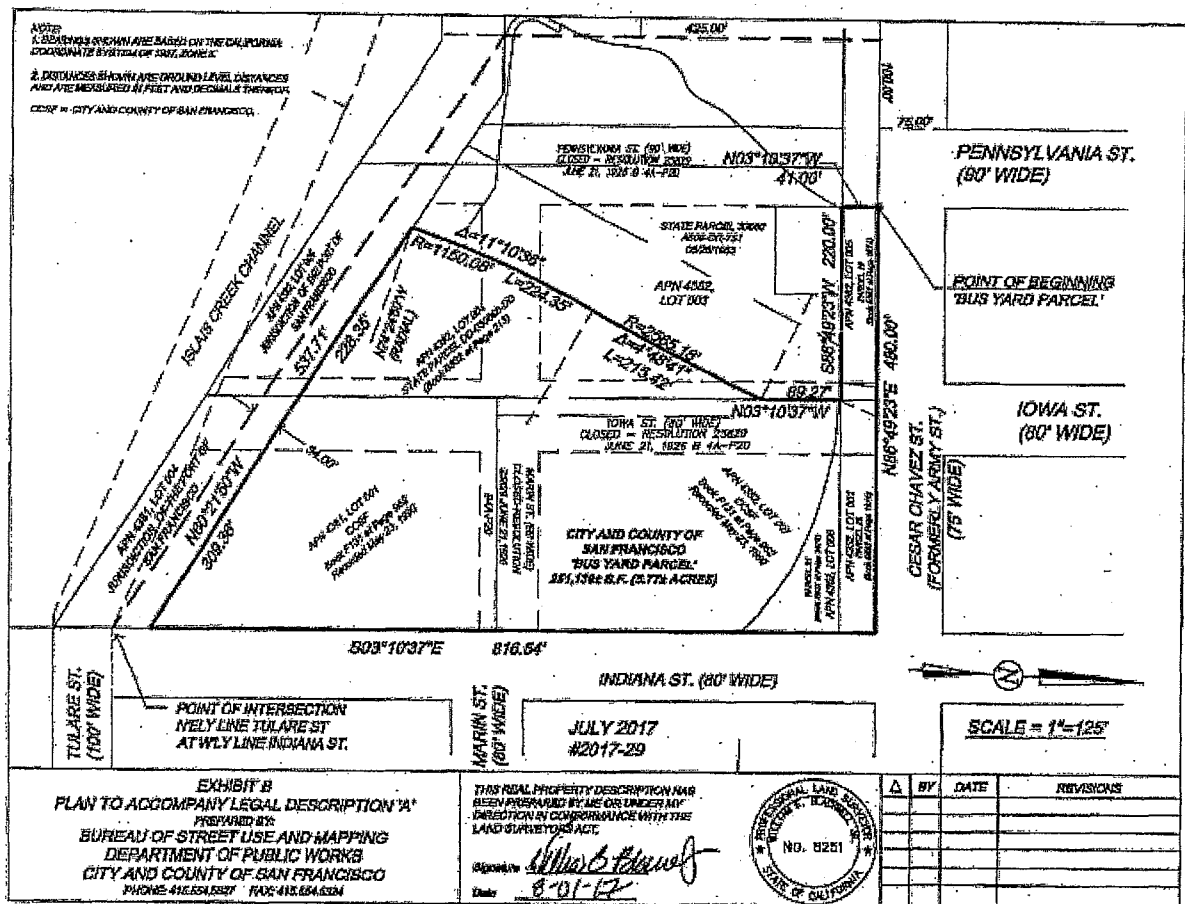
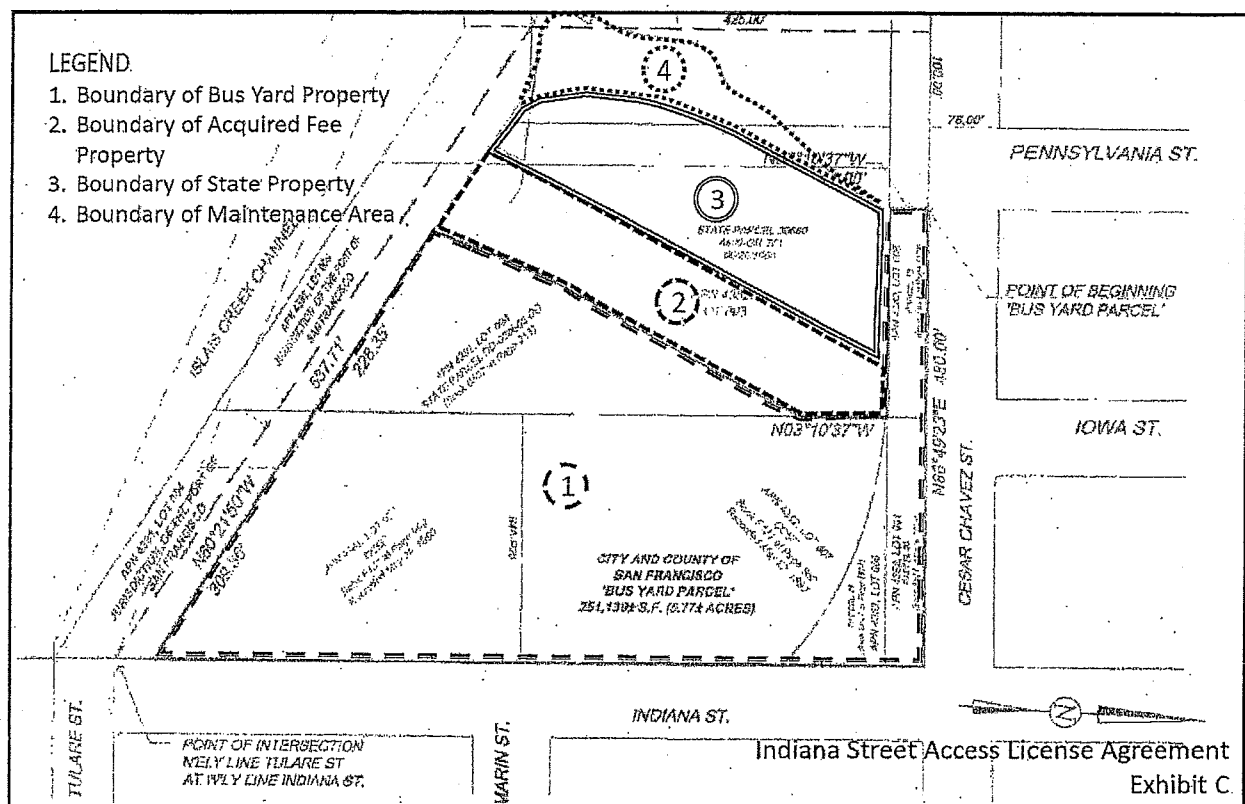


Exhibit C

**Depiction of Acquired Fee Property and the Bus Yard
Property (together, the City Property) and State Property**



Attachment 6: Cesar Chavez Access Easement Agreement

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)

Recording requested by and
when recorded mail to:

City and County of San Francisco
Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Real Estate Section

with a copy to:

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

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

CESAR CHAVEZ ACCESS EASEMENT AGREEMENT
(Portion of APN Block 4382, Lots 003 and 005)

This Cesar Chavez Access Easement Agreement (this "**Agreement**"), by and between the City and County of San Francisco, a municipal corporation ("**City**"), acting by and through its Municipal Transportation Agency, and the State of California, acting by and through its Director of Transportation ("**Caltrans**"), is executed as of _____, 2017 (the "**Effective Date**").

RECITALS

A. City owns that certain real property in San Francisco, California, which is commonly known as a portion of APN Block 4382, Lot 005, which abuts a portion of Cesar Chavez Street, and is further described on the attached Exhibit A-1 and depicted on the attached Exhibit B (the "**City Lot 5**").

B. City owns that certain real property in San Francisco, California, which is commonly known as a portion of APN Block 4382, Lot 003, which abuts a portion of City Lot 5, and is further described on the attached Exhibit A-2 and depicted on the attached Exhibit B (the "**Former Caltrans Property**"). City acquired the Former Caltrans Property from Caltrans pursuant to that certain Director's Deed (DD-030660-01-02) ("**Director's Deed**") recorded in the Official Records of San Francisco County concurrently with this Agreement.

C. State owns that certain real property depicted on the attached Exhibit B (the "**State Property**"), which partially abuts a portion of the southern boundary of the City Lot 5 and the western boundary of the Former Caltrans Property, and which State leases to City pursuant to an Airspace Lease between City and State, dated as of _____, 2017, for an initial term of fifty (50) years, as such initial term may be extended by City's two 15-year options to extend such term (the "**Lease**").

D. City owns that certain real property located between the eastern boundary of the Former Caltrans Property and Indiana Street, as further depicted on the attached Exhibit B (the "City Bus Yard"), and City and State have entered into an access agreement dated as of the Effective Date (the "Indiana Street Access License") to provide for State's ingress and egress between the State Property and Indiana Street by crossing the City Bus Yard and the Former Caltrans Property until City completes the Curb Cut Work (as defined in Section 3(a) below), unless City's obligation as to the Curb Cut Work is waived by State in writing, and the Lease expires or is terminated.

E. City and State wish to enter into this Agreement to (i) provide State with an easement for ingress and egress between the State Property and Cesar Chavez Street over the surface of the twenty-four foot (24') wide area on City Lot 5 and the Former Caltrans Property described on the attached Exhibit C (the "Easement Area") and depicted on the attached Exhibit B on the terms specified in this Agreement, and (ii) terminate the easement granted to State over portions of City Lot 5 by Western Pacific Railroad Company and recorded in the Official Records of San Francisco County at Book A520, Page 480 on December 24, 1962 (the "1962 Easement") and the easement reserved by State on "Parcel 1" of the Former Caltrans Property under the Directors Deed, as further described in Exhibit A to the Directors Deed.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, City and State hereby agree as follows:

1. Grant of Easement; Termination of 1962 Easement and Reserved Director's Deed Easement. Pursuant to the terms and conditions specified in this Agreement, City grants to State an easement for ingress and egress over the surface of the Easement Area for the exercise of its rights and obligations hereunder. On the full execution of this Agreement, City shall record it in the Official Records of San Francisco, and on such recordation, the 1962 Easement and the non-exclusive easement reserved in the Director's Deed shall automatically terminate. State shall concurrently execute and record a Quitclaim Deed terminating any and all interest in the 1962 Easement and the non-exclusive easement reserved on "Parcel 1" of the Former Caltrans Property in the Director's Deed.

2. Use of the Easement Area.

(a) Subject to City's rights under Section 3(c) below, State may use the Easement Area only for (i) commercial and regular vehicular and pedestrian ingress to the State Property from Cesar Chavez Street, and egress from the State Property to Cesar Chavez Street, by State and any of its employees, agents, representatives, contractors, subcontractors, tenants, and licensees (each, an "Agent") or invitees (but not the general public) and (ii) the performance of State's obligations under this Agreement (collectively, the "Permitted Uses"), all in compliance with all applicable laws. Notwithstanding anything to the contrary in the foregoing sentence, during the period the Indiana Street Access License is in effect, State and its Agents and invitees shall not use the Easement Area pursuant to this Agreement and shall only access the State Property from Indiana Street on the terms and conditions set forth in the Indiana Street Access License.

(b) In entering the Easement Area pursuant to this Agreement, the State shall use, and shall cause its Agents and invitees to use, reasonable efforts to minimize any interference in the use of the Easement Area by City or its Agents. The State shall conduct, and shall cause its Agents and invitees to conduct, entry on the Easement Area in a safe and reasonable manner that avoids damage to the Easement Area and any improvements, fixtures, equipment or personal

property located on, under or about the Easement Area (collectively, the "**Improvements**"), and shall not operate or place vehicles or equipment in the Easement Area that exceed the loading standards established by AASHTO-H20 or its equivalent. State acknowledges that the Permitted Uses do not include the installation of utilities or the parking or storage of vehicles, equipment or other property within the Easement Area, except temporarily as reasonably necessary for the performance of State's obligations under Section 3(b).

(c) During the term of the Indiana Street License, City shall have the right to use the Easement Area for any purpose and to install, maintain, modify, and remove any improvements; provided, however, as of the date the State commences use of the Easement Area pursuant to this Agreement, and during State's use of the same pursuant to this Agreement, City (i) shall remove any improvements installed by City on or over the Easement Area to the extent they interfere with the Permitted Uses, and (ii) shall not do anything in, on, or about the Easement Area that would unreasonably interfere with State's Permitted Uses of the Easement Area, subject to City's rights under Section 3(c) below.

(d) City shall have the right to install one or more gates on the Easement Area, provided that as of the date the State commences use of the Easement Area pursuant to this Agreement, and during State's use of the same pursuant to this Agreement, City shall provide State with the means to open such gates at will. In opening any such gates, State shall close, and cause its Agents and invitees to close, the gates after passing through them.

3. Maintenance, Repair, and Relocation.

(a) Prior to the termination of the Indiana Street Access License and the commencement of the State's Permitted Uses of the Easement Area, City shall install, at its sole cost, a curb cut that has a minimum width of twenty-four (24) feet (or the applicable commercial driveway standard in place at the time the cut is made) and is suitable for regular and commercial vehicular ingress and egress from Cesar Chavez Street onto the Easement Area at the boundary of the Easement Area and Cesar Chavez Street (the "**Curb Cut Work**"). Completion of the Curb Cut Work shall be a condition of terminating the Indiana Street Access License unless State waives City's obligation to perform the Curb Cut Work in writing. Immediately prior to the date the State commences use of the Easement Area pursuant to this Agreement, City shall cause the Easement Area to be in a paved and level condition.

(b) Except for City's obligations under Section 3(a) above and Section 3(d) below, City shall have no obligation to maintain the Easement Area; provided, however, that City shall not take any action that makes the surface of the Easement Area unsuitable for pedestrian and regular and commercial vehicular access purposes, subject to City's rights under Section 3(d) below. If City takes any such action, City shall promptly repair the Easement Area to restore it to a condition suitable for pedestrian and regular and commercial vehicular access purposes, and shall provide State with reasonable alternative access for the same purposes as provided for in this Agreement until such time as the Easement Area is restored.

(c) If the Easement Area or any of the Improvements is damaged by the use of the Easement Area by State or its Agents or invitees, State shall promptly notify City of such damage. State shall repair and restore such damaged portion of the Easement Area or Improvements at its sole cost to the condition they were in immediately prior to such damage, subject to City's prior written consent to State's plans and specifications for such repairs and restoration. If State fails to timely perform such repair and restoration obligation within a reasonable time, City may, at its sole discretion, remedy such failure at the State's expense at any time thereafter with at least thirty (30) days' prior written notice of City's intention to cure such failure (unless City determines such failure will cause immediate danger to health or property, in which case no such notice shall be required).

Notwithstanding anything to the contrary in the foregoing paragraph, if City's subsurface sewage transport storage structures and sewer line in the Easement Area (the "Sewer Facilities") are damaged by use of the Easement Area by State or its Agents or invitees, City may elect, in its sole discretion, to repair and restore such damaged Sewer Facilities at State's cost. City's election to cure any of the State's failure to perform its repair obligations or to repair and restore any damaged Sewer Facilities under this Section shall not be construed as a waiver of any of City's legal rights or remedies, nor imply any duty of City to do any act that the State is obligated to perform hereunder. State shall pay to City, promptly upon demand, all actual costs incurred by City in remedying or attempting to remedy such default or in repairing and restoring any damaged Sewer Facilities pursuant to this Section.

(d) City shall have the right to restrict the State's vehicular and pedestrian access on the Easement Area to the extent reasonably necessary to accommodate City's inspection, repair, maintenance and replacement of the Sewer Facilities and any pavement in the Easement Area (the "City Work") by delivering no less than fifteen (15) days' prior written notice of such restriction to State; provided that no such prior written notice shall be required in the event of an emergency. Notwithstanding anything to the contrary in the foregoing sentence, City shall reasonably accommodate any State vehicular and pedestrian access on the Easement Area required for freeway maintenance and repair activities during the period of any such City Work and shall provide alternative ingress and egress to the State Property during such period(s). If the Easement Area is damaged by any City Work, City shall restore the Easement Area to the condition it was in immediately prior to the commencement of such City Work.

4. Hazardous Materials. State shall not use, store, locate, handle or cause or permit the dumping or other disposal or release of any Hazardous Material (defined as follows) on or about the Easement Area. If there is a leakage or spill of Hazardous Materials on the Easement Area as a result of the activities of State or its Agents (a "State Release"), State shall bear the cost and expense to remediate such leakage or spill in compliance with applicable laws; provided, however, that State shall have no obligation under this Agreement to remediate any pre-existing Hazardous Materials discovered on the Easement Area through the investigation or remediation of a State Release except to the extent such pre-existing Hazardous Materials were caused by the activities of State or its Agents.

"Hazardous Material" means material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to public health, welfare or the environment. "Hazardous Material" includes, without limitation, any material or substance defined as a "hazardous substance, pollutant or contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 et seq., or pursuant to Section 25316 of the California Health & Safety Code; a "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 Easement Area or are naturally occurring substances in the Easement Area, and any petroleum, including, without limitation, crude oil or any fraction thereof, natural gas or natural gas liquids. The term "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 in, on, under or about the Easement Area. Notwithstanding anything to the contrary in this Section, motor vehicles and equipment driven by State or its Agents across the Easement Area pursuant to this Agreement may contain gasoline or petroleum products to the extent they are for the exclusive use of such vehicle or equipment.

If State defaults in its obligations under this Section, then State shall indemnify, defend

and hold harmless City against any and all Claims (defined as follows) arising at any time as a result of such default, except to the extent such Claims arise from the negligence or misconduct by City or its Agents. "Claims" shall mean all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind. State's foregoing indemnity obligation shall survive the termination or extinguishment of this Agreement or the easement granted hereunder.

5. Insurance.

(a) City acknowledges that State is self-insured and shall not be required to carry any insurance policies with respect to this Agreement. If fee ownership of the State Property is vested in any party other than the State of California (each, a "Successor Owner"), City shall have the right to require such Successor Owner to procure, carry, and cause its Agents (each, a "Successor Third Party") to procure and carry, insurance coverage, at its sole expense and in form and amounts and from an insurer reasonably required by City, at all times of entry on the Easement Area by such Successor Owner or Successor Third Party, or their respective Agents or invitees, pursuant to this Agreement. City shall also have the right to require that upon City's request a Successor Owner or Successor Third Party shall deliver to City certificates and endorsements of insurance in form and with insurers satisfactory to City, evidencing the coverages required hereunder, together with complete copies of the policies at City's request. If such party fails to procure such insurance, or to deliver such policies, endorsements, or certificates, City shall have the right to procure, at its option, such insurance on such defaulting party's behalf, and to require that such party pay the City for the cost thereof within five (5) days of City's delivery of bills therefor.

(b) If any Agent of State (each, a "State Third Party") enters the Easement Area pursuant to this Agreement, such State Third Party shall procure at its expense and keep in effect at all times of such entry, the insurance policy or policies that State requires of such State Third Party, and to name City as an additional insured on such policy(ies), during such State Third Party's entry and use of the Easement Area. Such State Third Party shall deliver a certificate of insurance in form satisfactory to City evidencing such coverage.

(c) Compliance by a State Third Party, Successor Owner, or Successor Third Party with the provisions of this Section shall in no way relieve or decrease such party's indemnification obligations or other obligations under this Agreement. Each State Third Party, Successor Owner, and Successor Third Party shall be responsible, at its expense, for separately insuring its personal property.

(d) Notwithstanding anything to the contrary contained herein, by entry on the Easement Area by any State Third Party, Successor Owner, or Successor Third Party, such party shall be deemed to have waived any right of recovery against City for any loss or damage such party sustains with respect to the Easement Area, whether or not such loss is caused by the fault or negligence of such party, to the extent such loss or damage is covered by any insurance policy that the damaged party is required to hold under this Agreement or is otherwise actually recovered from any valid and collectible insurance policy covering such damaged party. If fee ownership of the State Property is vested in any party other than the State of California City shall have the right to require each Successor Owner, or Successor Third Party to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to its entry on the Easement Area; provided, however, that failure to do so shall not affect the above waiver.

(e) City shall have the right to periodically review the limits and types of insurance to be carried by any Successor Owner or Successor Third Party pursuant to this Section. If, at the time of such review, the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or with coverage materially greater than the amount or

coverage then required under this Agreement for risks comparable to those associated with the entry on the Easement Area pursuant to this Agreement, then City in its sole discretion shall have the right to increase the amounts or coverage such Successor Owner or Successor Third Party is required to carry under this Agreement to conform to such general commercial practice.

(f) Nothing herein is intended nor shall be construed to impose any obligation on the State of California as to a Successor Owner's or Successor Third Party's compliance with requirements imposed by City.

6. Indemnity. State shall indemnify, defend, and hold harmless City and City's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than State against City or any of City's Agents and arising out of or relating to the use of the Easement Area by State or any of State's Agents, except to the extent caused by the intentional acts or negligence of City or any of City's Agents; provided, however, that State shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the easement granted hereunder.

City shall indemnify, defend, and hold harmless State and State's Agents and each of them, from and against any and all Claims arising from claims raised by any party other than City against State or any of State's Agents arising out of or relating to the use of the Easement Area by City or any of City's Agents, except to the extent caused by the intentional acts or negligence of State or any of State's Agents; provided, however, that City shall not be liable under any circumstances for any consequential, incidental or punitive damages (all as defined under law). The foregoing indemnities shall include, without limitation, reasonable attorneys', experts' and consultants' fees and costs, and shall survive any termination or extinguishment of this Agreement or the easement granted hereunder.

7. Notices. All notices, demand, consents or approvals given hereunder shall be in writing and shall be personally delivered, or sent by a nationally-recognized overnight courier service that provides next business day delivery services, provided that next business day service is requested, or by United States first-class mail, postage prepaid, to the following addresses (or any other address that a party designates by written notice delivered to the other party pursuant to the provisions of this Section):

If to City: San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103
Attn: Senior Manager, Real Estate Section

with a copy to: City and County of San Francisco
Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

If to State: Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys
State of California Director of Transportation
P. O. Box 23440
Oakland, CA 94623-0440

with copy to:

State of California Department of Transportation
Legal Division
111 Grand Ave, Suite 11-100
Oakland CA, 94612

8. Waiver of Claims. State covenants and agrees that City shall not be responsible for or liable to State for, and hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Claims incurred by State for any injury, accident or death of any person or loss or damage to any property in or about the Easement Area, except to the extent such Claims are within the indemnification obligations in Section 6 above, or are caused by City's breach of its obligations under this Agreement or the negligent, unlawful, or wrongful acts or omissions of City or its Agents. City covenants and agrees that State shall not be responsible for or liable to City for, and hereby waives all rights against State and its Agents and releases State and its Agents from, any and all Claims incurred by City for any injury, accident or death of any person or loss or damage to any property in or about the Easement Area, except to the extent such Claims are within the indemnification obligations in Section 6 above, or are caused by State's breach of its obligations under this Agreement or negligent, unlawful, or wrongful acts or omissions of State or its Agents.

Neither party shall be liable under any circumstances to the other party for any consequential, incidental or punitive damages (all as defined under law), arising from such party's breach of its obligations under this Agreement or the acts or negligence of such party or its Agents or invitees.

9. Run with the Land; Exclusive Benefit of Parties. The rights and obligations set forth herein shall run with the land and shall bind and inure to the benefit of the parties' respective successors and assigns with respect to City Lot 5, the Former Caltrans Property, and the State Property. This Agreement is for the exclusive benefit of State and its successors and assigns to the State Property and not for the benefit of, nor give rise to any claim or cause of action by, any other party. This Agreement shall not be deemed a dedication of any portion of the Easement Area to or for the benefit of the general public.

10. Condition of the Property. Subject to City's performance of its obligations under Section 3(a) above, STATE ACCEPTS THE EASEMENT AREA IN ITS "AS IS" CONDITION FOR STATE'S USES PURSUANT TO THIS AGREEMENT, AND ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE EASEMENT AREA. Without limiting the foregoing, this Agreement is made subject to all applicable laws, rules and ordinances governing the use of the Easement Area, and to any and all covenants, conditions, restrictions, easements, encumbrances, claims of title and other title matters affecting the Easement Area, whether foreseen or unforeseen, and whether such matters are of record or would be disclosed by an accurate inspection or survey. It is State's sole obligation to conduct an independent investigation of the Easement Area and all matters relating to its use hereunder, including, without limitation, the suitability of the Easement Area for such uses. State, at its own expense, shall obtain such permission or other approvals from any third parties with existing rights to the Easement Area if necessary for State's use of the Easement Area in the manner contemplated hereby.

11. Possessory Interest Taxes. State recognizes and understands that this Agreement may create a possessory interest subject to property taxation for any State Third Party, Successor Owner, or Successor Third Party, and that such party may be subject to the payment of property taxes levied on such interest under applicable law. State shall include language in any future lease or similar use agreement with a State Third Party that requires such State Third Party to pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed

on its interest in or use of the Easement Area under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the Easement Area that may be imposed on such State Third Party by applicable law. Each Successor Owner or Successor Third Party shall pay taxes of any kind, including possessory interest taxes, if any, that may be lawfully assessed on its interest in or use of the Easement Area under this Agreement and to pay any other taxes, excises, licenses, permit charges or assessments based on such interest or usage of the Easement Area that may be imposed on such party by applicable law. Such party shall pay all of such charges when they become due and payable and before delinquency. Nothing herein is intended or shall be construed to constitute consent by the State of California to imposition of any tax or assessment of any kind on it.

12. Prohibited Activities.

(a) State shall not use or apply, or allow its Agents to use or apply, any pesticides on the Easement Area without the prior written consent of City, which consent shall be conditioned upon the incorporation of the proposed pesticide use into the City integrated pest management policy applicable to the Easement Area pursuant to Chapter 3 of the San Francisco Environment Code, as may be modified or replaced.

(b) State acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Easement Area. For purposes of this Section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004.

(c) State acknowledges and agrees that no sale or advertising of cigarettes or tobacco products is allowed on the Easement Area.

13. General Provisions.

(a) This Agreement may be amended or modified only by a writing signed by City and State and recorded in the Official Records of the City and County of San Francisco.

(b) No waiver by any party of any of the provisions of this Agreement shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver.

(c) This Agreement contains the entire agreement between the parties with respect to the matters set forth herein and all prior negotiations, discussions, understandings and agreements are merged herein.

(d) City's obligations under this Agreement shall be governed by City's Charter and California law.

(e) This Agreement shall be governed by California law.

(f) This Agreement does not create a partnership or joint venture between City and State as to any activity conducted by State on, in or relating to the Easement Area.

(g) City's obligations hereunder are contingent upon approval of this instrument by the San Francisco Municipal Transit Agency's Board of Directors and the City's Board of Supervisors and Mayor, each in their respective sole discretion, and the easement granted hereunder and this Agreement shall be null and void if such approval is not obtained.

(h) Time is of the essence of this Agreement and each party's performance of its obligations hereunder.

(i) All representations, warranties, waivers, releases, and indemnities given or made in this Agreement shall survive the termination of this Agreement or the extinguishment of the easement granted hereunder.

(j) If any provision of this Agreement is deemed invalid by a judgment or court order, such invalid provision shall not affect any other provision of this Agreement, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as partially invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purpose of this Agreement.

(k) All section and subsection titles are included only for convenience of reference and shall be disregarded in the construction and interpretation of the Agreement.

(l) State represents and warrants to City that the execution and delivery of this Agreement by State and the person signing on behalf of State below has been duly authorized to legally bind the State to the obligations herein, and City represents and warrants to State that the execution and delivery of this Agreement by City and the person signing on behalf of City below has been duly authorized to legally bind City to the obligations herein.

(m) 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. A true and correct copy of this Agreement shall have the same force and effect of an original for all purposes allowed by law.

(n) 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.

(o) State understands and agrees that City is entering into this Agreement in its capacity as a property owner with a proprietary interest in the Easement Area and not as a regulatory agency with police powers.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective

Date.

STATE:

STATE OF CALIFORNIA
Department of Transportation

By: _____
Mark L. Weaver
Deputy District Director
Right of Way and Land Surveys

RECOMMENDED FOR APPROVAL:

By: _____
Suzann Goodhue
Senior Right of Way Agent
Acquisition Services

APPROVED AS TO FORM AND PROCEDURE:

By: _____
Lucille Baca
Attorney
State of California
Department of Transportation

[CITY SIGNATURE ON FOLLOWING PAGE]

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

Edward D. Reiskin

Director of Transportation

San Francisco Municipal Transportation Authority

San Francisco Municipal Transportation Agency
Board of Directors

Resolution No: _____

Adopted: _____

Attest:

Secretary, SFMTA Board of Director

By: _____

John Updike

Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Carol Wong, Deputy City Attorney

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

State of California)
) ss
County of San Francisco)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A-1

Legal Description of City Lot 5

For APN/Parcel ID(s): Lot 005, Block 4382

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE SOUTHERLY LINE OF ARMY STREET (AS WIDENED) WITH THE WESTERLY LINE OF IOWA STREET; AND RUNNING THENCE WESTERLY ALONG THE SOUTHERLY LINE OF ARMY STREET 390 FEET; THENCE AT A RIGHT ANGLE SOUTHERLY 41 FEET; THENCE AT A RIGHT ANGLE EASTERLY 190 FEET; THENCE AT A RIGHT ANGLE SOUTHERLY 75 FEET; THENCE AT A RIGHT ANGLE EASTERLY 100 FEET; THENCE AT A RIGHT ANGLE NORTHERLY 75 FEET; THENCE AT A RIGHT ANGLE EASTERLY 180 FEET TO THE EASTERLY LINE OF IOWA STREET; THENCE NORTHERLY ALONG THE LAST MENTIONED LINE 41 FEET TO THE SOUTHERLY LINE OF ARMY STREET; THENCE WESTERLY ALONG THE LAST MENTIONED LINE 80 FEET TO THE POINT OF BEGINNING.

BEING PART OF POTRERO NUEVO BLOCKS NOS. 327 AND 294, AND A PORTION OF PENNSYLVANIA AVENUE (NOW CLOSED), AND A PORTION OF IOWA STREET (NOW CLOSED).

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE LINES OF PARCEL 3 AS DESCRIBED IN THE DEED TO E.W. NEWELL, ET AL., RECORDED OCTOBER 22, 1926, BOOK 1333, PAGE 494, OFFICIAL RECORDS.

Exhibit A-2

Legal Description of Former Caltrans Property

PARCEL 1 (030660-01-02):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that parcel of land as described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet to the POINT OF BEGINNING; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660-DD); thence along last said line, the following two courses: 1) from a radial line that bears North 71°47'13" West, northerly along a curve to the right with a radius of 1150.00 feet, through an angle of 8°32'59", an arc length of 171.62 feet to a point of reverse curvature, 2) from a tangent curve to the left with a radius of 2565.00 feet, through an angle of 4°48'41", an arc length of 215.41 feet to the easterly line of said State Parcel 30660; thence along last said line, North 03°10'37" West, 89.26 feet to the northerly line of said State Parcel 30660, thence along last said line, South 86°49'23" West, 60.00 feet; thence South 24°57'05" West, 441.54 feet to the POINT OF BEGINNING.

CONTAINING an area of 0.981 acres, more or less.

RESERVING unto the State of California, it's successors or assigns, a non-exclusive EASEMENT for ingress and egress and incidents thereto by the most reasonable and practicable means, upon, over, and across all of that parcel of land as described herein above.

PARCEL 2 (030660-01-03):

A portion of that parcel of land as described in the Grant Deed (State Parcel 30660) to the State of California recorded June 26, 1963 in Book A609 at Page 751, Official Records of the County of San Francisco, more particularly described as follows:

COMMENCING at a point on the general southerly line of said State Parcel 30660, said point being the southwesterly corner of that certain parcel of land described in the Director's Deed (State Parcel 30660-DD) recorded December 5, 1973 in Book B832 at Page 213, Official Records of the County of San Francisco; thence along the said general southerly line of said State Parcel 30660, North 60°21'50" West, 112.36 feet; thence North 24°57'05" East, 38.55 feet; thence South 87°28'50" East, 29.67 feet; thence South 59°58'49" East, 77.47 feet to the general westerly line of said Director's Deed (State Parcel 30660 DD) thence along last said line, from a radial line that bears North 71°47'13" West, southerly along a curve to the left with a radius of 150.00 feet, through an angle of 2°37'37", an arc length of 52.73 feet to the POINT OF COMMENCEMENT.

CONTAINING an area of 0.125 acres, more or less.

PARCEL 3 (030667-01-01):

The State of California, acting by and through its Director of Transportation, does hereby remise, release, and quitclaim unto the hereinabove named grantee, all right, title and interest in and to the portion of that parcel of land as described in the instrument (State Parcel 30667) to the State of California, recorded December 24, 1962 in Book A520 at Page 480, Official Records of the County of San Francisco, more particularly described as follows:

BEGINNING at the southerly terminus of that course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence northeasterly along the easterly line of said parcel, from a radial line that bears S. 69°50'53" E., along the curve to the left with a radius of 2529.00 feet, through an angle of 0°02'18", an arc length of 1.69 feet to the easterly prolongation of that course described as "South 86°49'23" West, 410 feet" in said parcel; thence along said easterly prolongation, S. 86°49'23" W., 0.67 feet to the northerly terminus of said course described as "North 3°10'37" West, 1.55 feet" in said parcel, thence along last said course, S. 03°10'37" E., 1.55 feet to the POINT OF BEGINNING.

CONTAINING 1 square feet, more or less.

There shall be no abutter's rights of access appurtenant to the above-described real property in and to the adjacent State freeway.

The bearings and distances used in the above descriptions are on the California Coordinate System of 1927, Zone 3. Multiply the above distances by 1.0000717 to obtain ground level distances.

It is expressly made a condition herein that the conveyed property be used exclusively for a public purpose for a period of fifteen (15) years from the recorded date of this deed; that if said property ceases to be used exclusively for a public purpose, during this fifteen (15)-year period, the State may exercise its power of termination. In the event the State exercises its power of termination, all title and interest to said property shall revert to the State of California, Department of Transportation, and that the interest held by the grantee(s), named herein, or its/their assigns, shall cease and terminate.

This real property description has been prepared by me, or under my direction, in conformance with the Professional Land Surveyors Act.

Signature _____

Alice Zhong
Licensed Land Surveyor

Date _____

08/15/2014

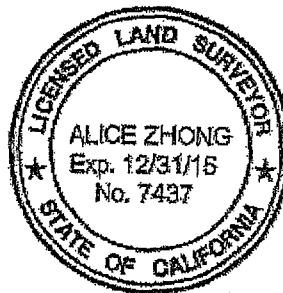


Exhibit B

**Depiction of City Lot 5, Former Caltrans Property,
State Property, City Bus Yard, and Easement Area**

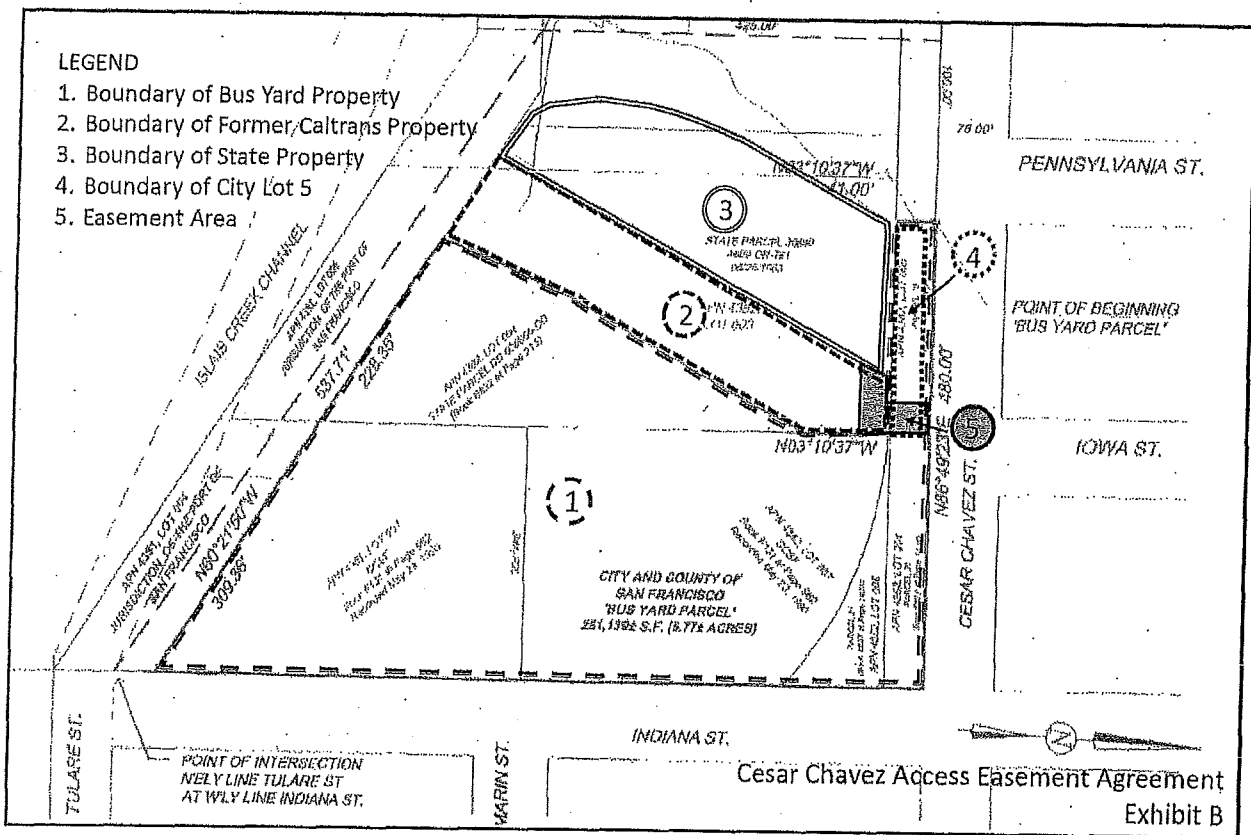


Exhibit C

Legal Description of Easement Area

An **EASEMENT** for access purposes as described in the Cesar Chavez Access Easement Agreement by and between the City and County of San Francisco, a municipal corporation, acting by and through its Municipal Transportation Agency, and the State of California, acting by and through its Director of Transportation, to which this exhibit is attached, described as follows:

Being a portion of Parcel 19 as described in Grant Deed from Union Pacific Railroad Company (A corporation of the State of Utah) to the City and County of San Francisco (a municipal corporation), recorded June 30, 1988 in Reel E627 at Image 1874 Official Records of the City and County of San Francisco and State Parcel 30660 as described in Grant Deed from Bernice Harris, et al to the State of California, recorded June 26, 1963 in Book A609 at Page 751, Official Records of the City and County of San Francisco, situate in the City and County of San Francisco, State of California, being more particularly described as follows:

PARCEL 63502:

BEGINNING at the point of intersection of the southerly line of Cesar Chavez Street, 75.00 feet wide, (Formerly Army Street as widened shown on 'Map of widening of Army Street from Third Street to De Haro Street' as per order of the Board of Supervisors under Resolution Number 15938. New series, approved July 31, 1918, A-S-84) with the westerly line of Iowa Street, 80.00 feet wide (as said street line existed prior to the closing of said street), said point also being on the northerly line of said Parcel 19;

thence leaving the line of said Cesar Chavez Street along the westerly line of said Iowa Street, South 03°10'37" East, 41.00 feet to a point on the southerly line of said Parcel 19, also being a point on the northerly line of said State Parcel 30660 from which from the northeasterly corner of said Parcel 30660 bears South 86°49'23" West, 20.00 feet distant;

thence leaving last said lines and across said State Parcel 30660 on the southerly prolongation of said westerly line of Iowa Street, South 03°10'37" East, 24.00 feet;

thence leaving the westerly line of said Iowa Street, South $86^{\circ}49'23''$ West, 52.83 feet;

thence North $24^{\circ}57'05''$ East, 27.21 feet to point on the southerly line of said Parcel 19, said point also being a point on the northerly line of said Parcel 30660 from which the northeasterly corner of said Parcel 30660 bears South $86^{\circ}49'23''$ West, 60.00 feet distant;

thence along said southerly line of said Parcel 19 and said northerly line of said Parcel 30660, North $86^{\circ}49'23''$ East, 16.00 feet;

thence leaving the line of last said Parcels and across the lands of said Parcel 19, North $03^{\circ}10'37''$ West 41.00 feet to a point on the northerly line of said Parcel 19, also being a point on the southerly line of said Cesar Chavez Street;

thence along said northerly line of Parcel 19 and said southerly line of said Cesar Chavez Street, North $86^{\circ}49'23''$ East 24.00 feet to the **POINT OF BEGINNING**.

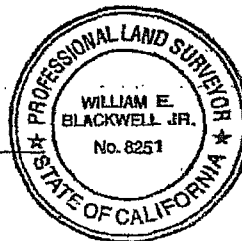
Containing an area of 2,098 Square Feet (0.05 Acres), more or less.

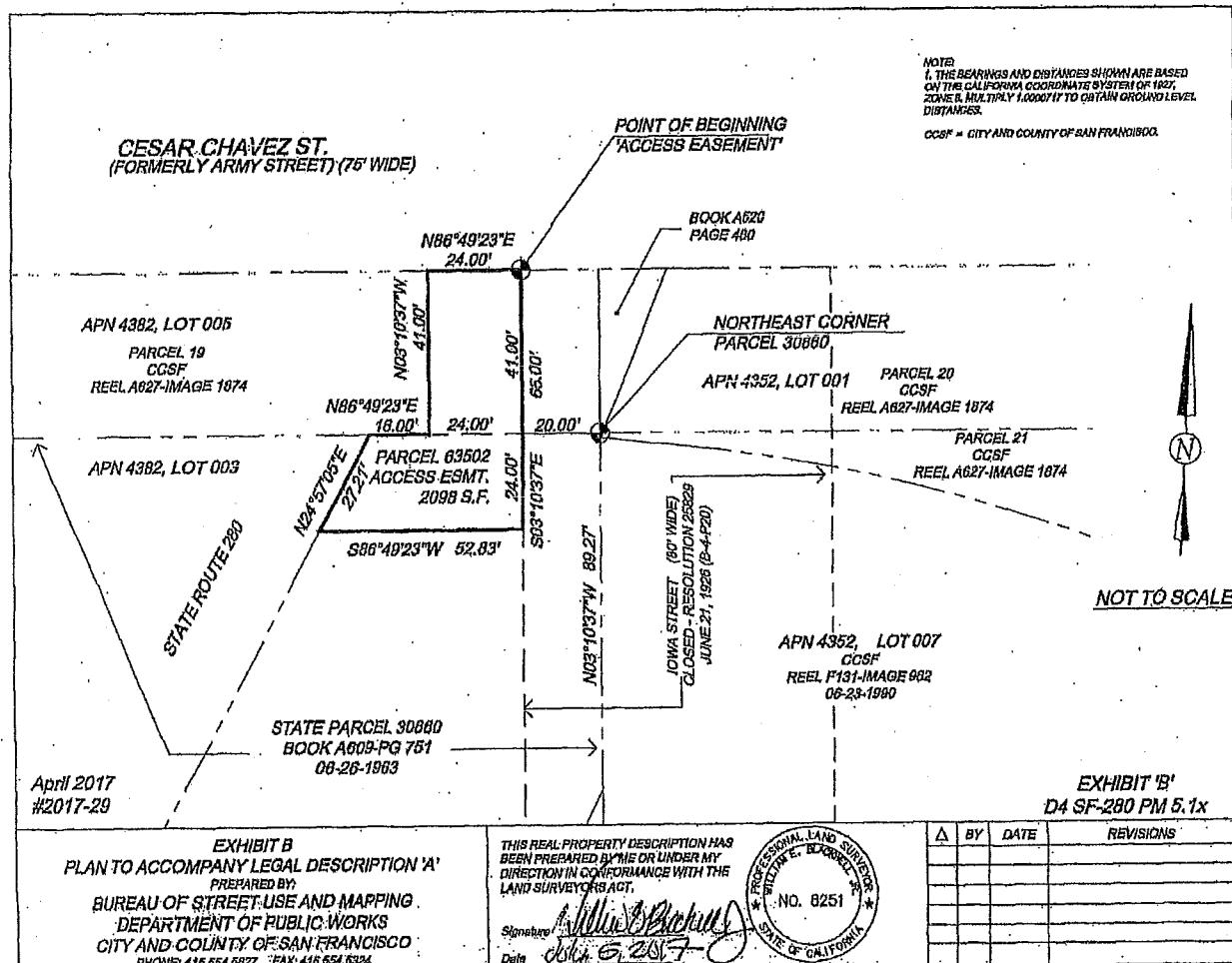
The bearings and distances used in above description are based on California Coordinate System of 1927, Zone 3. Multiply 1.0000717 to obtain ground level distances.

These real property descriptions have been prepared by me, or under my direction in conformance with the Land Surveyors Act.

Signature

William E. Blackwell Jr.
W
Jr., PLS 8251





RWB:AM 2:8 11-7-62

7620

BOOK 1520 PAGE 180

IV-SF-253-SF
No. 30667-M

THE WESTERN PACIFIC RAILROAD COMPANY, a corporation,
Grantor, does hereby grant unto the STATE OF CALIFORNIA, Grantee,
an easement for highway purposes over and across that certain
real property situate in the City and County of San Francisco,
State of California, described as follows:

Commencing at a point on the southerly
line of Army Street, as widened, distant thereon
South $86^{\circ} 49' 23''$ West, 242.10 feet from the
point of intersection of the westerly line of
Indiana Street and said southerly line of Army
Street; thence from a tangent that bears South
 $19^{\circ} 06' 21''$ West, along a curve to the right, with
a radius of 2529.18 feet, through an angle of 1°
 $02' 46.2''$, an arc length of 46.18 feet, to the
property line common to the lands, now or formerly
of The Western Pacific Railroad Company, a corpo-
ration, and of Bernice Harris, et al, Trustees;
thence along said common property line North $3^{\circ} 10'$
 $37''$ West, 1.55 feet and South $86^{\circ} 49' 23''$ West,
410 feet to the property line common to the lands,
now or formerly of The Western Pacific Railroad
Company and of Southern Pacific Company; thence
along said common property line North $3^{\circ} 10' 37''$
West, 41.01 feet to said southerly line of Army
Street; thence along last said line North 86°
 $49' 23''$ East, 427.90 feet, to the point of
commencement.

Containing an area of 17,197.0 square
feet, more or less.

52458 DEC 24 1962

BOOK 4520 PAGE 481

Said easement is granted upon the following conditions subsequent:

1. Grantor contributions will not be required toward cost of any future grade separation if and when any grade separation structure is required for highway purposes; however, this clause shall be null and void as to a future separation should any said separation be required because of change in railroad facilities.
2. This conveyance is made for the purposes of a freeway and the Grantor hereby releases and relinquishes to the Grantee any and all abutter's rights, including access rights, appurtenant to Grantor's remaining property, in and to said freeway.

3. In the event that the hereinabove described real property or any part thereof shall ever cease to be used for the purposes provided in this deed, the easement, or such part thereof as shall have ceased to be so used, and all right, title and interest of Grantee, its successors or assigns, therein shall revert to Grantor, its successors or assigns.

This instrument is subject to all valid existing contracts, leases, liens, encumbrances or claims of title which may affect the real property hereinabove described, and the word "grant" as used herein shall not be construed as a covenant against the existence of any thereof.

IN WITNESS WHEREOF, Grantor has, by its officers thereunto duly authorized by resolution of its Board of Directors, a certified copy of which resolution is hereunto attached, signed its corporate name and affixed its corporate seal this 16th day of November, 1962.

THE WESTERN PACIFIC RAILROAD COMPANY

By [Signature] President

By [Signature] Secretary

BOOK 4520 PAGE 483

STATE OF CALIFORNIA, }
CITY AND COUNTY OF SAN FRANCISCO } ss.

On this 16th day of November, 1962, before me,
EMMA N. McCLURE, a Notary Public in and for the City and County
of San Francisco, State of California, residing therein, duly
commissioned and sworn, personally appeared F. B. WHITMAN and
LOGAN PAINE, known to me to be the President and the Secretary,
respectively, of THE WESTERN PACIFIC RAILROAD COMPANY, the
corporation described in and that executed the within instru-
ment, and they acknowledged to me that such corporation executed
the same pursuant to a resolution of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and af-
fixed my official seal at my office in the City and County of
San Francisco, the day and year in this certificate first above
written.

Emma N. McClure
EMMA N. McCLURE
Notary Public
in and for the City and County of
San Francisco, State of California

My Commission expires April 5, 1963.

(CERTIFICATE OF ACCEPTANCE, GOVERNMENT CODE SEC. 27281)

THIS IS TO CERTIFY, That the State of California, grantee herein, acting by and through the Department of Public Works,
Division of Highways, hereby accepts for public purposes the real property, or interest therein, conveyed by the attached
instrument and consents to the recordation thereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of December, 1962

ROBERT B. BRADFORD

Director of Public Works

By R. A. Hayler

District Engineer

and Attorney in Fact

52458 DEC 24 1962

I, LOGAN PAINE, Secretary of THE WESTERN PACIFIC RAILROAD COMPANY, a corporation, as such Secretary, do hereby CERTIFY that at a regular meeting of the Board of Directors of said corporation held at the office of said corporation on the 2nd day of October, 1962, at which a quorum of said Board was present, a resolution was duly and regularly passed in the words and figures following, to wit:

"RESOLVED, that this corporation execute and deliver to the STATE OF CALIFORNIA a grant deed, subject to all valid existing contracts, leases, liens, encumbrances or claims of title which may affect the property hereinafter described, and to such reservations, covenants and conditions as the President or any Vice President of this corporation shall deem reasonable and desirable, of an easement for highway purposes over and across that certain real property situate in the City and County of San Francisco, State of California, described as follows:

Commencing at a point on the southerly line of Army Street, as widened, distant thereon South $86^{\circ} 49' 23''$ West, 242.10 feet from the point of intersection of the westerly line of Indiana Street and said southerly line of Army Street; thence from a tangent that bears South $19^{\circ} 06' 21''$ West, along a curve to the right, with a radius of 2529.18 feet, through an angle of $1^{\circ} 02' 46.2''$, an arc length of 46.18 feet, to the property line common to the lands, now or formerly of The Western Pacific Railroad Company, a corporation, and of Bernice Harris, et al, Trustees; thence along said common property line North $3^{\circ} 10' 37''$ West, 1.55 feet and South $86^{\circ} 49' 23''$ West, 410 feet to the property line common to the lands, now or formerly of The Western Pacific Railroad Company and of Southern Pacific Company; thence along said common property line North $3^{\circ} 10' 37''$ West, 41.01 feet to said southerly line of Army Street; thence along said line North $86^{\circ} 49' 23''$ East, 427.90 feet, to the point of commencement.

Containing an area of 17,197.0 square feet, more or less.

52458 DEC2462

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BE IT FURTHER RESOLVED, that the President or any Vice President and the Secretary or any Assistant Secretary of this corporation be and they are hereby authorized and directed to execute said deed on behalf of this corporation and in its name and under its seal.

BE IT FURTHER RESOLVED, that the Secretary or any Assistant Secretary of this corporation be and he


52458 DEC 24 1962

BOOK 4520 PAGE 486

is hereby authorized and directed to attach to said deed a copy of this resolution duly certified to by him as such Secretary or Assistant Secretary and under the seal of this corporation."

I DO FURTHER CERTIFY that said resolution has not been revoked or amended and that the same is now in full force and effect at the time of the execution hereof.

IN WITNESS WHEREOF, I have hereunto signed my name as such Secretary and affixed the seal of said corporation this 16th day of November, 1962.


Secretary of
THE WESTERN PACIFIC RAILROAD COMPANY

L52458

1962 DEC 24 PM 5:10
SAN FRANCISCO, CALIF.
MARTIN MULLER
CLERK

BOOK 4520 PAGE 480

RECORDED

52458 DEC 24 1962



DAVID

TATTERSALL & Co.

Real Estate Advisory Services

APPRAISAL REPORT

Land, Islais Creek/I-280
San Francisco, California

PREPARED FOR

San Francisco Municipal Transportation Agency

MAY 2014
1405011

David N. Tattersall, MAI



May 30, 2014

Ms. Kerstin Fraser Magary,
SFMTA Real Estate Unit,
One South Van Ness Avenue, 8th Floor,
San Francisco, Ca. 94103

Dear Ms. Magary:

Pursuant to your request and authorization, this submission is an appraisal report, to estimate the Market Value of the Fee Simple Interest and Market Rental Value in the property located along the north line of Islais Creek, beneath and east of Interstate 280, San Francisco, California. The subject is more specifically identified on **Table 1**.

In order to appraise this property, an inspection of sites and neighborhood in which they are located has been completed. A determination of highest and best use has been made. Trends of land uses in the area have been noted and research has been completed on comparable property sales and land leases as they relate to the subject.

Based upon my analysis of the available information, the Market Value of the defined interest in the parcels, as described herein, subject to the *Assumptions and Limiting Conditions* contained in Chapter I, as of May 20, 2014, is considered to be:

Gross of Allocated Remediation Cost

**Parcel No.1: TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED
SEVENTY ONE DOLLARS PER ANNUM
(\$214,671/pa)**

Net of Allocated Remediation Cost

**Parcel No. 1: ONE HUNDRED FIFTY FOUR THOUSAND NINE HUNDRED
TWENTY SIX DOLLARS PER ANNUM
(\$154,926/pa)**

Parcel No. 2:

**ONE DOLLAR
(\$1.00)**

This letter of transmittal must remain attached to the report, which contains 40 pages, plus related addenda exhibits, in order for the value opinion set forth to be considered valid.

Islais Creek/I-280 Parcels, San Francisco, Ca.

This appraisal has been prepared for the exclusive use of the *City and County of San Francisco* and may not be used or relied upon by anyone other than the Client, for any purpose whatsoever, without the express written consent of the appraiser.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the Uniform Standards of Professional Appraisal Practice and CFR 49, Part 24.

Respectfully submitted,

David Tattersall & Company

David N. Tattersall, MAI
General Certificate AG002681



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Type:	Vacant/unimproved industrial land.	
Property Address:	No given address Islais Creek/I-280, San Francisco, California	
APN:	See Table 1	
Parcel Size:	See Table 1	
Zoning:	M-2 Heavy Industrial District PDR-2 - Production	
Flood Zone:	A non participating community	
Earthquake Hazard:	Not identified in an earthquake study zone.	
Building Improvements:	None	
Building Size:	N/A	
Highest and Best Use:	Hold for future industrial development.	
Interest Appraised:	Fee Simple Interest.	
Date of Inspection:	May 20, 2014.	
Effective Date of Value:	May 20, 2014	
Date of Report:	May 30, 2014	
Value Conclusion:	Gross of Remediation	Net of Remediation
Parcel No. 1 – 04-SF-280-8a	\$217,671 per annum	\$154,926 per annum
Parcel No. 2 – 04-SF-280-8b	\$1.00 (per client instructions)	

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved. I have previously rendered appraisal services on this property within the past 36 months.

I have no bias with respect to the property that is the subject matter of this appraisal report or to the parties involved with this assignment.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value estimate, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended user of this appraisal.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

This appraisal report sets forth all of the limiting conditions imposed by the terms of the assignment affecting the analyses, opinions, and conclusions contained in this report.

The reported analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The reported analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I, David N. Tattersall, have completed the requirements under the continuing education program of the Appraisal Institute.

David N. Tattersall, MAI
General Certificate AG002681



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Islais Creek/I-280 Parcels, San Francisco, Ca.

Addendum

Subject Photos
Summary of Soil Remediation Costs
Project Site Maps
Title Report
Easement Documents
Appraiser Qualifications

I. Report Summary

A. Property Appraised

The subject property comprises 4 irregular shaped parcels. The parcels are being created from a number of assessor parcels as summarized on **Table 1**. The parcels form a portion of the Project site being acquired part in fee and part leased from Caltrans. This appraisal addresses the value of the leased parcels only.

Parcel 1: 04-SF-280-8a is a 71,557 square foot parcel located beneath and between the I-280 north and southbound overpass lanes between Cesar Chavez Street and the north line of Islais Creek.

Parcel 2: 04-SF-280-8b is a 2,591 square foot slither of land located beneath and between the I-280 north and southbound overpass lanes along the north line of Islais Creek.

Parcel Nos. 3, 4 and 5 are 'associated parcels which form a part of the *'project site area'* and have been acquired in fee' but do not form a part of the appraised site areas.

B. Purpose and Intended Use of the Appraisal

I have been requested by *Mr. Edward D. Reiskin, Director of Transportation for the San Francisco Municipal Transportation Agency*, to estimate the Market Rental Value of the *Fee Simple Interest* in *Parcel Nos. 1 and 2* in the subject property. The intended user of the appraisal is exclusively for the *San Francisco Municipal Transportation Agency*, and the intended use is for *lease negotiation purposes*, and for no other intended use or user.

C. Inspection of Subject and Date of Value

The subject property was initially re-inspected by, David N. Tattersall, MAI, on May 20, 2014. The effective date of value is May 20, 2014.

D. Scope of Appraisal

The scope of the appraisal included the following primary elements.

- 1) Inspection of the subject site, improvements and neighborhood.
- 2) Review of legal documentation (title/hazard/soils reports, leases, etc.).
- 3) Overview of neighborhood, city and regional economies, demographics, social trends and general market observations.
- 4) Determination of Highest and Best Use by reference to physical inspection, interpretation of legal uses as permitted by zoning, economic feasibility as determined by market observation and maximum productivity.

- 5) In order to comply with the Competency Provision of the USPAP, the appraiser conducted numerous interviews with property owners and brokers familiar with the San Francisco real estate markets in order to formulate a basis for the appraisal. The appraiser has also had prior experience in appraising a wide variety of commercial/industrial/residential property and easements throughout the San Francisco Bay Area.
- 6) Research of market sale data utilizing various data services and sources, deeds, and county records. All sale information was confirmed with buyer, seller, broker, or lender involved in the transaction.
- 7) Reconciliation of three Approaches to Value (where applicable) concluding in a final determination of value.

E. Definition of Market Value

For the purpose of this appraisal, Market Value will be defined as follows:

The most probable price 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 the specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated.
- 2) Both parties are well informed or well advised, and each acting in what they consider their own best interest.
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 5) The price represents a normal consideration for the property sold unaffected by special financing or creative financing or sales concessions granted by anyone associated with the sale.

(Source: OCC Under 12CFR, Pt.34)

F. Property Rights Appraised

The purpose of the appraisal is to estimate the Market Value of the *Fee Simple Interest* in the subject property as described herein.

The Fee Simple Interest is defined by the American Institute of Real Estate Appraisers as an absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

G. Definition of Market Rental Value

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

H. History of Subject Property

There have been no recorded sale transactions affecting the subject property within the last 5 years.

I. Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions.

- 1) The legal description and area dimensions furnished to the appraiser are assumed to be correct. No survey of the boundaries of the property was completed.
- 2) I assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, except where noted, and the property is appraised as though free and clear, under responsible ownership and competent management.
- 3) Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- 4) No opinion is intended to be expressed on matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
- 5) The exhibits in this report are included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.
- 6) The distribution or allocation, if any, of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimate provided in the report applies to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
- 7) The statements of value and all conclusions shall apply as of the date shown herein.
- 8) I assume no responsibility for economic or physical factors, which may affect the opinions herein stated, which may be present or occur at some date after the date of value.
- 9) I have inspected, as far as possible, by observation, the land; however, it was impossible to personally inspect conditions beneath the soil; therefore, no

representations are made as to these matters unless specifically considered in the appraisal. Further, no opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

- 10) This appraisal is predicated on the assumption that the existence of hazardous material, which may or may not be present on or near the property, was not observed by the appraiser, unless otherwise stated. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of asbestos or other potentially hazardous materials may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or knowledge required to discover them.
- 11) No engineering survey has been made by us. Except as specifically stated, data relative to size and area was taken from sources considered reliable. Furthermore, no warranty is implied with regard to physical or structural or operational deficiencies, which are not disclosed to the appraiser and noted herein.
- 12) The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein. The appraiser assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. The appraiser assumes that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 13) Information, estimates, and opinions contained in this report are obtained from sources considered reliable and where feasible, has been verified. However, no liability can be assumed for information supplied by others.
- 14) I reserve the right to make such adjustments to the valuation herein reported, as may be required by the consideration of additional data or more reliable data that may become available.
- 15) This report shall be used for its intended purpose only and by the parties to whom it is addressed as of the current date of valuation. Possession of this report does not carry with it the right of publication, or duplication. The signatory of this appraisal is an MAI designate of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member or candidate to control the use and distribution of each appraisal signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this appraisal shall not be given to third parties without the prior written consent of the signatories of this report. Neither all nor any 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 or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which is connected, and any reference to the Appraisal Institute, or the MAI designation.

- 16) The liability of David Tattersall & Company, its owners and staff is limited to the client only and to the amount of the fee actually paid for services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all assumptions and limiting conditions of the assignment and related discussions. David Tattersall & Company is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally. The client also agrees that in the event of a lawsuit brought by a lender, partner or part owner in any form of ownership or tenancy or by any other party, the client will hold David Tattersall & Company completely harmless from and against any liability, loss, cost of expense incurred or suffered the client in such action, regardless of its outcome.

J. Extraordinary Assumptions

- 1) The appraised value assumes the soil remediation costs are spread evenly across the *project site* of which the subject forms a portion, for purposes of allocation.

K. Hypothetical Conditions

- 1) The appraised value considers the value of the land in a condition prior to soil remediation or any other improvement except as otherwise noted herein.

II. Regional Characteristics

A. County of San Francisco

Location: San Francisco, central west of San Francisco Bay and 1 of 9 Bay Area Counties.

Population:	Year	No. of Persons	Annual Change
	1995	737,400	
	2005	807,382	0.95%
	2010	856,095	1.21%
	2011	812,820	-5.14%
	2012	812,538	-0.03%
	2013	825,111	1.55%

(E-5-2013 Dept. of Finance, California)

Comments: A turn around in population trends reflects the improved local economy.

Income Per Capita:

\$74,349 (2011); California Rank: 3; 166% of State average.
(EDD – July 2013)

Total Labor Force:

486,400 persons (July 2013)

Unemployment Rate:

5.20% being a continuing improvement since 2010 recession peak of 10%. California State unemployment stands at 8.1%
(EDD, LM Info, March 2014)

Retail Sales: Taxable transactions in thousands of dollars.

		Annual
Year	\$,000s	% Change
2007	\$14,614,736	5.20%
2008	\$14,837,689	1.52%
2009	\$12,633,575	-14.90%
2010	\$13,443,121	6.04%
2011	\$14,890,000	10.76%

Comments: Retail sales reflect steady growth to 2008 with a sharp recessionary decline in 2009 and strong recovery in 2010 and 2011.
(Source: State BOE, Ca. 2013)

Housing:	Total Units	Vacancy Housing Units	Persons Per Household
2011	378,004	8.34%	2.15
2012	377,487	8.24%	2.27
2013	378,766	8.20	2.30

Comment: Stabilization of vacancy noted with a small rise in inventory.

Transportation

Airports: San Francisco International Airport
San Jose International Airport
Oakland International Airport

Seaports: Port of San Francisco; cargo and cruise line.
Port of Oakland; cargo

Freeway: U.S. Highway 101 north/south. Interstate 280 north/south.

Rail: Amtrak; Caltrain; Muni

Ferry: Golden Gate Transit; Larkspur and Sausalito. Blue and Gold Fleet;
Tiburon.

Other

Military: Presidio Army Base closed and undergoing reuse design with
housing, industrial and retail uses. Significant development of
facilities for Lucas Films companies.

Development: The onset of the 2007 recession put a halt to virtually all development activity. Since 2012 there has been a resurgence of development activity spurred by another tech (social media) boom affecting the South of Market, Mid Market and Mission Bay districts. Strong demand for housing has inflated but for sale and rental markets significantly. Downtown commercial space also constrained. Numerous multi-family high-rise and office projects are under construction in addition to the large public works projects at the TransBay Terminal and Cross Town subway.

Conclusion: San Francisco remains at the center of the Bay Area economy. A quick recovery from the 2007 recession has given rise to another booming market especially in the residential and office sectors. Land use/redevelopment pressure is expanding from the South of Market to surrounding districts.

B. Neighborhood Description

The subject is located in a neighborhood that forms a part of the Bayview-Hunters Point Industrial District. As a planning district, the neighborhood extends from 25th Street to the north to the City/County boundary to the south and from the India Basin shoreline to the east to Bayshore Blvd to the west.

The characteristic of the neighborhood comprises a mix of older Residential neighborhoods, general warehousing and light industrial uses and heavy industrial uses. The neighborhood is primarily accessed from either Interstate 280 which runs along the neighborhood's western boundary and by 3rd Street which now has a new light rail system. Phase 1 of the light rail system has been completed and this provides rail service from Visitacion Valley to the south up the 4th/King Streets. Phase 2 which is now under construction, is the cross town subway extending the light rail underground, northward along/under 4th Street to Union Square, under Stockton Street to Chinatown and North Beach.

The new light rail has provided an economic boost to the 3rd Street corridor. That combined with zoning changes (M-1/M-2 to PDR) enacted in 2008 to protect light industrial uses lays the framework for employment and economic growth in the neighborhood.

The subject is located at the northern end of the neighborhood and is more influenced by the adjacent Dog Patch and Potrero Hill neighborhoods which have been extensively developed with new infill housing during the boom period from 2002-2007. The new PDR zoning that covers much of the neighborhood is designed to protect existing industrial uses from redevelopment to housing or other uses. There are no significant (re)development plans within the immediate environs of the subject.

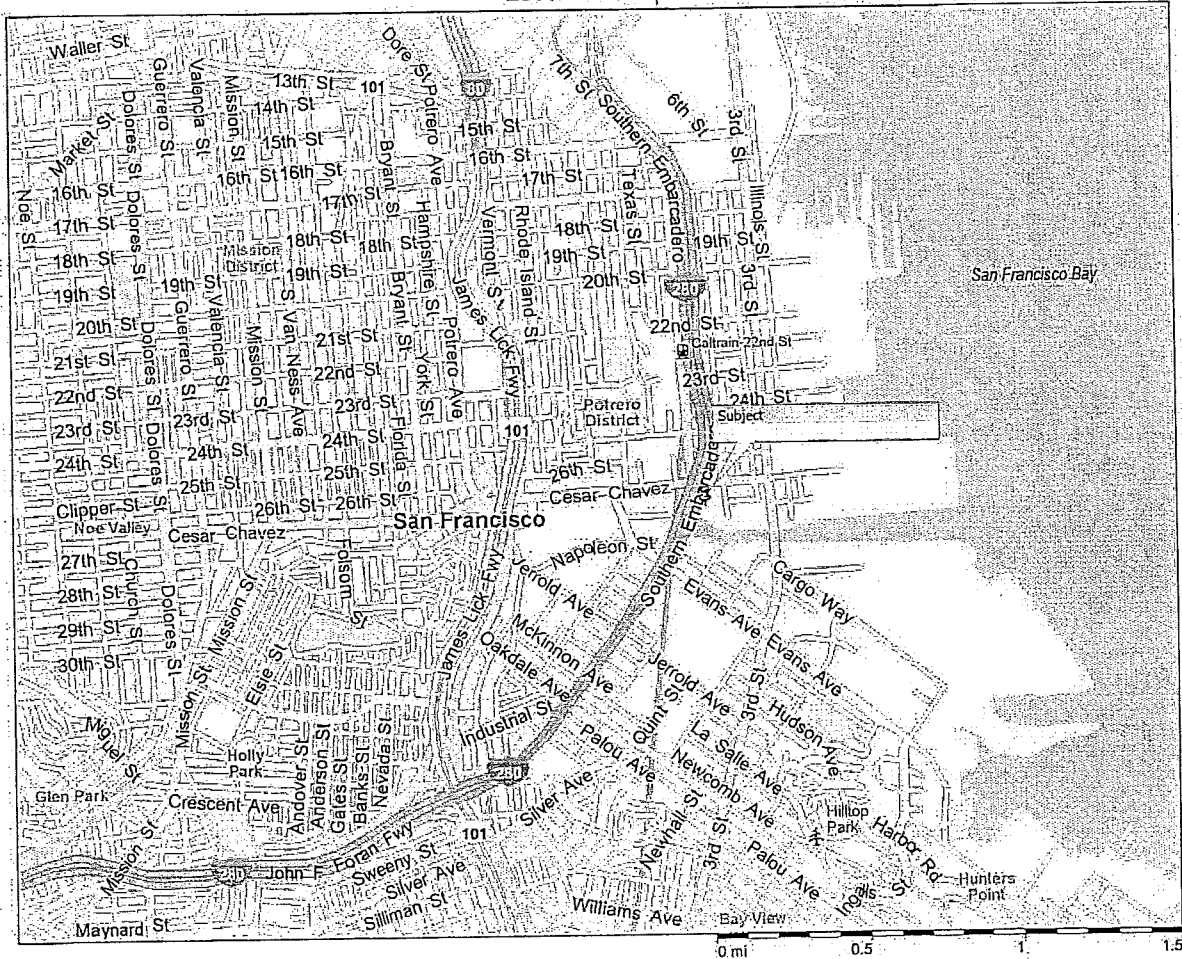
However, there are several large projects at various stages of planning being undertaken by:

- 1) Forest City's proposed redevelopment of Pier 70 and the associated Ballot measure, Proposition B (June 3, 2014) which proposes height limit increase for that area of the waterfront. The total project currently proposes 1,000 housing units, 1.8 million square feet of commercial space and 400,000 square feet of retail, cultural and manufacturing uses.
- 2) The former Hunters Point Naval Shipyards located to the east. The project developer, Lennar Homes has commenced development are undergoing the first phase of a redevelopment plan in which 63 of the 500 acres will undergo infrastructure improvements to support 1,238 homes and 25 acres of recreational and open space.
- 3) Adjacent and to the south of that is the Candlestick Point Special Use District which stretches from Carroll Avenue to Jamestown Extension and is proposed to rejuvenate the district with a new 69,000 seat stadium (to replace Candlestick Park), 6,500 new homes, 400,000 square feet of retail space, 150,000 square feet

of office, a 200 room hotel and 150 acres of parks and open space. New York-based L+M Development Partners recently completed the second phase of construction in April 2014 Candlestick Heights. The development's 130 new rental units that will bring a high-quality affordable living option to The City's Bayview Hunters Point neighborhood.

- 4) San Francisco-based Avant Housing, a joint venture of AGI Capital Group and TMG Partners together with the California Public Employees Retirement System, is planning to file permits for a 259-unit apartment development in the Dog Patch district of San Francisco. An official name for the project has not been determined at this time. The site for the development covers half of a city block. It is located between 3rd Street, 23rd Street and Tennessee Street. The site's official address is listed as 1201 Tennessee Street. The location of the project now includes an old warehouse and a gas station. These facilities will be torn down for the project. These are long term project plans but they demonstrate the support of local government to improve and develop these areas that have for a long time been underutilized and a blight of economic progress to this part of the City. As such, renewed interest is likely to be sparked with the potential for a gentrification of the neighborhood over the next several years.

Location Map



Isais Creek/1-280 Parcels, San Francisco, Ca.

III. Site Description

A. Physical Characteristics

A summary of the parcels is provided on Table 1.

Parcel No. 1: 04-SF-280-8A

This irregular shaped level parcel comprises a gross site area of 71,557 square feet. The parcel lies adjacent and beneath an elevated portion of Interstate 280 but is not part of the continuous Interstate 280 right of way. The Interstate 280 right of way continues beyond the property boundaries as an elevated right of way. The parcel has a maximum depth of 441 feet and a highly variable width with a minimum of 157 feet. The parcel is bordered to the north by City owned unimproved property and to the south by unimproved City owned property being the line of the paper street of Tulare Street and Islais Creek. The parcel is not a legal lot of record but has been created for the purposes of acquisition (lease) by the City of San Francisco. The parcel forms a part of existing assessor parcel numbers 4382-003, 4349-002, 2A, 13. Prior to development by SFMTA, the parcel had no direct public street access or utilities. The parcel appeared encumbered by a large sewer main crossing from southwest to northeast as well as 10 freeway bents.

Parcel No. 2: 04-SF-280-8b

This highly irregular shaped level parcel comprises a gross site area of 2,591 square feet. The parcel lies adjacent and beneath an elevated portion of Interstate 280 but is not part of the continuous Interstate 280 right of way. The Interstate 280 right of way continues beyond the property boundaries as an elevated right of way. The parcel is bordered to the north by State owned unimproved property and to the south by unimproved City owned property being the line of the paper street of Tulare Street and Islais Creek. The parcel is not a legal lot of record but has been created for the purposes of acquisition by the City of San Francisco. The parcel forms a part of existing assessor parcel numbers 4349-002, 13. The parcel as currently configured has no public street access or utilities.

B. Utilities

The *parcels* are not served by urban utilities. However, utilities are available in the street for water, sewer, gas and electricity and could be extended on site at no extraordinary cost. The acquiring parcel has full access to all normal urban utilities.

PROPERTY SUMMARY

TABLE 1

ISLAIS CREEK SAN FRANCISCO									
PCL	ID	APN	AREA ACRES	AREA SF	INTEREST	ZONE HT/BULK	FAR SF/DU	BDDBLE NO. DUS	FEATURES
APPRAISAL PARCELS									
1	04-SF-280-8A	Ptn 4382-003	1.6427	71,557	Lease	M-2/65J-40X	5.00	357,785	Use restricted to storage
		Ptn 4349-002A					800/600		of operational vehicles
		Ptn 4349-002							Subject to access rights
		Ptn 4349-013							
2	04-SF-280-8B	Ptn 4349-002	0.0595	2,591	Lease	M-2/40X	5.00	12,955	Use restricted to storage
		Ptn 4349-013					800/600		of operational vehicles
									Subject to access rights
ASSOCIATED PARCELS									
3	DD-030660-01-02	Ptn 4382-003	0.9810	42,732	Fee Simple	M-2/65J-40X	5.00	213,662	No use restrictions
		Ptn 4349-002A					800/600	53/71	Subject to access rights
4	DD-030660-01-03	Ptn 4382-003	0.1250	5,445	Fee Simple	M-2/40X	5.00	27,225	No use restrictions
		Ptn 4349-002A					800/600		Subject to access rights
5	City Property	4381-001	1.8400	80,263		PDR-2/40X			Indiana Street frontage
		4381-004	0.7600	32,935		PDR-2/40X			Islais Creek frontage
		4382-004	1.1600	50,580		PDR-2/40X-65J			No street access
		4382-005	0.2071	9,020		PDR-2/65J			Cesar Chavez frontage
		4382-006	0.7600	33,292		PDR-2/40X-65J			Islais Creek frontage
		4352-001	0.2400	10,659		PDR-2/65J			Cesar Chavez frontage
		4352-006	0.2400	10,249		PDR-2/65J			Indiana Street frontage
		4352-007	2.0500	89,328		PDR-2/65J			Indiana Street frontage
			7.26	316,326					
Total Fee parcels as assembled			8.90	387,883					

Islais Creek/280 Parcels, San Francisco, Ca.

C. Earthquake and Flood Hazard

The *parcels* are not identified as being within the Alquist Priolo earthquake study zone. The parcels are however located within a seismically active area and could be adversely impacted by strong seismic activity.

The City and County of San Francisco does not participate in any flood mapping program. The subject is therefore assumed to be unaffected by and located outside of the 500 year flood plain. However, the subject was reportedly subject to occasional run off flooding/inundation.

D. Soils and Hazards

The *parcel's* are reportedly subject to surface and/or subsurface soil contaminations. The cost to remediate the contaminations across the project site from May 2011 to February 2012 was \$1,590,374 which represents Caltrans' share of the total remediation cost of \$4,298,308 (see addendum). The remediation will allow full development of the *project site*. The remediation cost has been spread over the subject *Parcel No. 1* (71,557 square feet) and *Parcel No. 3* (42,732 square feet) which combine for 114,289 square feet. Allocated across these parcels, the allocated unit cost of remediation is \$13.91 per square foot.

E. Legal and Title

The appraiser was provided with a title report for the *project site* completed by Chicago Title Company dated May 6, 2011. Exceptions to title in addition to the usual exceptions for mortgage liens and property taxes include the following:

Exception No. 4 refers to an existing sewer line easement affecting APN 4382-003 and 4349-002, 002A. The exact location size and dimensions are not provided in the record however on site observation confirmed the presence of a large sewer main running beneath *Parcel No. 1* from southwest to northeast.

Exception No. 5, references an easement for the construction and maintenance of batter piles in favor of the City and County of San Francisco affecting APN 4349-013. This would appear to impact *Parcel No. 1*.

All other exceptions are more general in nature.

F. Zoning and Use

The *take* parcels have an M-2 (Heavy Industrial) zoning category with a 65J height and bulk limit and a maximum floor area ratio (FAR) of 5:1.

M-2 zones allow for heavy industry in contrast to M-1 zones and are least restrictive on use. M-2 zones allow 1 dwelling unit per 800 square feet or the density of the nearest R district which is RM-2 (1 unit per 600 square feet), whichever is greater. The RM-2 zoning has the higher density which may be permitted if residential uses were to be developed.

The acquiring parcels are zoned PDR-2 Production, Distribution and Repair.

The intent of this district is to encourage the introduction, intensification, and protection of a wide range of light and contemporary industrial activities. Thus, this district prohibits new housing, large office developments, large-scale retail, and the heaviest of industrial uses, such as incinerators. Generally, all other uses are permitted. The conservation of existing flexible industrial buildings is also encouraged. These districts permit certain non-industrial, non-residential uses, including small-scale retail and office, entertainment, certain institutions, and similar uses that would not create conflicts with the primary industrial uses or are compatible with the operational characteristics of businesses in the area.

Parcel Nos. 1 and 2 are to be leased under a long term lease agreement. The proposed lease would be for a 50 year term with 2x15 year options to extend. The defined use of the leased area would be for parking and temporary storage and subject to typical Caltrans Lease restrictions. Caltrans will however be granted a right of access across the leased parcels fronting Cesar Chavez Street for the maintenance of the Interstate 280 freeway structure. The exact location of the right of access has not been determined.

G. Taxes and Assessments

Since passage of Proposition 13, or the Jarvis Gann Initiative in 1978, real property taxes are limited to 1% of Market Value, as of a specified base year. The base year valuation is the Assessor's 1975 Market Value estimate, unless there is a transfer of ownership (sale), new construction, or the property is leased on a long-term basis. Whenever this occurs, the property is reassessed at full Market Value. If a reassessment is not triggered, the assessed value is trended upward at 2% annually.

Furthermore, Proposition 13 limits annual taxes to 1%, plus an amortized amount for voter approved bonded indebtedness, of the assessed value.

All the *take* parcels and the acquiring parcels are publically owned and tax exempt.

H. Conclusion

The *subject* parcels represent undeveloped industrial land (prior to the development of improvements by the lessee) located under and adjacent and east of Interstate 280. Site hazards have been identified and the cost to cure estimated as noted herein. There are some pre-existing easements which have an impact on the development potential of the property. The property has a creekside location but also adjacent to the Interstate 280 freeway.

IV. Market Overview

A. General Economic Indicators

The Federal Reserve commenced reduction of quantitative easing in 2013 reflecting improving economic conditions. However, the Federal budget deficit continues to grow at a \$1tr. Annual rate of growth to record levels and government spending has continued to balloon with increased unemployment benefits.

There are a number of key issues surrounding the economy that remain a concern and how these are resolved will determine the path to recovery. Among the issues are the size of the federal deficit and taxes, the rate of Federal Reserve tapering and the start of raising interest rates.

The rate of unemployment as of *February 2014* has declined although this improvement is largely due to job hunters giving up hope of finding employment. The employment outlook therefore remains guarded. National unemployment (U-3) hovers around 6.70%, with the State of California at 8.10% and San Francisco at 5.20%. However, the National U-6 unemployment rate (those collecting unemployment, plus those seeking employment plus those unemployed or underemployed and no longer actively seeking employment) is still in excess of 14.90%

Interest rates have climbed from an all time low of the 10 year treasury at 1.60% to 2.61%. The 'Fed' has signaled a tapering of the bond buying program suggesting a further rise in rates is imminent. The problem still exists with the availability of capital which continues to exasperate business lending, residential and commercial mortgage resets and purchase money for new acquisitions and construction funding.

The roll out of the Affordable Health Care Act is also creating concern amongst both employers and employees. The overall cost of the program together with the yet to be discovered unforeseen circumstances continue to promote uncertainty.

Conventional 30 year mortgage rates for the San Francisco Bay area have risen in recent months to 4.36% and 15 year rates around 3.43%. The Federal Funds rate has remained stable since the 1st quarter of 2012 at 0.07% as has the Reserve bank rate at 0.75% and prime rate at 3.25%. Signals from the Federal Reserve's new chairperson, Janet Yellen, suggest continued quantitative easing with a 'tapering of the taper'.

The Cost of Living index for the San Francisco area rose 2.2% for the year ending *December 2013*.

The stock market (DJI30) which peaked in October 2007 at over 14,000 slumped 53% to 6,500 in March 2009 but recovered in 2012 and continued to rise into 2013 surpassing 16,000. 2014 has seen a minor market correction and oscillations (less than 10%) to date.

Continued volatility on low volume appears to be the market characteristic. The price of a barrel of oil has risen to \$105 per barrel while gold has fallen sharply from its high close to \$1,900 an ounce to \$1,300 an ounce.

Overall, current conditions reflect cautious optimism although the lack of capital lending, consumer spending and lack of job growth will continue to hold the economy in check.

B. Industrial Market

The industrial market comprises three primary districts, the South of Market, the 3rd Street/Potrero district and Bayview/India Basin. The market may be further divided between the warehouse/distribution market and the Life Sciences market. There is no appreciable manufacturing market in San Francisco.

The warehouse/distribution market experienced slight increase in vacancies from the 3rd quarter 2013 at 6.00% to 6.60% in the 1st quarter 2014, according to the Industrial Market Snapshot published by Cassidy Turley Commercial Real Estate Services.

Limited available inventory maintains the low vacancy rate. Limited space choice plus the higher costs of doing business in San Francisco (high land cost, taxes city mandated minimum wage and health care), acts as a deterrent to large industrial users. However, smaller incubator style users still seek a location close to their primary market. The City's introduction of the PDR (Production, Distribution and repair) facilitates the preservation of industrial uses against alternative higher and better uses.

Average asking rates have increased from the 4th quarter 2011 at \$0.83 per square foot triple net to \$1.00 per square foot in the 3rd quarter 2013 but falling back to \$0.80 per square foot in Q.1, 2014.

Net absorption for the 1st quarter is 51,285 square feet or 4% of the direct vacancy representing a 25 month inventory. There continues to be little or no new industrial development principally as a result of high land prices which makes industrial uses difficult to develop. Hence, much of the inventory is older industrial and not new industrial parks more commonly found in the suburban markets. The introduction of the PDR district zoning is an attempt to reverse this trend.

On the Life Science side of the market, Bay area regional improvement of vacancies and increased rents can be attributed to increased venture capital activity and the strong performance of the San Francisco market. The vacancy for San Francisco in the 1st

quarter stood at just 4.7% following zero absorption for the 1st quarter. Total vacancy is only 76,573 square feet square feet.

Asking rents one year ago stood at \$4.50 per square foot, but have increased to \$5.19 per square foot for the 1st quarter and continues to be the highest in the Bay Area.

Limited inventory and continued VC activity suggests more space will be developed as a market response.

C. San Francisco Development Land Market

The development land market has seen some significant activity in specific areas over the last 24 months as buyers seek to solidify holdings and position themselves for development during the current boom in both residential and office development. The table below shows the latest development pipeline figures for the City of San Francisco.

Recent transactions include KB Home's acquisition of 2655 Bush Street, fully entitled for 81 units; SOMA Hotel LLC's acquisition of the 23,000 square foot fully entitled site in Mission Bay (Channel Street between 3rd and 4th) for a 15 story 250 room hotel; KB Home's acquisition of the fully entitled 9 story, 74 unit condo site at 72 Townsend Street; Build Inc's acquisition of 1532 Harrison Street, American Pacific Capital's acquisition of 5 Thomas Mellon Circle at Candlestick Point, a 500 unit fully entitled 4.69 acre waterfront site.

Recent construction starts include 333 Brannan Street, Kilroy Realty's 182,000 square feet preleased (to DropBox) office development; several Mission Bay residential, Life Science and office projects; Trumark Urban's 27 unit project at 1501 Filbert Street; 55 Laguna Street with 330 market rate and 110 affordable units; Equity Residential's 396,200 square foot, 16 story, 273 unit project called Sol at Mission Bay; 1100 Ocean Avenue, 71 affordable housing units; Jay Paul's 181 Fremont Street for a 54 story office/residential tower.

Mid Market Street continues to provide record breaking deals as the resurgence of the neighborhood following the Twitter deal and the 'Payroll Tax' haven has attracted seasoned developers including Shorenstein and will likely see continued construction activity on top of projects already under construction or renovation at 8th and 9th and Market Streets.

Islais Creek/I-280 Parcels, San Francisco, Ca.

Pipeline Status/ Stage in the Development Process	Total No. of Projects	Net Housing Units	Net Comm'l Sq. Ft.	Commercial GSF, of Which:		
				Office	PDR	Retail
Filed with Planning	92	7,400	2,593,500	2,709,900	-415,500	488,600
Approved by Planning	106	27,300	5,943,800	3,067,800	309,000	1,942,100
BP Filed	40	2,400	162,400	85,900	-26,800	98,800
BP Approved/Issued/ Re-Instated	176	2,700	963,000	879,000	-134,000	19,800
Construction	167	3,930	830,000	264,000	-132,000	33,000
Grand Total	857	60,400	16,140,700	10,287,500	-335,900	2,608,500

San Francisco Development Pipeline Report – 4th Quarter, 2013

Outside SOMA, larger deals are gaining momentum. Activity in India Basin and Bayview are for sites with a residential development capability verses pure industrial sites is limited to 2 recent deals at 2121 3rd/720 Illinois and 800 Indiana Street which reflect new interest for residential in this area. There are no known proposed industrial developments in the area.

D. Conclusion

San Francisco and especially the South of Market District is bucking the trend of commercial land development with several land transactions and a jump in building permits for new projects initially residential but more recently of speculative office. The subject is outside the main focus of the market but progress on new developments in India Basin and Hunters Point and the public housing projects will likely see a spillover response to adjacent parcels and neighborhoods.

V. Highest and Best Use

According to the revised edition of *Real Estate Appraisal Terminology*, a joint publication of the American Institute of Real Estate Appraisers the Highest and Best Use is defined as follows.

That reasonable and probable use which supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, 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.

The definition differs somewhat for improved property and vacant property; however, four criteria must in effect be met for both. The Highest and Best Use must (1) be physically possible, (2) be legally permitted, (3) be feasible, and (4) produce the highest return or value.

The Highest and Best Use is that use which is most likely to produce the greatest return over a given period of time. Net return refers to the residual of gross yield after all costs are met. Only those uses, which are natural, probable, and legally permitted may be properly considered tenable. Thus, it may be defined as the available use and program of future utilization, which produces the highest present value to the land.

Even when improvements exist upon a site, it is possible that the current use does not represent the Highest and Best Use. An estimate of Highest and Best Use requires two separate analyses: the Highest and Best Use of the property as improved, and the Highest and Best Use of the property as if vacant. The purpose of the separate analyses is to ensure consistency of uses between the subject land and land sales used to value the subject site, as well as to determine if the existing improvements have contributory value, which warrants their continuance. In other words, an existing use may not represent the Highest and Best Use of the site as if vacant, but the economic benefit (or value) the improvements contribute, exceeds the value of the site at its Highest and Best Use, less removal costs.

Since the subject property is vacant, only the Highest and Best Use of the site as vacant will be considered. The Highest and Best Use for each parcel has been analyzed as follows:

A. Parcel No. 1

Physically Possible

Parcel No. 1 comprises a combined area of 71,557 square feet. The parcel has no direct public street access. No main utilities were available to the site. The topography is generally level and is not identified to be within a flood zone. The parcel has a highly irregular shape which may hinder development design flexibility. In addition, a portion of the site may be within 100 feet of Islais Creek and thus subject to development restrictions within that 100 foot zone.

Surrounding land use is predominantly industrial and public highways. Soil conditions are unknown but assumed mitigated of any hazardous conditions as previously noted. The site otherwise has physical potential for development. Use of the site is also physically hindered by 10 freeway bents located throughout the site and the existence of a main sewer line running diagonally through the site.

Legally Permissible

Based upon the zoning code, *Parcel No. 1* could be developed with a variety of uses ranging from industrial to residential.

The surrounding uses and specific site characteristics might be better suited to industrial uses. Under the M-2 zoning, up to 89 residential units might be developable on the subject site based upon 1 unit per 800 square feet of site area. Based upon the density of the nearest residential district which is RM-2, the site might be developed with up to 119 residential units at 1 unit per 600 square feet of site area.

Industrial uses can be developed up to a 5:1 FAR or 357,785 square feet within the 65 foot height limit.

The site does not appear to have any access to a public street. The site does appear to benefit from a right of access over City property for 'highway purposes' but this may not extend the right for development purposes. Notwithstanding evidence to the contrary, the site is assumed to have no direct public street access. As such, the legal development potential and/or use of the subject would appear to be limited to assemblage with an adjacent site that has such public street access.

The site is proposed to be leased under a 'long term' lease. The use of the site as defined in the proposed lease will be restricted to parking and vehicle storage.

Economically Feasible/Maximally Productive

Given the limitations of use prescribed by the proposed long term lease and the need for assemblage with adjacent parcels for purposes of public street access, the highest and best use is concluded for assemblage and subsequent use for the parking and storage of operational vehicles.

B. Parcel No. 2

Parcel No. 2 appears to predominantly lie within the 100 foot setback zone adjacent to Islais Creek and thus has by itself limited to no development potential. The site might have use for plottage purposes only.

At the instructions of the client, this parcel is assumed to have a value of \$1.00 and no further consideration is given to its highest and best use.

VI. Valuation Methodology

There are three major approaches to the valuation of real property--the *Cost Approach*, the *Sales Comparison Approach*, and the *Income Approach*. The type and age of a property and the quantity and quality of data that can be obtained affect the utility of each approach for any given appraisal task.

The *Cost Approach to Value* utilizes a method in which the value of the property is derived by estimating the reproduction or replacement costs new of the improvements, deducting there from depreciation due to all causes attributable to the improvements, and then adding the Market Value of the land. This method is based on the theory of substitution, which implies that a knowledgeable buyer will pay no more for the real property than the cost of producing a comparable property of similar utility.

The *Sales Comparison Approach* is a method of comparing recent sales of similar properties to the subject property. This approach is based on the principle that the prudent investor would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. The value of a particular property tends to coincide to the value indicated by the actions of informed buyers and sellers in the marketplace for similar properties.

The *Income Approach to Value* is based upon the economic principle that the value of an income producing property is the present worth of anticipated future benefits; which are comprised of the annual income stream (cash flow or net income) and the reversion benefits (resale value). The net operating income is estimated by deducting from the gross annual income and appropriate allowance for vacancy and operating expenses. The net income can be converted into a present value estimate using a capitalization process. There are various methods of capitalization that are based upon inherent assumptions concerning the pattern of the income stream, as well as the quantity, quality and durability of the income stream.

Based upon the conclusion of the highest and best use, the most appropriate valuation approach for the subject is the Sales (lease) Comparison Approach to value.

VII. Sales Comparison Approach

A. Methodology

The *Sales Comparison Approach* is a method of comparing recent sales (leases) of similar properties to the subject property. This approach is based on the principle that the prudent investor/lessee would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. The value of a particular property tends to coincide to the value indicated by the actions of informed buyers/lessees and sellers/lessors in the marketplace for similar properties.

B. Analysis of Land Leases

Parcel Nos. 1 and 2 are to be leased under a long term lease (50 years). At the instruction of the client, *Parcel No. 2* is assumed to be valued at \$1.00 and is given no further consideration.

Parcel No. 1 comprises 71,557 square feet located partially beneath the I-280 freeway and is restricted in use to parking and the storage of operational vehicles. As such, market data of land leases with similarly restricted use has been researched. Such sites are generally leased on a short term basis (year to year up to 5 years). The limited term of these leases precludes a tenant pursuing the highest and best use for the land (which might be a building development) and as a result, are limited in their use to parking, bulk material and yard storage.

Other features of the subject are that the subject is not paved, fenced or has any power. In addition, the layout and useable area of the site is impacted by the location of freeway bents

Table 2 provides a summary of lease comparables while below, each is discussed in turn. Each comparable was adjusted for lease terms and the amortized value of the improvements. The improvements typically involved 6 or 8 foot security fencing with metal gates, asphalt site paving, power and yard lighting and also some building improvements. The adjustment was initially based upon the calculated depreciated replacement cost of the improvements using the Marshall Valuation Service Cost Guide directory. The improvements were amortized at a cost of funds rate of 6% over the normal life expectancy of the improvements. Table 3 provides a summary of adjustments made to the lease comparables for comparison to the subject.

Land Lease No. 1 is located at 1950 Galvez Avenue at Selby. This 46,658 square foot site is a fenced, paved and lit yard. The site was leased in May 2014. The 5 year term commenced at a rent of \$0.204 per square foot, gross or \$0.1586 per square foot triple net. Adjusting the rate by \$0.0310 per square foot for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.1276 per square foot. The rent escalates 3% per annum. The site is used for equipment storage.

The location of the comparable is inferior to the subject requiring upward adjustment but, the site is encumbered by bents requiring no adjustment. An adjusted rate of \$0.13 per square foot is estimated.

Land Lease No. 2 is located at 201 Toland Street at Evans Street. There are 2 leased areas on this parcel. The first is a 42,000 square foot site that is a fenced, paved and lit yard with a 1,500 metal warehouse. A lease to a construction company for yard storage was executed June 2012. The 5 year term commences at a rent of \$0.42 per square foot, triple net. The rent escalates 3% per annum. The rent was factored on the land only. There were no concessions. Adjusting the rate by \$0.0428 per square foot for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3772 per square foot.

The location of the comparable is similar to the subject, but the site is not encumbered by bents requiring downward adjustments. An adjusted rate of \$0.36 per square foot is estimated.

The second lease is a 35,000 square foot site that is a fenced, paved and lit yard. A lease was executed in March 2013 by Google. The 3 year term commences at a rent of \$0.42 per square foot, triple net. The rent escalates 3% per annum. There were no concessions. Adjusting the rate by \$0.0428 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3772 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.37 per square foot is estimated.

Lease Nos. 3-6 relate to Port of San Francisco leases.

Land Lease No. 3 is located at Seawall Lot 349 at 20th and Illinois Streets and comprises a rectangular level parcel containing 119,960 square feet. The parcel is fully fenced, asphalt paved and has power and lighting.

The parcel was leased in August 2013 for a 3 year term to Yellow Cab Company at \$0.23 per square foot per month, NNN. The use of the parcel is for vehicle parking and storage.

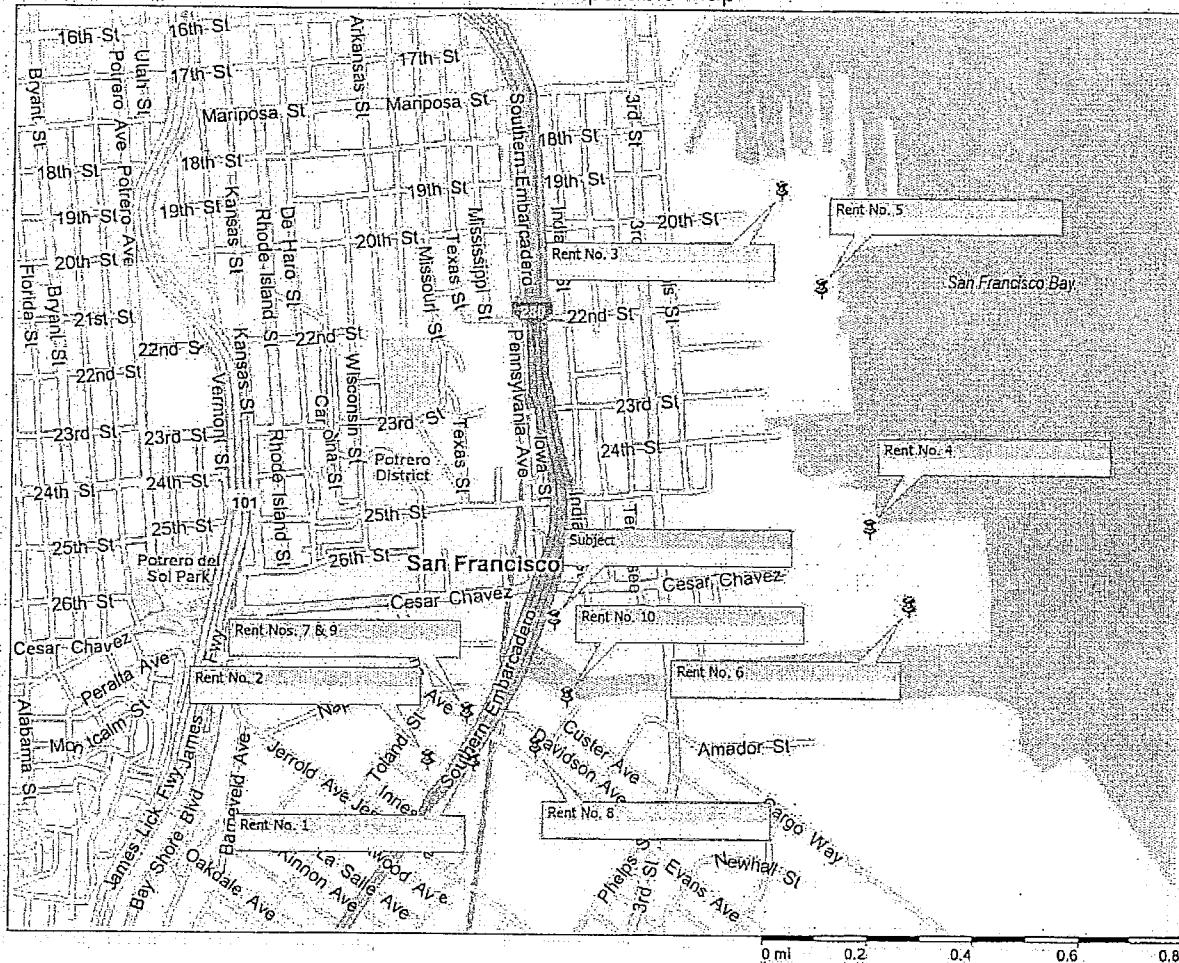
Islais Creek/I-280 Parcels, San Francisco, Ca.

INDUSTRIAL LAND LEASES

TABLE 2

ISLAIS CREEK SAN FRANCISCO									
NO	LOCATION/APN	DATE	AREA	TERM	RENT \$/sf/mo	ESCAL	EXPENSE	EFFECT. \$/sf/mo	TENANT/COMMENTS
	Subject		71,557	50					Restricted use to storage of operational vehicles; freeway bunts Unpaved; unfenced; no power
Private Leases									
1	1950 Galvez Ave	5/1/2014	46,658	5 yrs 1x5 opt	\$ 0.20	3%/pa	Gross* NNN	\$ 0.2036 \$ (0.0450) \$ (0.0310) \$ 0.1276	Elevated freeway crosses; bus pkg Fenced, paved, electricity
									Improvement adjustment
2	201 Toland Street	6/1/2012	42,000	5 yrs	\$ 0.42	3%/pa	NNN	\$ 0.4200 \$ (0.0428) \$ 0.3772	Construction company Fenced, paved lot yard w. 1,500 maint.bldg
									Improvement adjustment
		3/1/2013	35,000	3 yrs	\$ 0.42	3%/pa	NNN	\$ 0.4200 \$ (0.0310) \$ 0.3890	Google Fenced, paved, lot yard.
Port of SF Leases									
3	Seawall Lot 349 20th/Illinois	8/1/2013	119,960	3 yrs	\$ 0.23	3%/pa	NNN	\$ 0.2300 \$ (0.0291) \$ 0.2009	Yellowcab Co-op; vehicle storage Fenced and paved yard
									Improvement adjustment
4	Seawall Lot 356 Cesar Chavez/Illinois	2/28/2014 L-15690	74,742	10 yrs	\$ 0.32	3%/pa	NNN	\$ 0.3200 \$ (0.0298) \$ 0.2902	Affordable Self Storage Trailer storage; fenced, paved, power
									Improvement adjustment
		2/28/2014 L-1591	144,818	10 yrs	\$ 0.32	3%/pa	NNN	\$ 0.3200 \$ (0.0289) \$ 0.2911	Affordable Self Storage Trailer storage; fenced, paved, power
									Improvement adjustment
5	Seawall Lot 349 22nd/Illinois	1/15/2014 3 yrs	61,409	3 yrs	\$ 0.35	3%/pa	NNN	\$ 0.3500 \$ (0.0299) \$ 0.3201	Bose International Motors/German Motors Vehicle overflow storage Paved and fenced
									Improvement adjustment
6	Pier 80 Cesar Chavez/Illinois	Pending	75,000	3 yrs	\$ 0.28	3%/pa	NNN	\$ 0.24	Affordable Storage Unimproved site; rate adjusted for size discount and 3 months free rent
Caltrans Leases									
7	NWC Evans/Shelby 004-030200-001-04	12/20/2013 renewal	34,900	2 yrs	\$ 0.28	CPI/pa	NNN	\$ 0.2799 \$ (0.0284) \$ 0.2515	Koehler Enterprises; parking & storage Asphalt paved yard; 6' chain link fence metal gates installed by tenant and paid through rent offset in 2006
				3 yrs	\$ 0.17				
8	220 Rankin St 04-030670-0002-03	12/18/2013 renewl	70,000	5 yrs	\$ 0.36	CPI/pa	NNN	\$ 0.3571 \$ (0.0840) \$ 0.2732	Koehler Enterprises; parking & storage Concrete paved lot; 3,200 SF 6 bay auto garage; 6,000 SF Office/whse; 8' mtl fence remote control gate; security system; 3 side metal gates Auto wrecking
				5 yrs	\$ 0.12				
				1 yr	\$ 0.10	Sch			
				2 yr	\$ 0.20				
				3 yr	\$ 0.20				
				4 yr	\$ 0.22				
9	1890 Evans Ave 04-034263-0001-01	1/7/2014	19,725	2 yrs	\$ 0.28	None	NNN	\$ 0.2788 \$ (0.0441) \$ 0.2347	Richard Cole; dba ABC Auto Auto wrecking Various auto garage bldgs
				2 yrs	\$ 0.20				
10	2 Rankin 04-030669-0013-03	12/18/2013	43,014	2 yrs	\$ 0.26	CPI/pa	NNN	\$ 0.2557 \$ (0.0003) \$ 0.2554	Ryan Engineering; bulk storage 8' chain link fence and metal gate
				5 yrs	\$ 0.18	2 yrly CPI	NNN		Tenant install fencing with rent offset
* Adjustment from gross to NNN is \$0.045/SF/mo Improvement adjustment based upon Marshall Valuation amortized Depreciated Replacement cost									

Rent Comparable Map



Islands Creek/280 Parcels, San Francisco, Ca.

Adjusting the rate by \$0.0291 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2009 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.21 per square foot is estimated.

Land Lease No. 4 is located at Seawall Lot 356, 22nd Street at Illinois Street and comprises 2 leases. The first is a 74,742 square foot site and the second site is 148,818 square feet. Both sites are fenced, paved and have power. There are no bents on the sites. The sites were leased in February 2014 to Affordable Self Storage. The 3 year terms commenced at a rent of \$0.32 per square foot, triple net. The rent escalates at 3% per annum. Adjusting the rates by \$0.0298 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2902 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. The second site is larger than the subject requiring upward adjustment. The adjusted rates of \$0.29 and \$0.31 per square foot are estimated.

Land Lease No. 5 is located at Seawall Lot 349 at 22th and Illinois Streets and comprises a rectangular level parcel containing 61,409 square feet. The parcel is fully fenced, asphalt paved and has power and lighting.

The parcel was leased in January 2014 for a 3 year term to Bose International Motors at \$0.35 per square foot per month, NNN. The use of the parcel is for vehicle parking and storage. Adjusting the rate by \$0.0299 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3201 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.32 per square foot is estimated.

Land Lease No. 6 is located at Pier 80 at Cesar Chavez and Illinois Streets and comprises a dirt lot (unimproved) currently under negotiation at with 75,000 square feet. The current lease, due to expire in August 2014 is rented at \$0.19 per square foot. The new proposed minimum rent is \$0.28 per square foot. Mr. Jeff Bauer, leasing manager at the Port, indicated that a 5% discount may need to be applied for size and up to 3 months free rent for a 36 month lease. The net effective rate with these discounts equates to \$0.24 per square foot. An upward adjustment for location is offset by a downward adjustment for no impact by freeway bents. This comparable suggests a rate for the subject at \$0.24 per square foot.

Lease Nos. 7-10 relate to Caltrans leases.

Land Lease No. 7 is located at the NWC of Evans and Selby Streets partially under the I-280 freeway. The parcel comprises an irregular shaped level parcel containing 34,900 square feet. The parcel is fully fenced and asphalt paved. The improvements were paid for by the tenant and reimbursed through rent offset in 2008.

The lease was renewed in December 2013 for a 2 year term to Koehler Enterprises for parking and storage. The tenant also occupies an adjacent site. The rent was set at \$0.28 per square foot, NNN. The use of the parcel is for vehicle parking and storage. Adjusting the rate by \$0.0284 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2515 per square foot.

A downward adjustment is made for size. An adjusted rate of \$0.24 per square foot is estimated.

Land Lease No. 8 is located at 220 Rankin Street at the corner of Evans Street. The parcel comprises a rectangular shaped level parcel containing 70,000 square feet. The parcel is fully fenced, asphalt paved and has power. In addition, the site contains a 3,200 square foot 6 bay auto service building and a 6,000 square foot office/warehouse.

The lease was renewed in December 2013 for a 5 year term to Koehler Enterprises (Courtesy Tow) for parking and storage. The rent was set at \$0.36 per square foot, NNN.

Adjusting the rate by \$0.0840 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2732 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.26 per square foot is estimated.

Land Lease No. 9 is located at the 1890 Evans at Selby. The parcel comprises a regular shaped level parcel containing 19,725 square feet. The parcel is fully fenced and asphalt paved.

The lease was renewed in January 2014 for a 2 year term to Richard Cole (ABC Auto) for parking and storage. The rent was set at \$0.28 per square foot, NNN. The use of the parcel is for vehicle parking and storage.

Adjusting the rate by \$0.0441 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2347 per square foot.

The location of the comparable is similar to the subject. An downward adjustment is made for size. An adjusted rate of \$0.19 per square foot is estimated.

Land Lease No. 10 is located at the 2 Rankin Street adjacent to Islais Creek. The parcel comprises an irregular shaped level parcel containing 43,014 square feet. The parcel is fully fenced.

The lease was renewed in December 2013 for a 2 year term to Ryan Engineering for bulk material storage. The rent was set at \$0.26 per square foot, NNN. Adjusting the rate by \$0.0003 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.26 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.26 per square foot is estimated.

The land leases all represent short term leases which limit the highest and best use of the parcels to open storage and not building development. Although the subject is proposed for a long term lease, the use restriction of the subject to operational vehicle storage is comparable to the lease examples noted. None of the comparable lease parcels reported any flood, drainage or soil contamination issues that impacted their value or use for short term parking and storage rentals.

The lease comparables are split into 3 sections.

Lease Nos. 1-2 are private sector leases with an adjusted range of \$0.13-\$0.37 per square foot. These sites generally had no impediments and were improved with paving, fencing and power. The lease terms were generally short (2-3 years) and leases were subject to 3% per annum escalations.

Lease Nos. 3-6 are Port of San Francisco leases. Again, these parcels were improved with fencing paving and power. The adjusted rates range from \$0.21 to \$0.32 per square foot. The rates are subject to the minimum rates approved by the Port Commission in 2013. Jeff Bauer, leasing manager at the Port indicated that the minimum rates are shortly to be *lowered* as the most recent rent increase was seen to be over aggressive. Lease rates are to drop \$0.02 per square foot for 2014/15. Larger parcels (1 acre plus) receive a 5% discount and up to 3 months free rent is available on 36 month terms. **Lease No. 6** offers a good example of a similar sized, unimproved parcel presenting comparable conditions as the subject with an effective proposed rate of \$0.24 per square foot.

INDUSTRIAL LAND LEASE ADJUSTMENT

TABLE 3

ISLAIS CREEK SAN FRANCISCO		MVS Adjusted Basis							
NO	LOCATION/APN	RENT \$/sq/mt	DATE	AREA	LOCATION	CONDITION	BENTS	% ADJ	ADJ \$/SF
	Subject		5/20/2014	71,557	CC/Indiana	Level/reg shape	Yes		
1	1950 Galvez Ave	\$0.1276	5/1/2014	46,658	Galvez/Selby	Level/reg shape	Yes		
			0.00%	0.00%	5.00%	0.00%	0.00%	5.00%	\$ 0.13
2	201 Toland Street	\$0.3772	6/1/2012	43,560	Tol/Evans	Level/reg shape	No		
			0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	\$ 0.36
		\$0.3890	3/1/2013	35,000	Tol/Evans	Level/reg shape	No		
			0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	\$ 0.37
Port of SF Leases									
3	Seawall Lot 349 20th/Illinois	\$0.2009	8/1/2013	119,960	20th/Illinois	Level/reg shape	No		
			0.00%	5.00%	5.00%	0.00%	-5.00%	5.00%	\$ 0.21
4	Seawall Lot 356 22nd/Illinois	\$0.2902	2/28/2014	74,742	22nd/Illinois	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.29
		\$0.2911	2/28/2014	144,818	22nd/Illinois	Level/reg shape	No		
			0.00%	5.00%	5.00%	0.00%	-5.00%	5.00%	\$ 0.31
5	Seawall Lot 349 22nd/Illinois	\$0.3201	1/15/2014	61,409	22nd/Illinois	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.32
6	Pier 80 Cesar Chavez/Illinois	\$0.2400	Pending	75,000	Cesar/Illinois	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.24
Caltrans Leases									
7	NWC Evans/Shelby 004-030200-001-04	\$0.2515	12/20/2013	34,900	Evans/Shelby	Level/reg shape	Yes		
			0.00%	-5.00%	0.00%	0.00%	0.00%	-5.00%	\$ 0.24
8	220 Rankin St 04-030670-0002-03	\$0.2732	12/18/2013	70,000	Evans/Rankin	Level/reg shape	No		
			0.00%	0.00%	0.00%	0.00%	-5.00%	-5.00%	\$ 0.26
9	1890 Evans Ave 04-034263-0001-01	\$0.2347	1/7/2014	19,725	Evans	Level/reg shape	Yes		
			0.00%	-10.00%	0.00%	0.00%	0.00%	-10.00%	\$ 0.21
10	2 Rankin 04-030669-0013-03	\$0.2554	12/18/2013	43,014	E/O Rankin	Level/reg shape	No		
			0.00%	0.00%	5.00%	0.00%	-5.00%	0.00%	\$ 0.26
								Mean	\$ 0.27
								Median	\$ 0.26

Lease Nos. 7-10 are Caltrans leases. The adjusted range of these leases is \$0.21-\$0.26. Adjustments were made for site improvements and bents. Two of these sites were impacted by freeway bents and had an adjusted range of \$0.21-\$0.24 per square foot.

The mean and median of the adjusted range of rents is \$0.27 and \$0.25 per square foot respectively.

The size and lack of improvements of the subject will likely command a rent at the lower end of the adjusted range. The similar mean and median adjusted rates suggest well balanced data. The pending Port lease at Pier 80 offers an indication of a rate on a similar sized, unimproved parcel at an effective rate of \$0.24 per square foot.

Accordingly, it is my opinion that the subject *Parcel No. 1* should support a monthly rental rate of \$0.25 per square foot per month, calculated as follows:

Parcel No. 1	71,557 square feet @ \$0.25/SF	=	\$17,889/month
		=	\$214,671/annum
Parcel No. 2		=	\$1.00

C. Site Remediation Cost

The 2 subject parcels form a part of a 4 parcel assemblage (2 parcels in fee and 2 parcels under a long term lease) which were impacted by various soil contaminants. Remediation costs of the subject's geotechnical and hazardous soil conditions was \$1,590,374 according to the actual costs incurred May 2011 and February 2012 as reported by the client (see addendum). The appraiser is further instructed to use this cost amount for any needed adjustment to the opinion of value whereby such remediation is required to support the estimated value of the subject at its highest and best use.

The subject, as assembled with the adjoining City property offers a large industrial development site. Full utility of the assembled site will require remediation of the geotechnical and hazardous soil conditions impacting the subject.

No allocation of the remediation cost has been provided between the 4 parcels. Two of these parcels are per client instruction, allocated a value of \$1.00. The other two parcels comprise Parcel 1 of this appraisal and another parcel (Parcel 3) held in fee. The remediation cost has therefore been applied to the subject Parcel No.1 and to the fee Parcel No. 3.

The remediation costs are therefore spread across these 2 parcels and provide a unit cost of \$13.91 per square foot as follows:

Remediation Cost (allocated)		\$1,590,374
Parcel No. 1-subject	71,557 SF	
Parcel No. 3	<u>42,732 SF</u>	
Total		114,289 SF
Unit Cost of Remediation		\$13.91 per square foot.

Notwithstanding information to the contrary, the remediation cost is allocated on a pro-rata basis between the 2 parcels.

Parcel No. 1

Parcel No. 1 has not been valued in fee but rather an estimate of market rent has been determined taking account of the physical and legal limitations presented by the site.

In order to apply the remediation costs allocated to this site, the estimated rental value has been capitalized to generate a per square foot value of the site in fee. From that, the remediation unit cost is deducted and the result de-capitalized to provide a rental value net of the remediation costs and summarized as follows:

ITEM	COST \$	AREA SF	\$/SF/MO	\$/MO	\$/PA
Market Rental Value (MRV)					
MRV gross of remediation		71,557.00	\$ 0.2500	\$ 17,889	\$ 214,671
Less Remediation Cost	\$ 1,590,374	114,289.00			
\$/SF cost for assembled site		\$ 13.9154			
DeCapitalize @	6.00%	\$ 0.8349			
Monthly Rental Adjustment			\$ (0.0696)		
MRV net of remediation			\$ 0.1804	\$ 12,911	\$ 154,926

The de-capitalization rate of 6% is represents a cost of funds rate as used in this report for amortizing improvements of the comparable leases. The remediation cost has been decapitalized in perpetuity rather than limited to the term of the lease. The 50 year lease term could be extended by 2x15 year options allowing a total term of 80 years. There is a marginal mathematical difference between decapitalizing in perpetuity rather than 80 years.

Making the adjustment for the cost of remediation, the market rental value, net of allocated remediation costs is estimated at \$12,911 per month or \$154,926 per annum.

Note: This rental estimate was based upon short term lease comparables which generally had 3% per annum rent escalations. However, the short term nature of these leases also indicated that at renewal, the rent was reset back to market which often was lower than the annually escalated rent. For the subject long term lease, some rent adjustment should be factored into this rental estimate perhaps on a CPI basis every 5 years with a mark to market every 10 years. If the rent is to remain flat for the entire term, an upward adjustment to the commencement rate will be necessary.

VIII. Reconciliation and Conclusion

The appraisal has considered the Sales (rental) Comparison Approach to Value as the only relevant approach given the conclusion of highest and best use.

The *Sales(Lease) Comparison Approach* provides the most direct evidence of unit value for industrial land. A number of leases were located but each possessed unique features and site characteristics not only in terms of location but also in terms of functional and economic use.

The highest and best use for *Parcel Nos. 1 and 2* is limited by the proposed long term lease to 'operational vehicle storage'. As such, research on similarly restricted use leased land was sought and included parcels which use was restricted by virtue of the short term of the lease.

The actual site remediation costs were deducted on a pro-rata basis from Parcel Nos. 1 only given that Parcel Nos. 2 has a predetermined value of \$1.00 each.

Based upon the assumptions and conclusions of this report, it is my opinion that the *market rental value* of the subject parcels as described herein, as of May 20, 2014, is considered to be:

Gross of Allocated Remediation Cost

***Parcel No.1: TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED
SEVENTY ONE DOLLARS PER ANNUM
(\$214,671/pa)***

Net of Allocated Remediation Cost

***Parcel No. 1: ONE HUNDRED FIFTY FOUR THOUSAND NINE HUNDRED
TWENTY SIX DOLLARS PER ANNUM
(\$154,926/pa)***

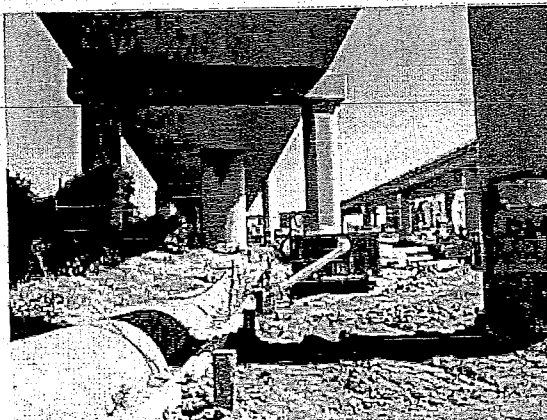
Parcel No. 2:

***ONE DOLLAR
(\$1.00)***

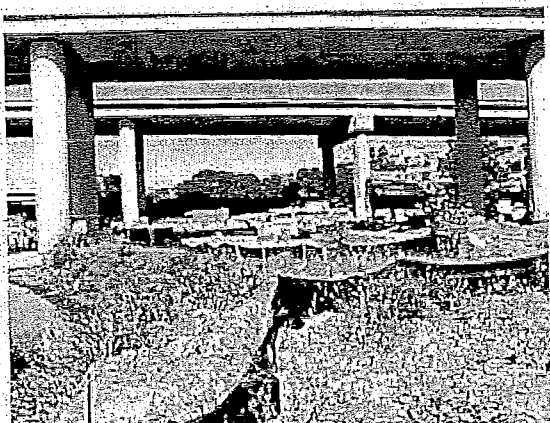
SUBJECT PHOTOGRAPHS



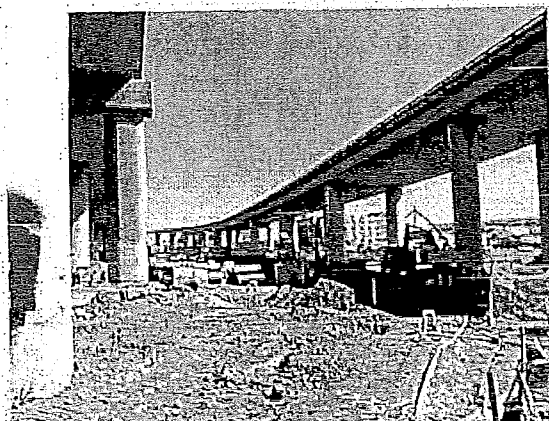
Google aerial with parcels outlined



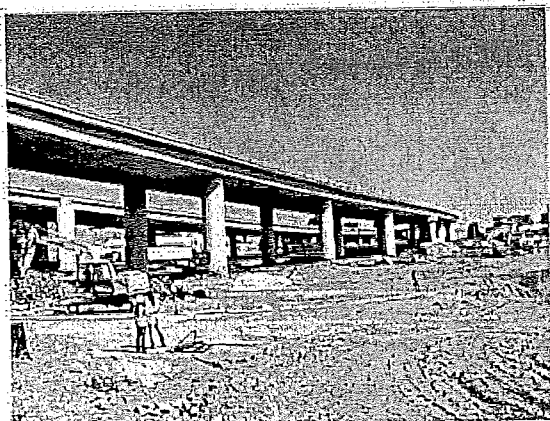
Parcel No. 1 - sewer line and freeway bents



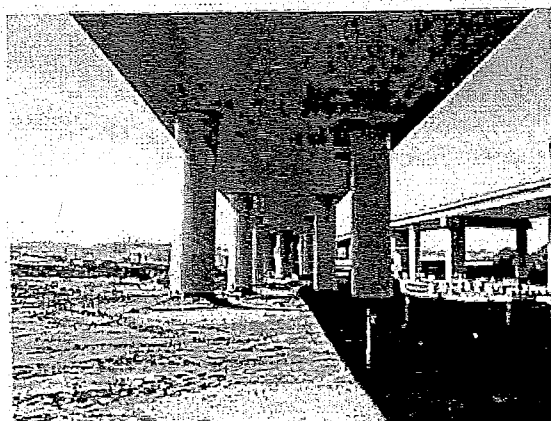
Islais Creek adjacent to Parcel Nos. 2



Parcel No. 1 view north



Parcel No. 1 from Parcel No. 3

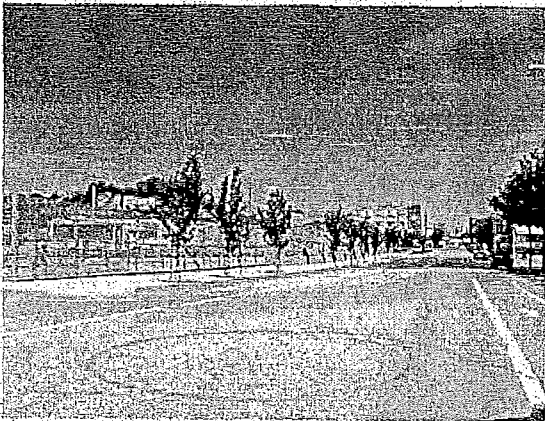


Parcel No. 1 freeway bents

SUBJECT PHOTOGRAPHS



View of project site as improved as of the date of value from Indiana Street.



Indiana Street view north



Cesar Chavez frontage view west



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*

Malcolm H. Hinkle, *Director*

Joel Ramos, *Director*

Edward D. Reiskin, *Director of Transportation*

Cheryl Berkman, *Vice-Chairman*

Jerry Lee, *Director*

Cristina Rubke, *Director*

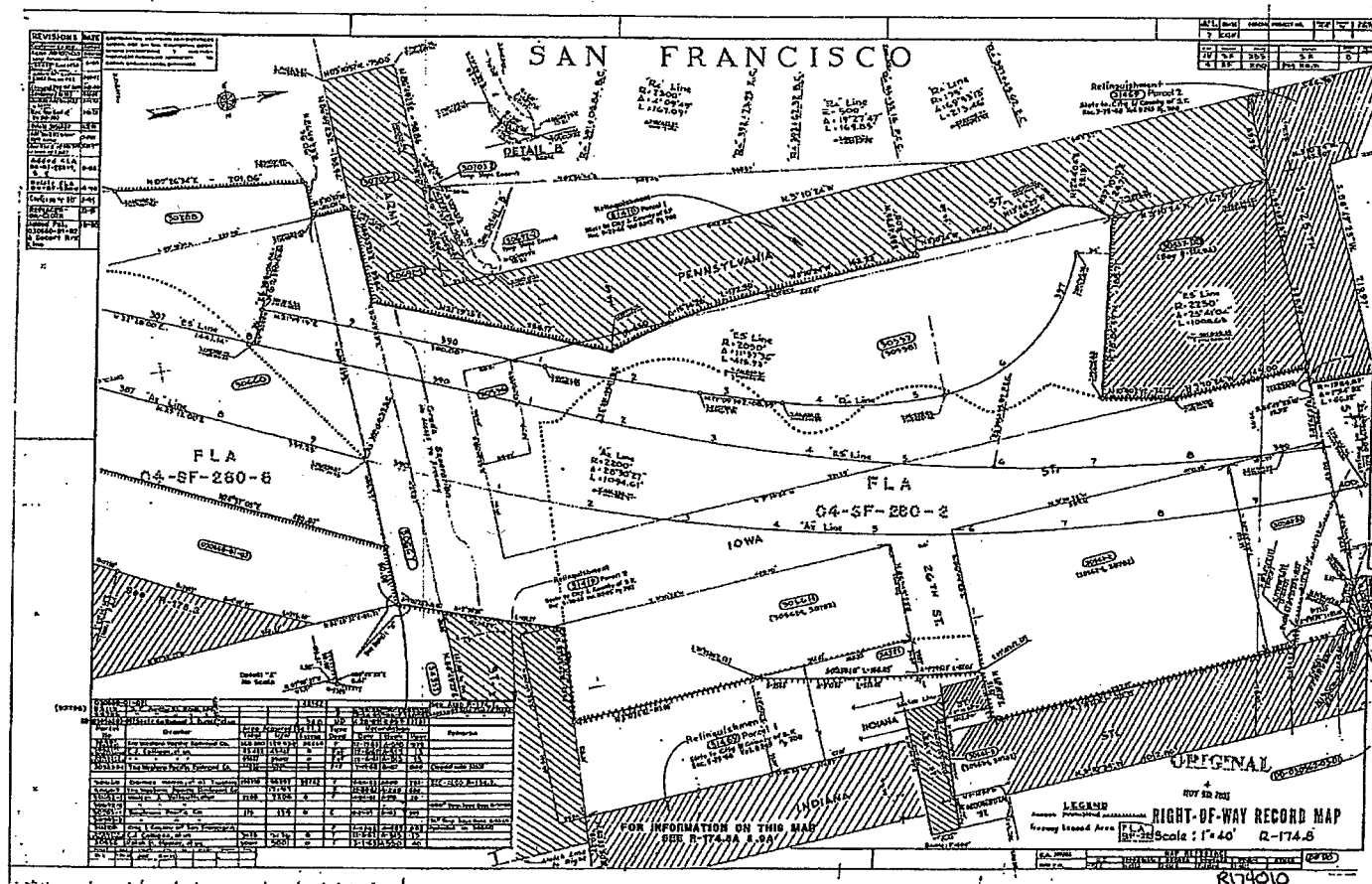
Islais Creek Project: Summary of Remediation Costs

Through the Right of Entry Permit from Caltrans, the SFMTA's Islais Creek Project Phase 1 construction proceeded, which included the final, actual remediation costs shown below, of which Caltrans' prorated share was \$1,590,374.10 (37%):

Bid Item No.	Description	Final Contractor Quantity	Unit Price	Total
8A	TRANSPORTATION OF HAZARDOUS NON-RCRA MATERIALS TO CLASS I DISPOSAL FACILITIES, METRIC TONS	4,130.56	\$23	\$95,002.88
8B	HANDLING AND DISPOSAL OF HAZARDOUS NON-RCRA MATERIALS TO CLASS I DISPOSAL FACILITIES, METRIC TONS	4,130.56	\$56	\$231,311.36
10A	TRANSPORTATION OF MATERIALS TO CLASS II DISPOSAL FACILITIES, METRIC TONS	40,061.67	\$32	\$1,281,973.44
10B	HANDLING AND DISPOSAL OF MATERIALS TO CLASS II DISPOSAL FACILITIES, METRIC TONS	40,061.67	\$31	\$1,241,911.77
12	CELLULAR CONCRETE FOR BACKFILL (LIGHTWEIGHT CONCRETE), CUBIC METERS	21,130	\$42	\$887,460.00
	DESIGN COSTS (10%)			\$373,765.95
	CONSTRUCTION MANAGEMENT COSTS (5%)			\$186,882.97
			GRAND TOTAL:	\$4,298,308.37
	CALTRANS SHARE (37%)			\$1,590,374.10

Date Remediation construction work started: 5/3/2011

Date Remediation construction work ended: 2/3/2012



Project Site – Existing and Proposed Parcels

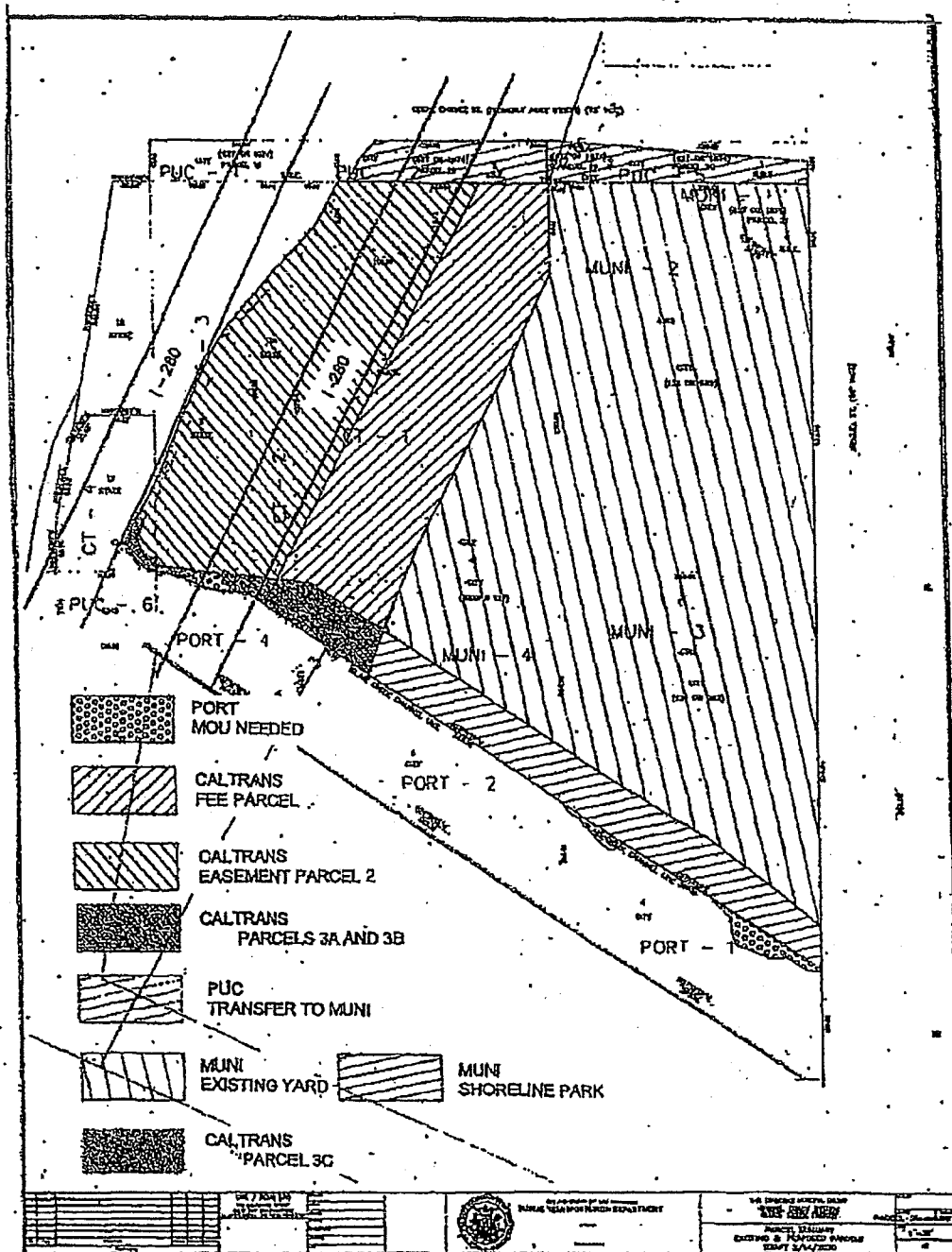


EXHIBIT C-1

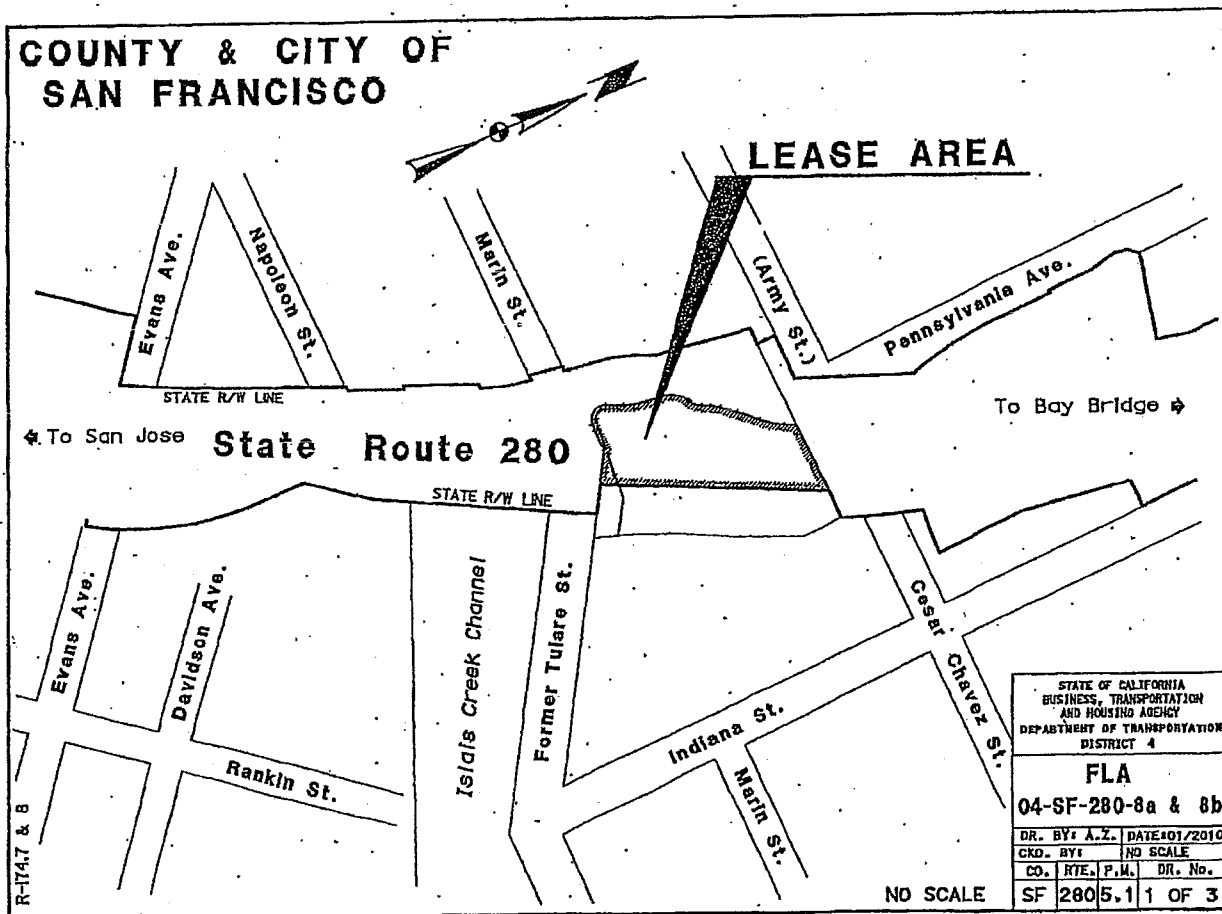
PLAT MAP OF LARGE LEASE PARCEL

Also known as

Caltrans Large Lease Parcel, Caltrans FLA 04-SF-280-8a

Note: No legal description from Caltrans for the Large Lease Parcel

COUNTY & CITY OF SAN FRANCISCO



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

FLA

04-SF-280-8a & 8b

DR. BY: A.Z. DATE: 01/2010

CKD. BY: NO SCALE

CO. RTE. P.M. DR. No.

SF 280 5.1 1 OF 3

NO SCALE

COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1927, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000717 TO OBTAIN GROUND-LEVEL DISTANCES.

EXHIBIT C-1

CITY OF SAN FRANCISCO

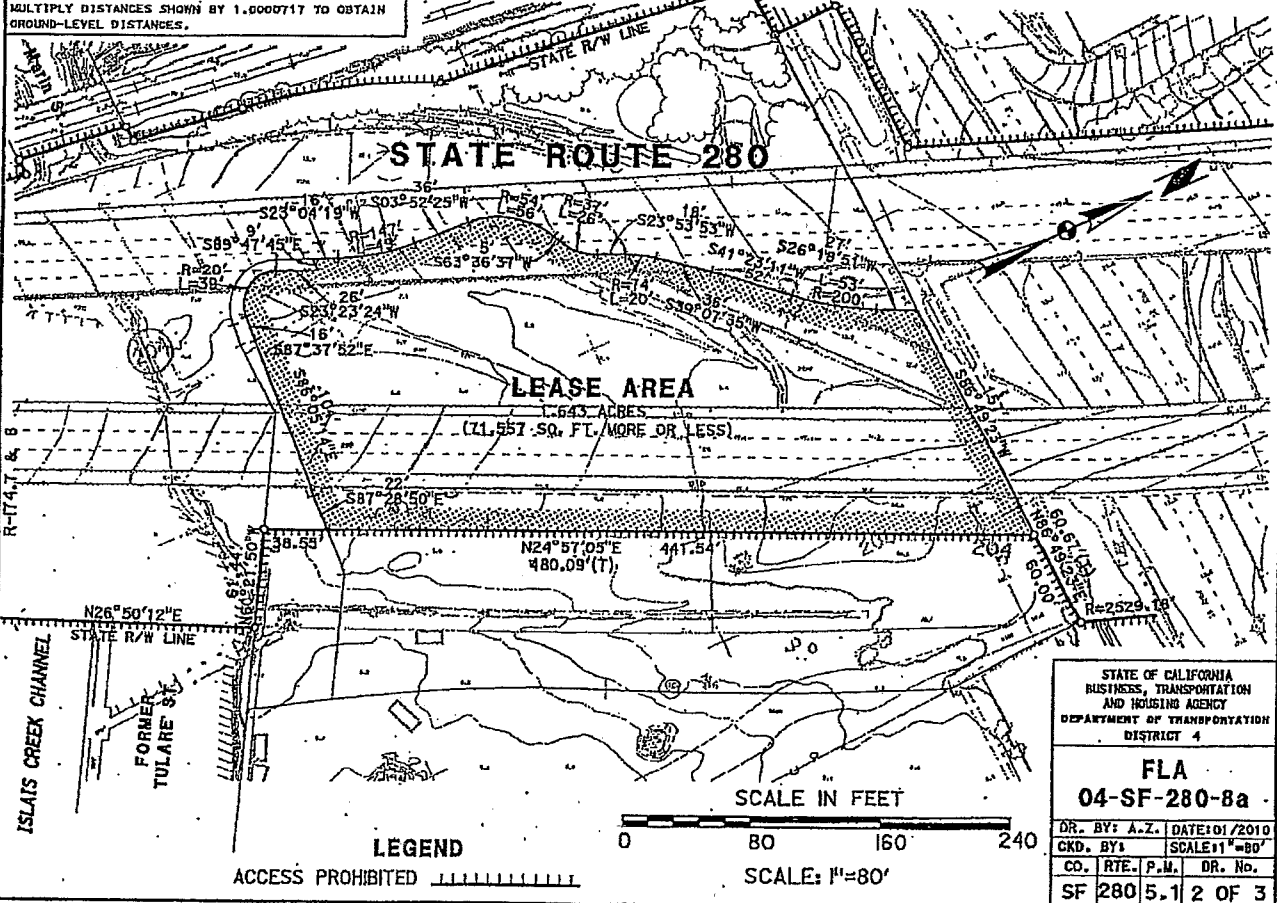


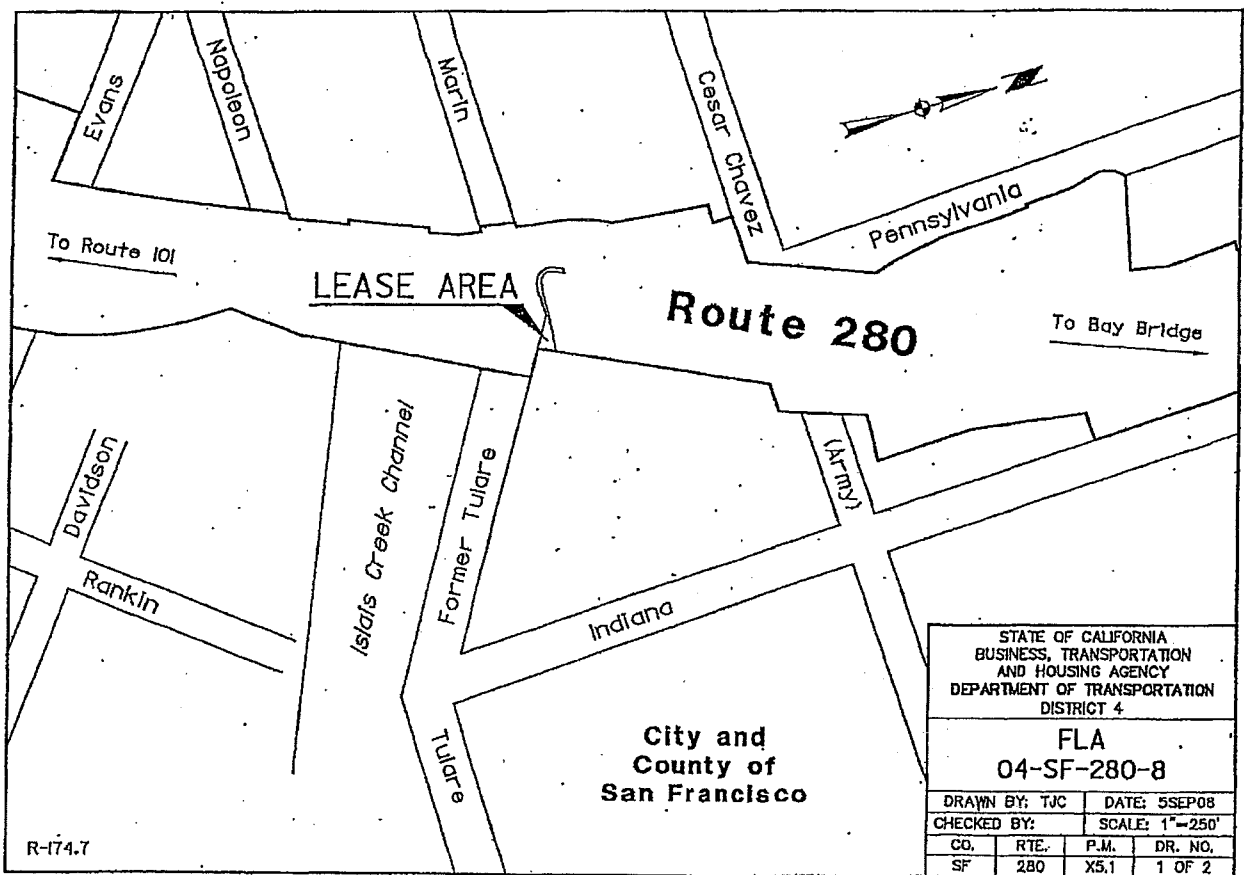
EXHIBIT C-2

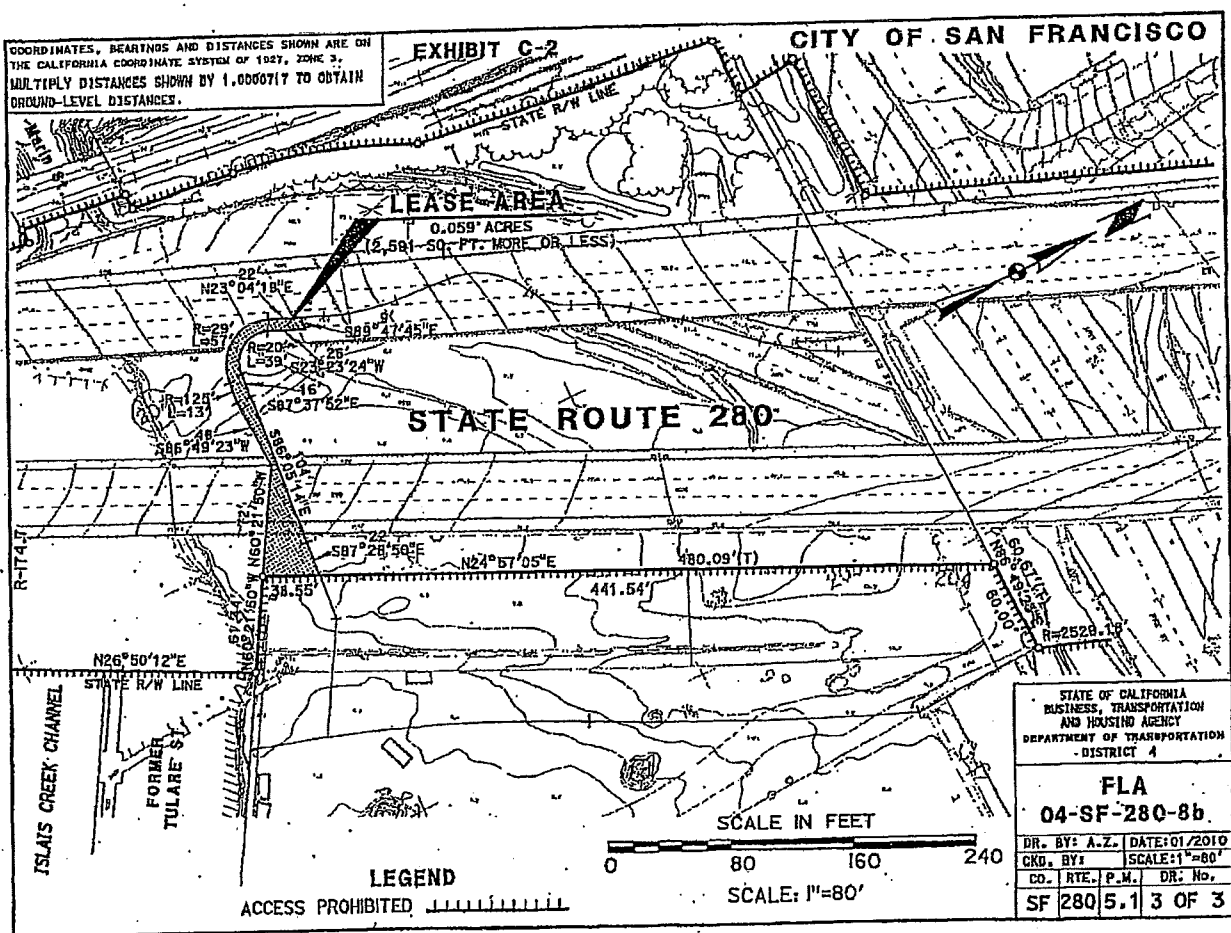
PLAT MAP OF SMALL LEASE PARCELS 3A AND 3B

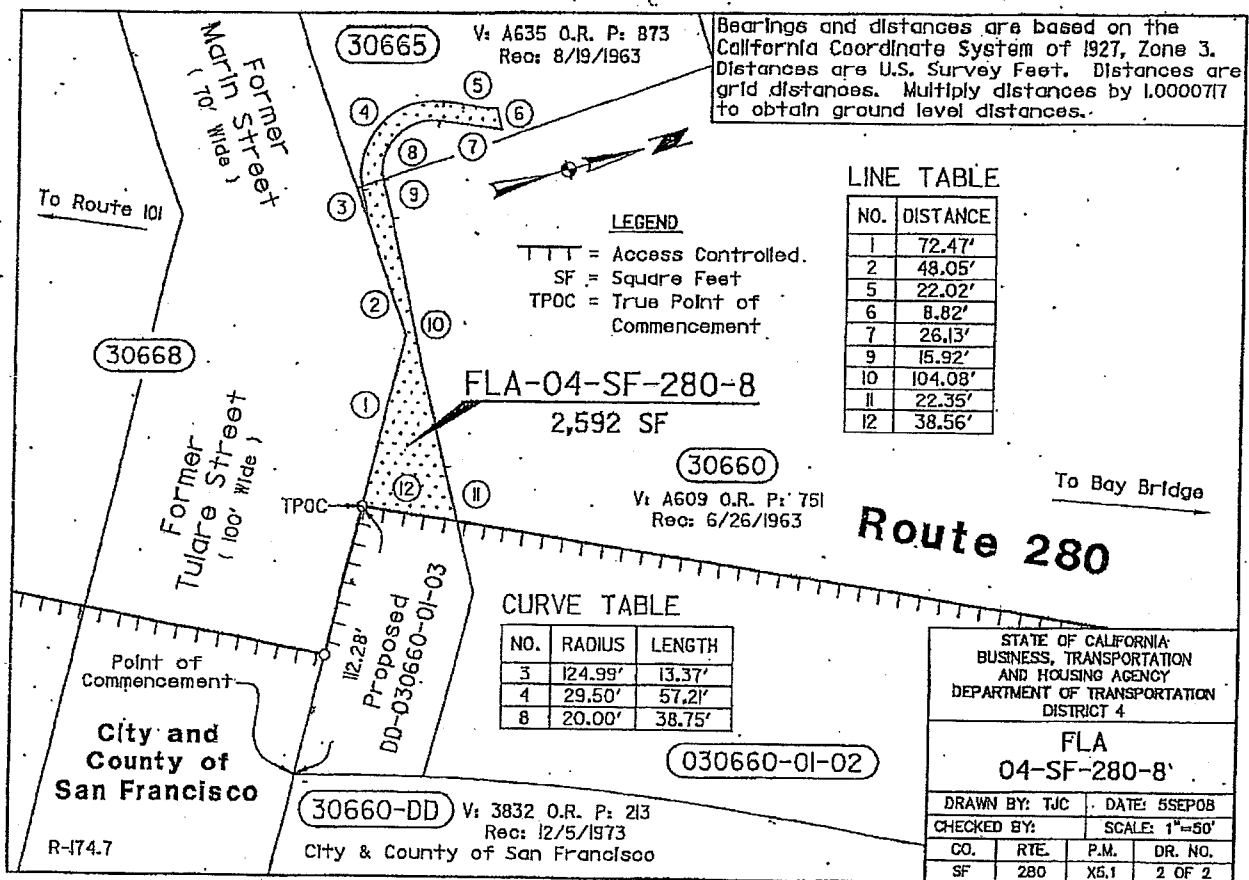
Also known as

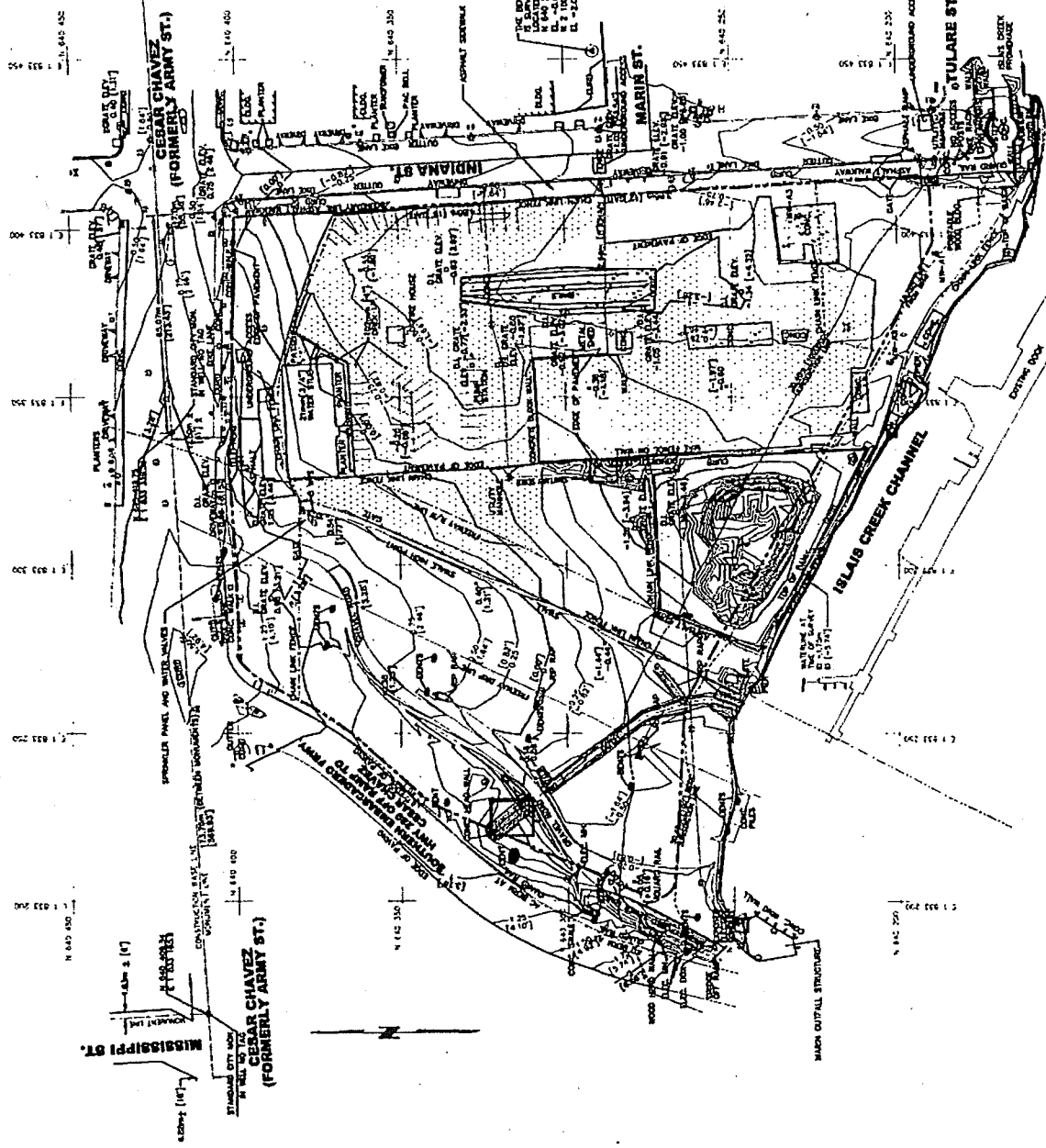
Caltrans Small Lease Parcel, Caltrans FLA 04-SF-280-8b

Note: No legal description from Caltrans for the Small Lease Parcels

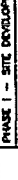


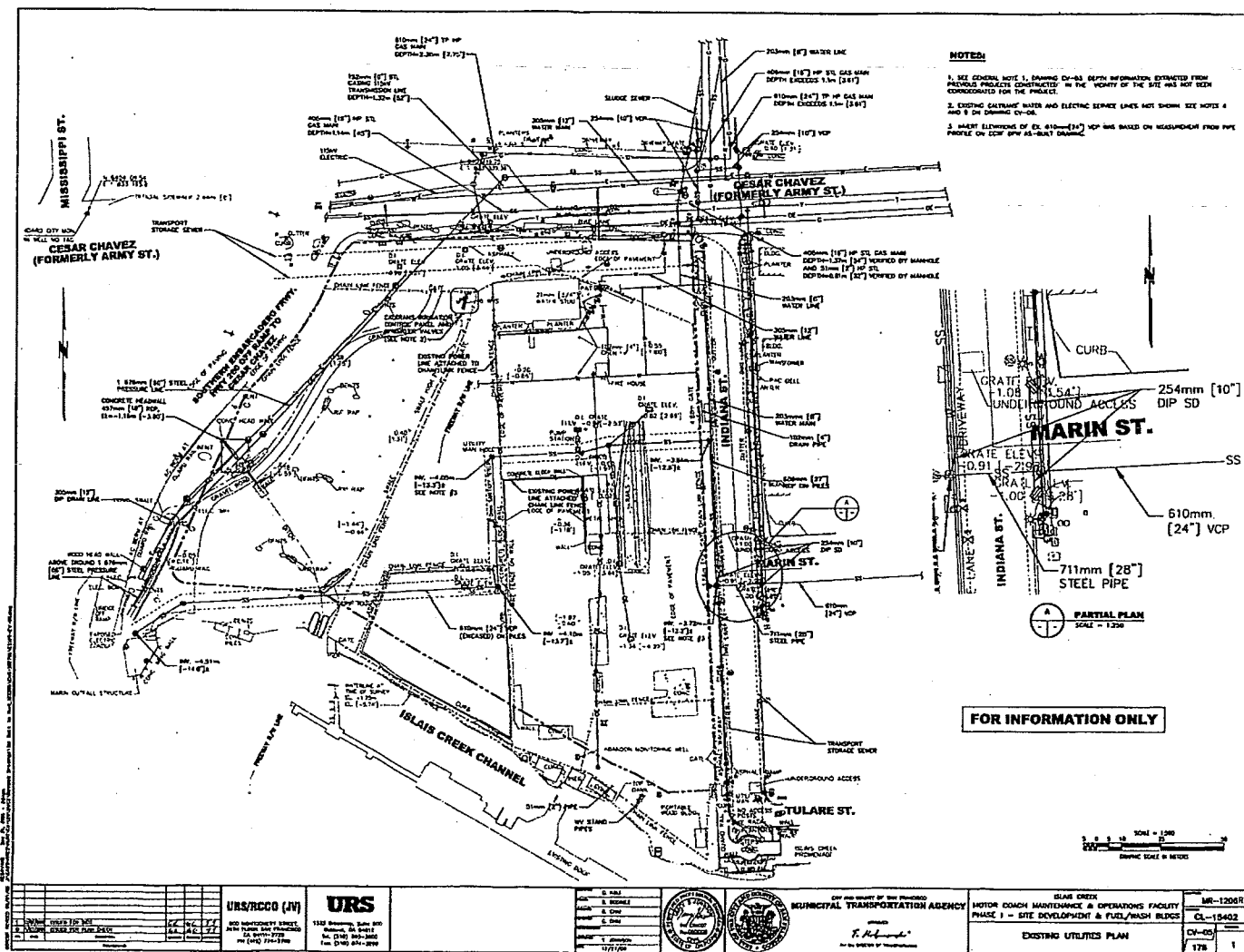






1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000 1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 104

<p>URS/RS&O (JV)</p> <p>1355 WILSON STREET, SUITE 200 SAN FRANCISCO, CA 94115 TEL: 415/774-7700 FAX: 415/774-7701</p>	<p>URS</p> <p>1335 Broadway, Suite 200 SAN FRANCISCO, CA 94102 TEL: 415/398-3600 FAX: 415/398-3601</p>	<p>Mr. S. GU Mr. L. GONZALEZ Mr. S. DAVIS Mr. S. DAVIS Mr. L. JONES</p>	 <p>CITY AND COUNTY OF SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY</p> <p>prepared by</p> <p>for the purpose of transportation</p>	<p>CLASS INDEX</p> <p>MOTOR COACH MAINTENANCE & OPERATIONS FACILITY</p> <p>PHASE I - SITE DEVELOPMENT & FUEL/WASH BUDS</p> <p>POSTING CONDITIONS AND TOPOGRAPHY</p>	<p>MR-12083</p> <p>CI-15401</p> <p>CN-04</p> <p>178</p> <p>2</p>
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Visit Us on our Website: www.ctic.com



Chicago Title Company

ISSUING OFFICE: 2150 John Glenn Drive, Suite 300 • Concord, CA 94520
925 288-8000 • FAX 925 521-9562

PRELIMINARY REPORT

Amended

Title Officer: Meg Heppell

Title No.: 06-36902446-B-MH
Locate No.: CACTI7738-7738-2369-0036902446

TO: Chicago Title Company-San Francisco
455 Market Street, Suite 2100
San Francisco, CA 94105

ATTN: Sue Trowbridge
YOUR REFERENCE: 16020472

SHORT TERM RATE: No

PROPERTY ADDRESS: Lot 003, Block 4382; Lot 013, Block 4349;
Lot 002, Block 4349; Lot 002A, Block 4349
San Francisco, California

EFFECTIVE DATE: May 6, 2011, 05:00 P.M.

The form of Policy or Policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy - 1990

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee
2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

State of California
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

KH\KH 05/05/2006

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel One:

Beginning at a point perpendicularly distant westerly 20 feet from the center line of Iowa Street (as said street line existed prior to the closing of said street) and perpendicularly distant northeasterly 34 feet from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street line existed prior to the closing of said street) with the westerly line of Indiana Street to a point which is perpendicularly distant southerly 484 feet from the southerly right of way of the Western Pacific Railroad Company (said right of way line being perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened) and perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue (as said street line existed prior to the closing of said street); running thence northwesterly, parallel with the line so drawn, to a point which is perpendicularly distant southerly 384 feet from the said southerly right of way line of the Western Pacific Railroad Company; thence westerly, parallel with said right of way line, to a point which is perpendicularly distant westerly 100 feet from said westerly line of Pennsylvania Avenue; thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet to the said right of way line of the Western Pacific Railroad Company; thence easterly along the last named line, 410 feet to a point perpendicularly distant westerly 20 feet from said center line of Iowa Street; thence southerly, parallel with said center line of Iowa Street, to the point of beginning.

Excepting therefrom, that portion thereof described in that certain Deed recorded December 5, 1973, in Book B832, Page 213, Document No. W35912, Official Records.

Lot 003, Block 4382

Parcel Two:

Beginning at a point perpendicularly distant westerly 20 feet from the center line of Iowa Street (as said street line existed prior to the closing of said street) and perpendicularly distant northeasterly 34 feet from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street line existed prior to the closing of said street) with the westerly line of Indiana Street to a point which is perpendicularly distant southerly 384 feet from the southerly right of way line of the Western Pacific Railroad Company (said right of way line being perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened), and perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue (as said street line existed prior to the closing of said street); running thence northwesterly, parallel with the line so drawn, to a point which is perpendicularly distant southerly 384 feet from the said southerly right of way line of the Western Pacific Railroad Company; thence westerly, parallel with said right of way line, to a point which is perpendicularly distant westerly 100 feet from said westerly line of Pennsylvania Avenue; thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet to the said right of way line of the Western Pacific Railroad Company; thence easterly along the last named line, 410 feet to a point perpendicularly distant westerly 20 feet from said center line of Iowa Street; thence southerly, parallel with said center line of Iowa Street, to the point of beginning.

Excepting therefrom, that portion thereof described in that certain Deed recorded December 5, 1973, in Book B832, Page 213, Document No. W35912. Also excepting Parcel One of this report.

Lots 002 and 002A, Block 4349

Parcel Three:

Beginning at a point on the northerly line of Marin Street (formerly Tulare Street) perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue, as said Pennsylvania Avenue formerly existed, and perpendicularly distant southerly 425 feet from the southerly line of Army Street (as widened); running thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet; thence at a right angle westerly 37.4 feet, more or less, to a point perpendicularly distant easterly 53.5 feet from the center line of the westerly constructed main track of the Southern Pacific Company's railroad, known as the "Bay Shore Route";

thence southerly, parallel with and perpendicularly distant easterly 53.5 feet from the center line of said railroad track, 346 feet, more or less, to a point perpendicularly distant westerly 200 feet from said westerly line of Pennsylvania Avenue; thence southerly, parallel with said westerly line of Pennsylvania Avenue, 45 feet, more or less, to a point on the northerly line of Marin Street, distant thereon 100 feet westerly from the point of beginning; thence easterly along said line of Marin Street, 100 feet to the point of beginning.

Being portion of Potrero Nuevo Blocks No. 293 and 294.

Excepting therefrom, the following parcel of land:

Beginning at a point on a line parallel with and perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened, distant thereon 100 feet westerly from the westerly line of Pennsylvania Avenue, extended southerly; and thence running southerly, parallel to said line of Pennsylvania Avenue, 229.846 feet; thence at a right angle westerly 64.106 feet; thence deflecting $54^{\circ} 47' 19.7''$ to the left from the preceding course and running southwesterly 35.254 feet to the easterly boundary line of the Southern Pacific Railroad Company's right of way; thence deflecting $155^{\circ} 24' 26.7''$ to the right from the preceding course, and running northeasterly along said boundary line, 263.156 feet to the above mentioned line, parallel to the southerly line of Army Street; thence deflecting $79^{\circ} 22' 53''$ to the right from the preceding course and running easterly along said parallel line, 35.941 feet to the point of beginning.

Being portion of Potrero Nuevo Block No. 294.

Lot 013, Block 4349

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2011-2012.
2. **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.
3. The following Streets are described as closed:

Tulare, Marin, Iowa, Pennsylvania, between the south line of Army Street, as widened, and the north line of Islais Creek.

Vacation proceeding should be had or recorded
4. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes, condemned by final decree

Purpose: Sewer
Case No.: 431045
Recorded: August 4, 1955, Book 6669, Page 236, Official Records
Affects: Parcels One and Two
5. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: City and County of San Francisco
Purpose: An easement to drive and maintain batter piles
Recorded: September 29, 1958, Instrument No. H21770, Book 7375, Page 579, of Official Records
Affects: Westerly portion of Parcel Three
6. Unrecorded Highway Agreement between State of California and City and County of San Francisco, as disclosed by documents of record.
7. Any right, title or interest of persons, known or unknown, who claim or may claim adversely to the vested owner herein, by reason of the record title to said land not having been established and quieted under the provisions of the McEnerney Act, so called.

Affects portions of the herein described land, including, but not limited to, current and former streets and avenues included within the lands described herein.
8. Rights and easements for commerce, navigation and fishery.

9. Any adverse claim based upon the assertion that:

a) Some portion of Tide Land Survey No. 14 was not included within the land authorized to be sold pursuant to the Act of the Legislature of April 4, 1964 (1863-64, Chapter 407, Page 463).

b) Some portion of Tideland Survey No. 14 has ceased to be included within the land authorized to be sold pursuant to said Act of the Legislature of April 4, 1864 (1863-64, Chapter 407, Page 463).

c) Some portion of said land has been created by artificial means or has accreted to such portion so created.

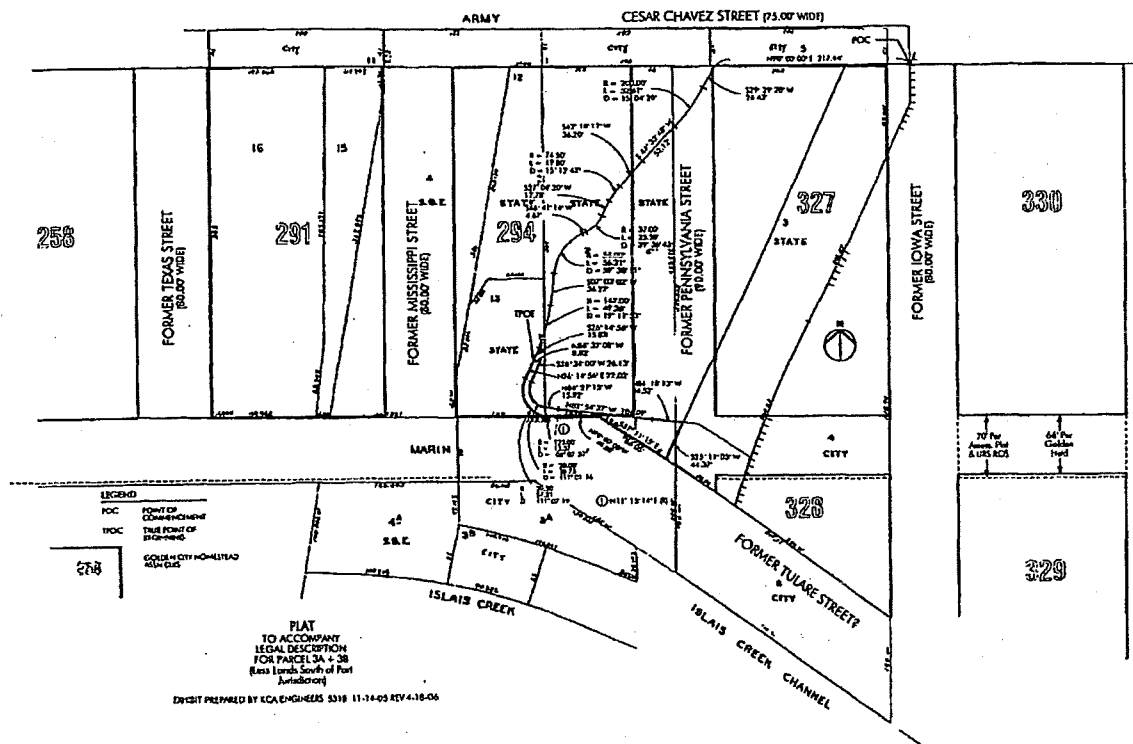
10. The terms, conditions, reservations and provisions of the Act of the Legislature of April 4, 1864 (1863-64, Chapter 407, Page 463) and the effect of any failure to comply therewith.**11. Any adverse claim based upon the assertion that any portion of said land was not tide or submerged land subject to disposition by the State of California on the effective date of the Legislative Grant of such land to the City and County of San Francisco, a municipal corporation, in trust, or that any portion thereof has ceased to be tide or submerged land.****12. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants and by law as to the land, or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionsary Rights and Interests as may be possessed by the State of California under the terms and provisions of said legislative Grants, or by law.****13. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded January 30, 1969, Instrument No. R40413, Book B308, Page 686, Official Records.****14. An easement for public street purposes over that portion of said land within all streets and avenues lying within the herein described land, which have not been previously vacated.****15. Any and all existing easements for public utilities and right of way for ingress and egress in connection therewith.****16. Parties in possession by reason of unrecorded leases, if any.****17. 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 or persons in possession of the herein described land.**

18. 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.
19. 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/ACSM land title surveys.

END OF ITEMS

- Note 1.** There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.
- Note 2.** No taxes were assessed for the 2010-2011 fiscal year.
- Note 3.** Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow or subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all funding should be done through wire transfer, certified check or checks drawn on California financial institutions.
- Note 4.** The charge where an order is canceled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be canceled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.
- Note 5.** California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.

END OF NOTES



[illegible]

IMPORTANT: This plat is not a survey, it is merely furnished as a convenience to locate the land in relation to adjoining streets and other lands, and not to guarantee dimensions, distances, bearings or acreage.

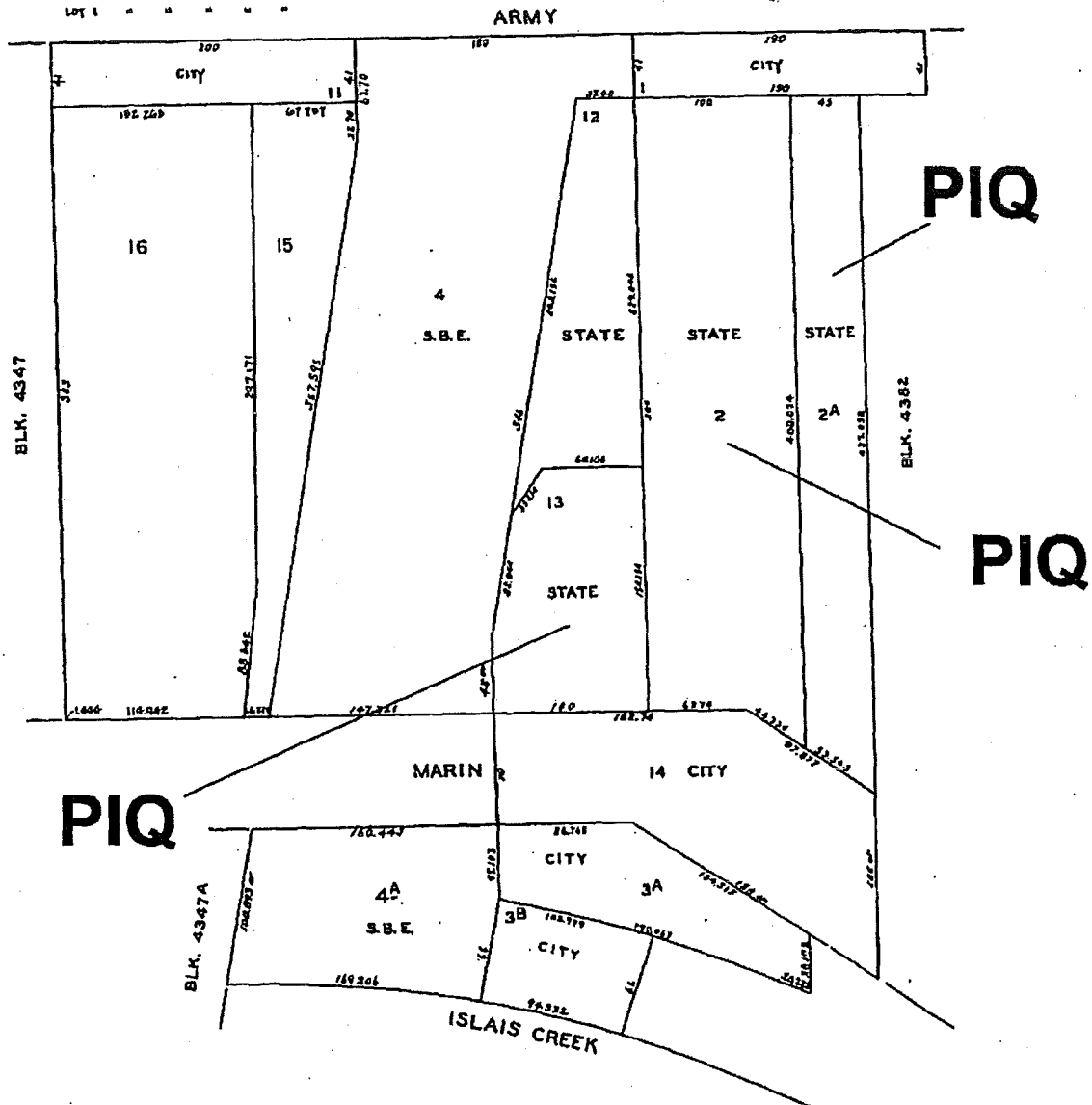
4349

REVISED 59
" '75
" '88
" '99

LOTS MERGED

LOTS	INTO LOT
3-9	10, 1935
18	1943
12	1943
48	1943

LOT 11 FROM S.B.L. INTO CITY - '89
LOT 1 " " " " " "



141 F FROM S.E. INTO CITY - '69



4382

NEW POTRERO
BLK 327 & 328

Former City Line
of PHOENIXIA AKS

ARMY

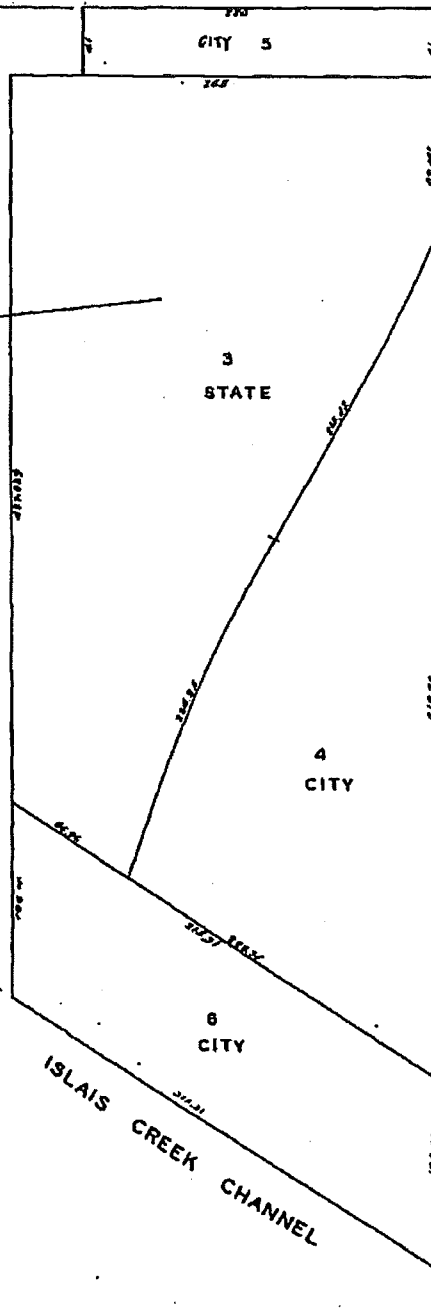
Former City Line
of IOWA ST.

REVISED 1974
REVISED 1975
'89

IMPORTANT: This plat is not a survey,
it is merely furnished as a convenience
to locate the land in relation to adjoining
streets and other lands, and not to
guarantee dimensions, distances,
bearings or acreage.

PIQ

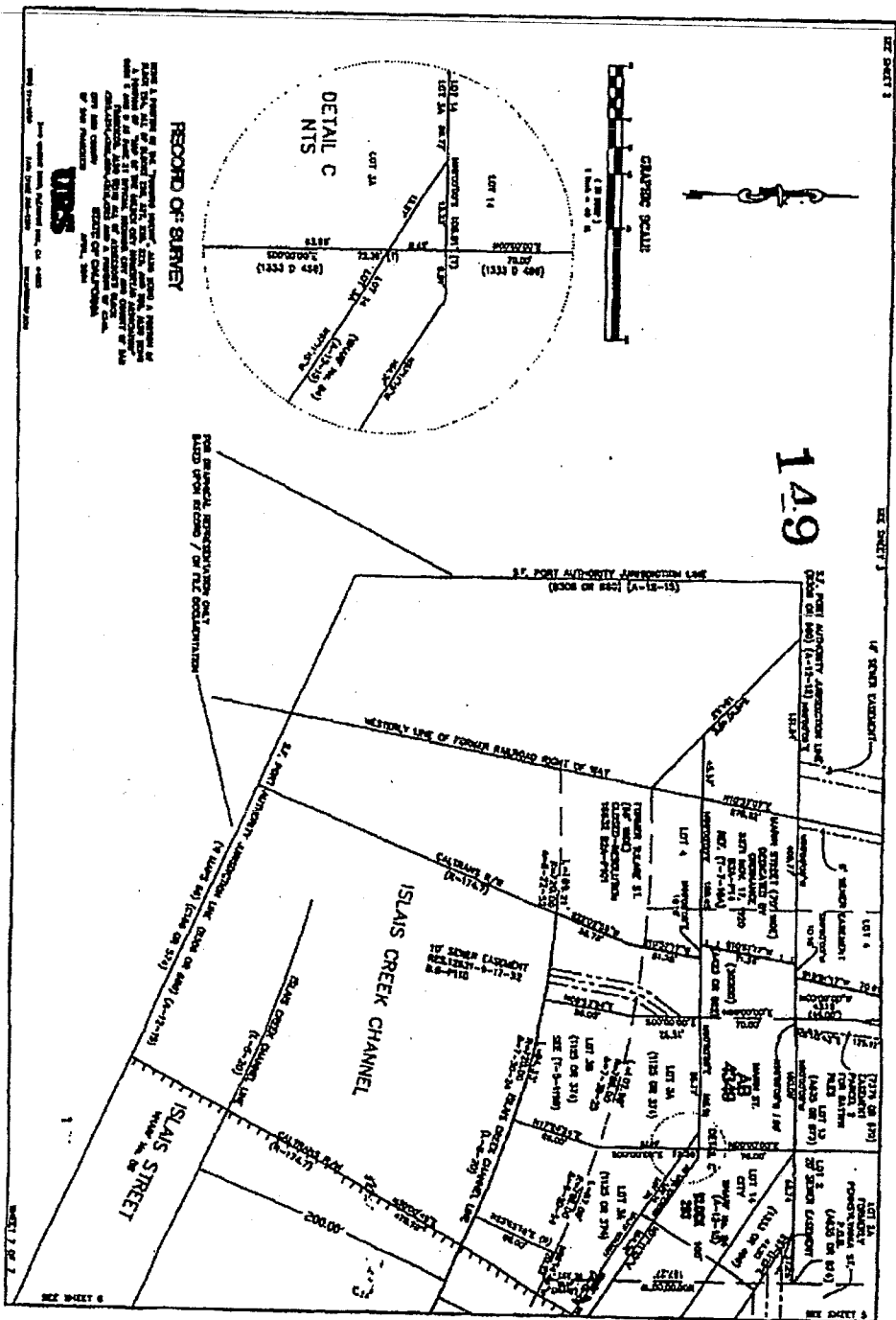
BLK. 4349



BLK. 4352

MARIN
(CLOSED)

BLK. 4381



parcel 30667

RWB:AM 2:8 11-7-62

7620

BOOK 1520 PAGE 480

Sec. Map No. R-174

Sheet 16714 Sta.

Entered on 2/7/1962

DATE NB 4-3-63

IV-SF-253-SF
No. 30667-M

THE WESTERN PACIFIC RAILROAD COMPANY, a corporation,

Grantor, does hereby grant unto the STATE OF CALIFORNIA, Grantee,
an easement for highway purposes over and across that certain
real property situate in the City and County of San Francisco,
State of California, described as follows:

Commencing at a point on the southerly
line of Army Street, as widened, distant thereon
South 86° 49' 23" West, 242.10 feet from the
point of intersection of the westerly line of
Indiana Street and said southerly line of Army
Street; thence from a tangent that bears South
19° 06' 21" West, along a curve to the right, with
a radius of 2529.18 feet, through an angle of 1°
02' 46.2", an arc length of 46.18 feet, to the
property line common to the lands, now or formerly
of The Western Pacific Railroad Company, a corpo-
ration, and of Bernice Harris, et al, Trustees;
thence along said common property line North 3° 10'
37" West, 1.55 feet and South 86° 49' 23" West,
410 feet to the property line common to the lands,
now or formerly of The Western Pacific Railroad
Company and of Southern Pacific Company; thence
along said common property line North 3° 10' 37"
West, 41.01 feet to said southerly line of Army
Street; thence along last said line North 86°
49' 23" East, 427.90 feet, to the point of
commencement.

Containing an area of 17,197.0 square

feet, more or less

Said easement is granted upon the following conditions

subsequent:

1. Grantor contributions will not be required toward cost
of any future grade separation if and when any grade separation
structure is required for highway purposes; however, this clause
shall be null and void as to a future separation should any said
separation be required because of change in railroad facilities.
2. This conveyance is made for the purposes of a freeway
and the Grantor hereby releases and relinquishes to the Grantee
any and all abutter's rights, including access rights, appurtenant
to Grantor's remaining property, in and to said freeway.

52458 DEC

52458 DEC2462

QUALIFICATIONS OF DAVID N. TATTERSALL, MAI

David N. Tattersall, MAI, is the founding principal of David Tattersall & Company and has over 38 years experience in the field of commercial real estate appraisal, 35 years of which have been focused in the United States.

David has served as the Chair of the West Branch of the San Francisco Bay Area Chapter of the Appraisal Institute in 1993 and 1994 and was actively involved with the merger of the Society of Real Estate Appraisers and the American Institute of Real Estate Appraisers San Francisco West Branch. David's reputation in the Appraisal community led to his appointment in 1994 as Vice Chair for the Chapter's Admissions Committee which oversees the quality of work product of candidates seeking the MAI designation.

David has also served as President of the Northern California Chapter of the Royal Institution of Chartered Surveyors, 1996.

Experience

David Tattersall & Company, San Francisco, Ca. President, 1990-present. Appraisal for private and public sector for mortgage lending, acquisitions/dispositions, condemnation and eminent domain, tax appeal, arbitration, expert witness and court testimony. David has testified as expert witness in San Mateo, Sonoma, San Francisco and Santa Clara County Superior Courts, and has also been involved in numerous depositions and arbitrations.

Clifford & Tattersall Inc., San Francisco, Ca: Co-founder/Partner, 1985-1990. Appraisal for both private and public sector clients including assignments for bank lending/OREO properties, FSLIC/FDIC valuation of bank portfolios, right of way, bond underwriting, eminent domain, tax appeal etc.

Hamilton & Associates, San Francisco, Ca: Associate Appraiser, 1979-1985. Assignments included a wide variety of major commercial, industrial and residential real estate located throughout the San Francisco Bay Area, in addition to assignments located in more than 22 states.

Fuller Peiser, London, England: Valuation Surveyor, 1976-1979. Assignments included business asset valuation for institutional and major industrial companies, commercial and industrial valuations, property tax appeals, arbitrations and brokerage, throughout the United Kingdom and northwest Europe. Typical assignments included petro-chemicals, food processing, auto/aero engineering, in addition to associated office premises, medical facilities, and retail units.

Education/Designations

State Certified General Real Estate Appraiser, State of California.
Fellow of the Royal Institution of Chartered Surveyors
Appraisal Institute: Member, Appraisal Institute
Department of Real Estate, California
International Right of Way Association- member
Portsmouth Polytechnic: B.Sc. Urban Land Administration. 1976
Continuing education maintained for current certification.

(OREA ID: AG02681).
(FRICS) Retired
(MAI)
(Broker ID. 01310840)

Office of Environmental Review
Department of City Planning
450 McAllister Street
San Francisco, CA 94102

ENDORSED
FILED
San Francisco County Superior Court

NOTICE OF DETERMINATION

APR 16 1990

☒ State of California
Office of Planning and Research
1400 Tenth Street
Sacramento, CA 95814
State Clearinghouse No.: 89050912

DONALD W. DICKINSON, Clerk
BY: D. MEYWOOD
Deputy Clerk

☒ County Clerk
City and County of San Francisco
317 City Hall
San Francisco, CA 94102

Pursuant to the California Environmental Quality Act (CEQA), the Guidelines of the Secretary for Resources and San Francisco requirements, this Notice of Determination is transmitted to you for filing. At the end of the posting period, please return this Notice to the Contact Person with a notation of the period it was posted.

File Number and Project Title: 88.700ER: MUNI Diesel Coach Operating Division and Central Maintenance Facility
Address: Area bounded by Army, Indiana, Marin, and Tennessee Streets, Islais Creek and the elevated I-280 freeway.

Project Description: The railway diesel coach operating division would house the storage, routine maintenance and dispatching of a fleet of up to 200 diesel coaches, the central maintenance facility would house the heavy repair functions for MUNI's entire fleet of diesel coaches.

Lead Agency: City and County of San Francisco by Department of City Planning, 450 McAllister Street, San Francisco, CA 94102
Contact Person: Catherine Bauman Telephone: (415) 558-6392

The City and County of San Francisco decided to carry out or approve the project on April 6, 1990 (date). A copy of the document(s) may be examined at the Board of Supervisors, Room 235, City Hall, San Francisco, CA., in file No. 84-90-1

1. An environmental document has been prepared pursuant to the provisions of CEQA, as noted below. It is available to the public and may be examined at the Office of Environmental Review at the above address.

☐ Certificate of Exemption
☒ Negative Declaration
☐ Environmental Impact Report

2. A determination has been made that the project in its approved form

☒ will not have a significant effect on the environment.
☐ will have a significant effect on the environment and findings were made pursuant to Section 15091 and a statement of overriding considerations was adopted.

3. Mitigation Measures ☒ were ☐ were not made a condition of approval.

Sincerely,
Dean L. Macris,
Director of Planning

Barbara W. Sahm
by Barbara W. Sahm,
Environmental Review Officer

Sincerely,

John Taylor
John Taylor,
Clerk, Board of Supervisors

cc: Sue C. Hestor
870 Market St, #1121
San Francisco CA 94102

cc: Project Sponsor: Jim Nelson, PUC
425 Mason Street
San Francisco, CA 94102

NEGATIVE DECLARATION

Date of Publication of

Preliminary Negative Declaration: May 5, 1989. Amended June 20, 1989

Lead Agency: City and County of San Francisco, Department of City Planning
450 McAllister Street, 5th Floor, CA 94102

Agency Contact Person: Catherine Bauman Telephone: (415) 558-6392

Project Title: 88.700ER: MUNI Diesel Coach Operating Division and Central Maintenance Facility

Project Sponsor: San Francisco Public Utilities Commission

Project Contact Person: Jim Nelson

Project Address: Area bounded by Army, Indiana, Marin and Tennessee Streets,
Islais Creek and the elevated I-280 freeway
City and County: San Francisco

Project Description: MUNI proposes to establish a Railway Diesel coach Operating Division and Central Maintenance Facility. The facility would (1) house the storage, routine maintenance and dispatching of a fleet of up to 200 diesel coaches; (2) house the heavy repair functions for MUNI's entire fleet of 500 coaches which would be brought to the site as necessary.

THIS PROJECT COULD NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. This finding is based upon the criteria of the Guidelines of the State Secretary for Resources, Sections 15064 (Determining Significant Effect), 15065 (Mandatory Findings of Significance) and 15070 (Decision to Prepare a Negative Declaration), and the following reasons as documented in the Initial Evaluation (Initial Study) for the project, which is attached:

Project Description. MUNI proposes to establish a Diesel Coach Operating Division and Central Maintenance Facility on a site bounded by Tennessee, Marin, Indiana and Army Streets and by the elevated I-280 freeway and Islais Creek. The Operating Division would house the storage, routine maintenance and dispatching of a fleet of up to 200 diesel coaches. The Central Maintenance Facility would house the heavy repair functions for MUNI's entire fleet of 500 coaches; coaches would be brought to the site for maintenance as necessary. All existing buildings and structures on the site would be demolished.

Portions of the 537,300 square foot site are currently owned by Caltrans, the City of San Francisco, the Port of San Francisco and a private owner. In order to carry out the project, the Public Utilities Commission must acquire or lease the property from the current owners. There are several assessor's lots included in the site. Blocks 4379 and 4380 (bounded by Marin, Tennessee, Tulare and Indiana Streets) are held by the Port of San Francisco. Block 4381 and a portion of Block 4352 are owned by Granex, Inc. Portions of Block 4382 and 4352 are owned by the City of San Francisco. A portion of Block 4382 is owned by Caltrans. The project site also includes a section of Indiana Street which would be vacated. In order for the project to proceed, each of these

-Over-

Mitigation measures, if any, included in this project to avoid potentially significant effects:

-See p. 9-

Final Negative Declaration adopted and issued on June 20, 1989
Amendments made to the Preliminary Negative Declaration are underlined.

cc: Robert Passmore
Paul Rosetter
Distribution List
Bulletin Board
Master Decision File

Barbara W. Sahm
BARBARA W. SAHM
Environmental Review Officer

BWS:CVB:emb
CVB:142

entities would have to agree to transfer or lease the land to the Public Utilities Commission. The City Planning Commission must determine if the transfers of property to and from City agencies, and the vacation of a section of Indiana Street, are in conformance with the Master Plan.

The project is related to other potential MUNI projects throughout the City, all of which are at early stages of the planning process. The operating division which would be located at the site is currently at the Kirkland Bus Yard, in the Fisherman's Wharf area. The Kirkland Bus Yard is proposed for residential use as part of the ongoing Fisherman's Wharf planning effort. An EIR on the Fisherman's Wharf Plan is currently being prepared by the City (File 88.587E). The Central Maintenance Facility and the Paint and Body Shop which would be located at the site are currently at the Woods Division, located at Indiana and 23rd Streets. Facilities which are currently located at 24th and Utah could move, in turn, to the Woods Division, enabling MUNI to cease operations at 24th and Utah. The project is intended to provide for a consolidation of existing operations, rather than for a substantial expansion of service. It is also intended to allow MUNI to cease operations at two locations (Kirkland and 24th/Utah) which are currently overcrowded and are surrounded by uses which may conflict with the operation of a bus yard.

The project would also require approval from the Bay Conservation and Development Commission (BCDC) because it is within 100 feet of Islais Creek. BCDC would consider the project when specific building or grading activities are proposed.¹ The project design and construction would require approval from the Urban Mass Transportation Administration, which would fund a portion of the project.

The site is in an area of predominately industrial uses. It is in an M-2 (Heavy Industrial) zoning district. The portion of the site south of the line of Marin Street is in a 40-X height and bulk district. The portion of the site north of the line of Marin Street is in a 65-J height and bulk district. The elevated I-280 freeway is directly to the west. Islais Creek passes by the south side of the site. Warehousing and storage uses are located directly to the north across Army Street. Other nearby uses include a lumber supply outlet, a commercial laundry, a recreational vehicle rental yard, a trucking firm. An auto wrecking operation is located across Islais Creek to the south. The nearest residential district is on Potrero Hill to the northwest of the site. San Francisco Bay is located about 4000 feet to the east. There are a number of boats tied up at Pier 86, to the east of the site along Islais Creek, some of which have been used as residences. These boats are not charged dockage (fees for water use) by the Port and receive no Port services. There is some question as to the legality of the presence of any boats in this area.²

Facility planning and site design for the project would not begin until the site has been acquired. This environmental review will consider the likely impacts of the program as it is envisioned at this early stage in the planning process. The potential environmental impacts of the maximum expected level of activity will be analyzed. A likely site design based on the program will be assumed. If, as the project progresses, the program for the site changes so that different activities or a different level of activity are expected, or if the site design raises potential environmental issues which are not considered here, additional environmental review will be required.

This analysis assumes that, as a result of the requirements of BCDC, public access along Islais Creek would be provided and the site design would include the improvement of the edge of the Creek to enhance public access. A citizens group, the Friends of Islais Creek, is currently investigating the feasibility of restoring the edges of the creek to provide attractive public access and wildlife habitat in cooperation with the Port and other property owners.³ No design has yet been developed for such a creek-side path. Should the site be acquired and the project proceed, the public access would be developed by MUNI in cooperation with interested citizens groups and would be reviewed and approved by BCDC. Any such public access or wildlife habitat improvement would not result in substantial adverse environmental impacts.

Visual. The site contains a number of industrial structures. The largest is a 26,000 square foot warehouse fronting Indiana Street south of Marin Street. It is about 42 feet tall at its highest point. There are a number of

Industrial structures fronting Indiana Street south of Army Street which were used for processing and storing coconut oil. An approximately 50-foot tall "pellet loader" adjacent to the Creek is the tallest structure on the site. All of these structures would be demolished as part of the project. These structures are visible from the south side of Islais Creek. Upper portions of the warehouse and the pellet loader can be seen, as part of the larger industrial district, from the south side of Potrero Hill to the north west. Views of lower buildings on the site from this vantage point are blocked by the about 50-foot tall elevated freeway structure.

A new two or three-story building of approximately 235,000 square feet would be constructed. It would contain bus repair bays and shops, offices and storage. A 6,000 square foot tire shop is also proposed. Other areas to be used for fare retrieval, fueling, cleaning and washing would be covered with canopies. At this early stage in the planning process, these buildings have not been sited or designed. They would, however, be of an industrial nature and would be similar in character to other functional industrial buildings in the area. A portion of the site would be used for open storage of coaches. The upper portions of any buildings would be visible, as part of the larger industrial district, from Potrero Hill. The lower portions of buildings, and parked coaches, would only be visible from viewpoints closer to the site, because of the intervening elevated freeway. Much of the project would be visible from the public access on the site along Islais Creek which would be developed as part of the project or nearby access developed independently of this project. The industrial nature of the site and of the area will influence the character of the public access along the Creek. The project would not degrade the character of this space or result in a significant negative visual impact on the space.

Transportation. The major transportation routes in the vicinity of the project are I-280 and Army Street adjacent to the site, Third Street to the east of the site and Evans Street to the west of the site. Transportation studies have been completed for several proposed projects in the vicinity, including the proposed I-280 Islais Creek Interchange,⁴ the proposed Homeporting of the USS Missouri,⁵ the Islais Creek Facilities of the San Francisco Clean Water Program,⁶ the Mariposa Facilities of the San Francisco Clean Water Program,⁷ The San Francisco Container Terminal,⁸ and the San Francisco Newspaper Agency Production Plant.⁹ All of these analyses assumed a substantial amount of traffic to be generated by the Navy's proposed homeporting project.¹⁰ If that project is not carried out, traffic conditions are likely to be better in the future than was projected in these studies.

These studies have shown that most intersections are currently operating at acceptable levels of service,¹⁰ and are expected to continue to do so with the addition of traffic from these proposed projects and other cumulative traffic increases. However, these studies identify intersections in the project vicinity where future congestion may be at unacceptable levels. At Third/Evans future conditions during the PM peak hour are expected to be unacceptable.^{4,5} At Third/25th, future conditions during the PM peak hour would be unacceptable unless mitigations which were assumed to occur as part of individual projects, particularly the Islais Creek Interchange and the Homeporting of the USS Missouri projects were to occur.^{4,5} The Islais Creek Interchange, if carried out, is likely to include mitigative design features. Since it now appears unlikely that the Homeporting of the USS Missouri will occur, there will be no new traffic resulting from that project and no need for measures to mitigate the transportation impacts of that project. Evans/Napoleon/Toland is currently operating at unacceptable levels of service during the PM peak hour and is expected to continue to do so.^{4,9} The peak hour for traffic using the street system is the heaviest one-hour period between 4 PM and 6 PM; therefore this is the period when additional vehicles would be most likely to result in traffic impacts. Because this is the time when most coaches are operating on their assigned routes, most of the traffic generated by this project would occur in the early morning, or after 6 PM.

The project could result in up to about 430 daily trips ends to the site by coaches from the Operating Division, 30 to 50 daily trips ends by coaches using the Central Maintenance Facility, and about 950 daily trip ends by employees traveling to and from work. Up to 15 deliveries per day would be expected, and two or three dispatchings of trucks to MUNI's other divisions. Some of these trips would not be new to the area, but would represent trips which are currently generated by the Woods facility at Indiana and 23rd Streets or the Army facility at Army and Third Street. (The Army facility is another MUNI operating division, open since 1984, that would cut back its functions late this year and close entirely when the new operating division and Central Maintenance Facility opens.)

The precise impacts of the proposed Operating Division activities on the nearby street system would depend on the lines which would be assigned to the facility and their schedules. Because of the preliminary stage in the planning process, this cannot be determined now. The following analysis uses conservative assumptions about the number of vehicles and their routes on leaving the facility in order to provide a conservative, generalized view of the potential impacts of siting a diesel bus operating division at this location. The analysis considers the impacts of this facility in the context of other nearby MUNI facilities. The peak hours for coaches from the Operating Division leaving or arriving are 6-7 AM and 6-7 PM.¹¹ Coaches heading for the northern or central portions of the City (most of which are now based at Kirkland) would travel west along Army, passing through the Army/Evans intersection. Assuming that all MUNI coaches heading in these directions were assigned to either the proposed project or the Woods division two blocks away (a conservative assumption and one that cannot hold for all directions simultaneously), there would be approximately 170 additional coaches passing through this intersection daily on weekdays. During the PM peak hour there would be about three additional coaches passing through this intersection. Coaches heading for the western or southwestern portions of the City would use I-280, located adjacent to the site. They would pass through none of the congested intersections.¹¹

Coaches heading for the southeastern portion of the City would travel south along Third Street. (Most of these lines are currently assigned to the nearby Woods facility, and use much the same route that they would use in the future with the project.) They would pass through Third/Army, Third/Cargo, Third/Evans. Of these intersections, Third/Evans and Third/Army are expected to experience significant congestion in the future. Assuming that all MUNI coaches heading in these directions were assigned to either the proposed project or the Woods division two blocks away, there would be approximately 11 additional coaches passing through these intersections daily on weekdays. During the PM peak hour there would be no additional coaches.¹¹ These increases in traffic associated with the proposed Operating Division could not noticeably change intersection performance.

As a result of the reassignment of coaches to the project site, there would be a decrease of about 66 Operating Division coaches traveling through the intersection of Third/25th,¹¹ which may be operating at unacceptable levels of service in the future.

The project would also result in trips by coaches being repaired at the Central Maintenance Facility. This function is now performed at the Woods Division, at Indiana/23rd. As a worst case (assuming that all coaches are arriving from locations closer to Woods than to the proposed project) this would result in about two blocks being added to these 30 to 50 daily trips.¹¹

About 190 day-shift maintenance and administrative employees would be at the site, most of whom are currently assigned to the Woods facility and the Army/Third Street facility. Although their trips to work would be altered somewhat by the project, they would not represent new trips to the area, and would not result in significant changes in any nearby intersections. About 150 bus operators would be assigned to the Operating Division. The largest numbers of bus driver trips are generally before 6 AM and after 7 PM. There would be approximately 475 total employees (maintenance, administrative and operators) over the course of a weekday (340 day-shift, 126 swing shift, 7 night shift).

It is likely that a new traffic signal would be warranted at the point where vehicles leaving the site enter Army Street. (There are no existing traffic signals on Army Street adjacent to the site.) When site planning has advanced, and the access to the site designed, MUNI would work with DPW to develop appropriate signalization.

Transportation impacts associated with the project would not be significant relative to the existing capacity of the surrounding street system. The change in area traffic as a result of the project would be undetectable to drivers. The project's impact on area parking availability would also not be substantial.

Muni intends to provide employee parking on the site. Because final program and site design have not been determined, and number of parking spaces and the layout is not known. The site has a number of street frontages, where on-street parking is currently available. Most nearby uses provide some off-street parking for employees and visitors. It is unlikely that the project could result in a substantial change in the area's parking availability.

Air Quality. Construction work would temporarily raise particulate levels in the area. In order to mitigate this impact, any open holes would be watered. See Mitigation Measure 1, below.

The project would not result in new vehicle trips in the City or in the region, because the buses using the facility would be buses that are currently using other MUNI facilities, and the employees at the site would be current MUNI employees. The project would, however, result in new trips to the site which could result in air quality impacts in the vicinity of the project.

The Bay Area Air Quality Management District (BAAQMD) has established thresholds for projects requiring its review for potential air quality impacts. These thresholds are based on the minimum number of vehicle trips which the BAAQMD considers capable of producing air quality problems, primarily carbon monoxide in San Francisco. The project would not exceed this minimum standard as it would result in 1,445 daily vehicle trip ends to the site compared to the 2,000 daily vehicle trip end threshold that has been established by BAAQMD. For projects that exceed these thresholds a carbon monoxide analysis is generally prepared in San Francisco. An analysis of particulate emissions is not prepared because most of the particulate emissions in San Francisco result from sources other than from the operation of motor vehicles.

Because many of the trips would be made by buses that emit less carbon monoxide than do light duty vehicles, the carbon monoxide emissions would be less for this project than if all of the trips were made by the average San Francisco Bay Area vehicle mix. For example, if future project trips were made by the average Bay Area vehicle mix driving at speeds between 5 to 15 mph there would be about 4,400 to 4,800 grams per mile more carbon monoxide than if the specific vehicle mix for this project (480 bus trips, 965 other vehicle trips) were taken into account.^{12,13} Therefore, no significant air quality impacts would be generated by the proposal.

Noise. The site is in an area with high ambient noise levels from the adjacent elevated freeway and from nearby industrial uses. Uses on the site, including diesel coaches, other vehicles and repair machinery would generate noise. Noise impacts are influenced by distance from those hearing the noise, and by the presence of intervening structures. Because the configuration of the uses on the site has not been determined, a precise calculation of noise levels is not possible. It is likely that noise from the project would be perceptible at the property lines. The closest sensitive receptors are the residences on Potrero Hill, across the freeway from the site. Because of the distance, and the existence of other intervening noise sources (especially the freeway), noise from the project would be attenuated, and would not result in significant noise impacts. Noise from the project would also be perceptible to pedestrians using the public access along Islais Creek which would be developed as part of the project. The character of this public access, as well as other public access along Islais Creek, would be influenced by the industrial nature of the area. In this context, the noise impacts of the project would not be significant.

The San Francisco Noise Ordinance (Article 29 of the Police Code) establishes standards for noise levels in the various zoning districts. It states that any "fixed source machinery or equipment, or similar mechanical device" may not exceed 75 dBA at any time in the M-2 district, measured at the property line of any affected lot. This ordinance would apply to any machinery used on the site. It would not apply to diesel coaches.

Public Services. The project would allow a consolidation of MUNI operations at a central location. It is intended to encourage more efficient MUNI operations, in an area without nearby incompatible land uses.

The project site is in a Special Geologic Study Area as shown in the Community Safety Element of the San Francisco Master Plan. This map indicates areas in which one or more geologic hazards exist with the potential for causing land movement or inundation.

The final building plans would be reviewed by the Bureau of Building Inspection (BBI). In reviewing building plans, the BBI refers to a variety of information sources to determine existing hazards and assess requirements for mitigation. Sources reviewed include maps of Special Geologic Study Areas and known landslide areas in San Francisco as well as the building inspectors'

working knowledge of areas of special geologic concern. If indicated by available information, BBI would require that site-specific soils reports be prepared, by a licensed soils engineer, prior to construction. Potential geologic hazards would be mitigated through the permit review process through these measures.

Hazards and Water Quality. A site history has been performed,¹⁴ and site assessment performed by a contractor working under the direction of the Department of Public Health,¹⁵ in order to determine whether past uses have resulted in the presence of hazardous material at the site. The conclusions of these studies are summarized here. The site history indicates that the site is in an area which was created by bayfill between the mid-1920s and the mid-1930s. Portions of the site have been used for a variety of industrial uses since the 1960s, including coconut oil processing, warehousing, fuel storage. Soil contaminated by past uses has been discovered on property to the west of the site (Federated Metals).¹⁴ There is also some evidence of undocumented dumping activities on the site.

The site assessment included taking soil samples from 25 boreholes throughout the site, two samples from the surface, and two water samples from Islais Creek adjacent to the site. The tests revealed that contamination exists on the site. One location contains hydrocarbons well above levels which are considered hazardous waste. Other locations contain some lesser degree of contamination. Four have elevated hydrocarbon levels, although they are below the level which is considered hazardous waste. Additional testing of areas which may contain nickel contamination will be necessary to determine the appropriate clean-up methods. Several locations had elevated concentrations of nickel, or high pH levels. In addition, surface oil splotches were observed, which may contain hazardous levels of hydrocarbons, and which contain coconut oil from the Granex operations. The coconut oil appears to be non-hazardous. The water samples found detectable levels, at low tide only, of four contaminants: tetrachloroethene, toluene, arsenic, zinc. The consultant believes that the source is not on the project site.

In order to assure that hazardous materials on the site are properly handled, so that no impacts would result from construction on the site, MUNI, under the direction of the Department of Public Health, would carry out the following mitigation: All soil containing hazardous levels of hydrocarbons or metals would be removed and correctly disposed of as required by hazardous waste laws. Groundwater monitoring wells would be installed in order to characterize any groundwater contamination which may have resulted from this contamination. Any groundwater contamination discovered would be remediated as required by hazardous waste laws. Surface oil splotches would be remediated, by removing contaminated soils and properly disposing of it.

The portion of the site east of Indiana Street is located in the area subject to the ordinance "Analyzing Soil for Hazardous Wastes" which amends the Public Works Code. (Ordinance 253-86). That ordinance requires that the project sponsor for any grading work or future construction project on the site, which would involve the disturbance of 50 cubic yards or more of soil, conduct tests of the soil to determine the presence of hazardous materials as defined by State and Federal agencies, prepare a site history describing past uses on the site which would enable the Director of Public Health to require testing of the soils for additional hazardous materials, and complete a site mitigation plan to the satisfaction of the appropriate State or Federal agencies. These requirements must be met before a permit can be issued. The site assessment and mitigation described above satisfy this requirement.

The project would result in the use and storage of potentially hazardous materials. Diesel buses contain a number of fluids and materials which can result in hazards to public health or the environment if they are allowed to accumulate in water, in the soil, or to enter the sewer system. These fluids and materials include oil, gasoline, transmission fluid, radiator fluid, battery acids, lead parts, tires, solvents and cleaners, and brake pads. Fueling activities, maintenance activities and coach washing (particularly washing the undersides of buses) could, if not properly carried out, result in the discharge of hazardous materials to the air, soil or water. The following City and State laws and regulations are intended to assure that toxic materials and wastes are properly handled and do not result in hazards to public health and the environment:

State law and regulations of the California Department of Health Services regarding storage and disposal of hazardous wastes (Health & Safety Code Section 25100 et seq., Title 22, Cal. Admin. Code Sections 66001 et seq.).

San Francisco Hazardous Materials Permit and Disclosure Ordinance (Health Code Sections 1101-1199).

San Francisco flammable liquids containment permit requirements (Fire Code Sections 11.01-11.95)

San Francisco hazardous chemicals permit requirements (Fire Code Sections 13.01-13.13).

These laws and regulations are intended to insure that hazardous materials are properly handled, and that no hazardous materials would reach the Bay, accumulate in the soil, enter the sewer system or be improperly deposited in a landfill. MUNI would comply with all applicable codes when designing or operating the facility. Underground tanks would be installed to hold diesel fuel, engine oil, automatic transmission fluid, engine coolant, waste oil, waste coolant. All tanks and associated piping would include secondary containment, with leak monitoring systems, as required by the Hazardous Materials Permit and Disclosure Ordinance. In addition, Muni has installed a centralized computerized leak monitoring system serving all of its facilities.¹⁶ It is also Muni's policy to install new tanks in vaults.¹⁷ These two actions are intended to further assure that tanks do not leak, resulting in soil or water contamination.

Bus parking and circulation areas would be paved with impervious materials, and be adequately drained, to assure that contaminants would not enter the soil. Maintenance bays, fueling islands, the bus washing facility and all yard surfaces would contain drains with oil/water separators to assure that oil would not enter Islais Creek or the sewer system. Water used in the steam cleaning of buses, which could contain concentrations of heavy metals from the lubricants used in bus operation, would be collected in settling chambers. This water would then be strained through stainless steel strainers. The strained material, if found to contain unacceptable levels of heavy metals or other contaminants, would be disposed of as hazardous waste.^{16a} Spill control stations, with adequate capacity for clean-up, would be located near all areas where hazardous materials are used or stored.¹⁷ These features of the design, collectively referred to as Mitigation Measure 3, would assure that the hazardous materials used as part of the project would not result in a significant impact on the environment.

Cultural. All buildings and structures on the site would be demolished. There are no buildings on the site which have been identified as historical resources. The site history concluded that "there is a slight possibility that prehistoric archaeological remains may once have existed" on the site, but that there is "little likelihood" of recovering historic cultural resources.¹⁵ In order to mitigate this potential impact the sponsor has agreed to implement mitigation measure 4.

While local concerns or other planning considerations may be grounds for modification or denial of the proposal, there is no substantial evidence that the project could have a significant effect on the environment.

NOTES

1. Joan Lundstrom, Permit Analyst, BCDC, phone conversation, March 30, 1989.
2. Charles Mitchell, Chief Wharfinger, Port of San Francisco, phone conversation, March 30, 1989.
3. Julia Viera, Friends of Islais Creek, phone conversation, March 31, 1989.
4. Bureau of Traffic Engineering and Operations, Islais Creek Interchange Traffic Study, 1988, p.26. (DCP file No. 87.413E)
5. U.S. Department of the Navy, FEIS: Homeporting--Battleship Battlegroup/Cruiser Destroyer Group, 1987, pp. 5-58, 5-92a. (DCP file No. 86.173E)
6. Bureau of Traffic Engineering and Operations for the San Francisco Clean Water Program, Islais Creek Facilities Traffic Study, Draft Report, 1988, p.23. (DCP file No. 87.664E)
7. DeLeuw-Cather for the San Francisco Clean Water Program, Mariposa Facilities Traffic Study, Final Report, 1988, p.29. (DCP file No. 87.663E)
8. Renato Martinez, P.E. Pier 70 Container Freight Station Traffic Report, 1986, p. 11. (DCP file No.85.123 E)
9. Transportation Study, San Francisco Newspaper Agency Production Plant, 1987.
10. Level of Service ratings range from A to F, with A representing the best conditions. Intersections operate at acceptable conditions through LOS D, with increasing deterioration thereafter.
11. Susan Chelone, MUNI, March 14, 1989 memo, available in project file.
12. Tosh Mangut, of the Bay Area Air Quality Management District, telephone conversation with Sally E. Maxwell of the Office of Environmental Review, May 1, 1989. In the year 2000, buses would emit 29.76 grams (g) per mile at 5 mph, 20.52 g/mile at 10 mph and 14.81 g/mile at 15 mph.
13. Bay Area Air Quality Management District, Air Quality and Urban Development, Guidelines for Assessing Impacts of Projects and Plans, revised April 27, 1989, p. VI-12.
14. Archeo-Tec, The Woods Annex Facility, San Francisco, California: A Site History, March 8, 1988.
15. Crosby & Overton, Inc., Preliminary Site Assessment of Wood's Annex Site, n.d.
16. Larry James, MUNI, Phone conversation, March 6, 1989.
- 16a. Bill Nielson, MUNI, Phone conversation, June 20, 1989.
17. Bruce Bernhard, MUNI, Phone conversation, March 6, 1989.

MITIGATION MEASURES

1. Air quality. In order to assure that the project would not result in an increase in a fine particulate matter (PM₁₀) level above acceptable levels in the area, the area under construction would be watered twice daily. This is required by the Bureau of Building Inspection and would be enforced by the Building Inspectors as part of their responsibilities.

2. Clean up of existing site contamination. In order to assure that existing contamination on the site would not result in significant impacts, all soil containing hazardous levels of hydrocarbons or metals would be removed and correctly disposed of as required by hazardous waste laws. Groundwater monitoring wells would be installed in order to characterize any groundwater contamination which may have resulted from this contamination. Surface oil splotches would be remediated, by removing contaminated soil and properly disposing of it. Before a building permit is issued by the Bureau of Building Inspection, Muni would submit a report to the Department of Public Health and the Department of City Planning showing that all hazardous materials have been removed from the site and correctly disposed of.

3. Handling of hazardous materials used during project operation. Muni would comply with all applicable laws and regulations governing the handling of hazardous materials on the site. In order to assure that the use of hazardous materials used during project operation would not result in significant impacts, the following design features would be incorporated into the project. All underground tanks and associated piping would include secondary containment, with leak monitoring systems, as required by the Hazardous Materials Permit and Disclosure Ordinance. In addition, Muni has installed a centralized computerized leak monitoring system serving all of its facilities. It is also Muni's policy to install new tanks in vaults. These two actions would further insure that tanks do not leak, resulting in soil or water contamination. Bus parking and circulation areas would be paved with impervious materials, and be adequately drained, to assure that contaminants would not enter the soil. Maintenance bays, fueling islands, the bus washing facility and all yard surfaces would contain drains with oil/water separators to assure that oil would not enter Islais Creek or the sewer system. Water used in the steam cleaning of buses, which could contain concentrations of heavy metals from the lubricants used in bus operation, would be collected in settling chambers. This water would then be strained through stainless steel strainers. The strained material, if found to contain unacceptable levels of heavy metals or other contaminants, would be disposed of as hazardous waste. Spill control stations, with adequate capacity for clean-up, would be located near all areas where hazardous materials are used or stored. Before an occupancy permit is issued by the City, Muni would submit a report to the Department of Public Health and the Department of City Planning containing a plan for the handling and disposal of hazardous materials as at the facility.

4. Prehistoric cultural resources. Should evidence of cultural or historic artifacts or features of potential significance be found during project excavation, the Environmental Review Officer (ERO) and the President of the Landmarks Preservation Advisory Board (LPAB) would be notified immediately, and any excavation which could damage such artifacts or features halted. The project sponsor would select an archaeologist to assist the Office of Environmental Review in determining the significance of the find. The archaeologist would prepare a report to be submitted to the ERO and the President of the LPAB containing an assessment of the potential significance of the find and recommendations for what measures should be implemented, including an appropriate security program, and a program for the preservation and recovery of any potential artifacts/features. The ERO would then recommend specific mitigation measures, including submittal of written reports to the ERO, if necessary. Excavation or construction activities which might damage discovered cultural resources would be suspended for a total maximum of four weeks over the course of construction to permit inspection, recommendation and retrieval, if appropriate.

The archaeologist would prepare a draft report documenting the artifacts/features that were discovered, an evaluation as to their significance, and a description as to how any archaeological testing, exploration and/or recovery program was conducted. Copies of draft reports prepared according to these mitigation measures would be sent first and directly to the Environmental Review Officer and to the President of the Landmarks Preservation Advisory Board for review. Following approval of the report by the ERO and the President of LPAB, a final report is to be sent to the California Archaeological Site Survey Office at Sonoma State University, the Foundation for San Francisco's Architectural Heritage and the State Office of Historic Preservation. The Office of Environmental Review shall receive three final copies of the final archaeological findings report.

ENVIRONMENTAL EVALUATION CHECKLIST
(Initial Study)

File No: 88.700ER Title: Muni facility at Army and Indiana
 Street Address: Army/Indiana Streets Assessor's Block/Lot: 4379-4382
4352
 Initial Study Prepared by: Catherine Bauman

A. COMPATIBILITY WITH EXISTING ZONING AND PLANS

Not
Applicable. Discuss

- | | | |
|---|---|---|
| 1) Discuss any variances, special authorizations, or changes proposed to the City Planning Code or Zoning Map, if applicable. | — | X |
| *2) Discuss any conflicts with any adopted environmental plans and goals of the City or Region, if applicable. | X | — |

B. ENVIRONMENTAL EFFECTS - Could the project:

1) Land Use

YES NO DISCUSSED

- | | | | |
|--|---|---|---|
| * (a) Disrupt or divide the physical arrangement of an established community? | — | X | — |
| * (b) Have any substantial impact upon the existing character of the vicinity? | — | X | — |

2) Visual Quality

- | | | | |
|--|---|---|---|
| * (a) Have a substantial, demonstrable negative aesthetic effect? | — | X | X |
| (b) Substantially degrade or obstruct any scenic view or vista now observed from public areas? | — | X | — |
| (c) Generate obtrusive light or glare substantially impacting other properties? | — | X | — |

3) Population

- | | | | |
|--|---|---|---|
| * (a) Induce substantial growth or concentration of population? | — | X | — |
| * (b) Displace a large number of people (involving either housing or employment)? | — | X | — |
| (c) Create a substantial demand for additional housing in San Francisco, or substantially reduce the housing supply? | — | X | — |

4) Transportation/Circulation

- | | | | |
|---|---|---|---|
| * (a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system? | — | X | X |
| (b) Interfere with existing transportation systems, causing substantial alterations to circulation patterns or major traffic hazards? | — | X | X |
| (c) Cause a substantial increase in transit demand which cannot be accommodated by existing or proposed transit capacity? | — | X | — |
| (d) Cause a substantial increase in parking demand which cannot be accommodated by existing parking facilities? | — | X | X |

5) Noise

- | | | | |
|--|---|---|---|
| * (a) Increase substantially the ambient noise levels for adjoining areas? | — | X | X |
| (b) Violate Title 24 Noise Insulation Standards, if applicable? | — | X | — |
| (c) Be substantially impacted by existing noise levels? | — | X | — |

* Derived from State EIR Guidelines, Appendix G, normally significant effect.

	YES	NO	DISCUSSED
6) <u>Air Quality/Climate</u>			
* (a) Violate any ambient air quality standard or contribute substantially to an existing or projected air quality violation?	—	X	X
* (b) Expose sensitive receptors to substantial pollutant concentrations?	—	X	—
(c) Permeate its vicinity with objectionable odors?	—	X	—
(d) Alter wind, moisture or temperature (including sun shading effects) so as to substantially affect public areas, or change the climate either in the community or region?	—	X	—
7) <u>Utilities/Public Services</u>			
* (a) Breach published national, state or local standards relating to solid waste or litter control?	—	X	—
* (b) Extend a sewer trunk line with capacity to serve new development?	—	X	—
(c) Substantially increase demand for schools, recreation or other public facilities?	—	X	—
(d) Require major expansion of power, water, or communications facilities?	—	X	—
8) <u>Biology</u>			
* (a) Substantially affect a rare or endangered species of animal or plant or the habitat of the species?	—	X	—
* (b) Substantially diminish habitat for fish, wildlife or plants, or interfere substantially with the movement of any resident or migratory fish or wildlife species?	—	X	—
(c) Require removal of substantial numbers of mature, scenic trees?	—	X	—
9) <u>Geology/Topography</u>			
* (a) Expose people or structures to major geologic hazards (slides, subsidence, erosion and liquefaction).	—	X	X
(b) Change substantially the topography or any unique geologic or physical features of the site?	—	X	—
10) <u>Water</u>			
* (a) Substantially degrade water quality, or contaminate a public water supply?	—	X	X
* (b) Substantially degrade or deplete ground water resources, or interfere substantially with ground water recharge?	—	X	—
* (c) Cause substantial flooding, erosion or siltation?	—	X	—
11) <u>Energy/Natural Resources</u>			
* (a) Encourage activities which result in the use of large amounts of fuel, water, or energy, or use these in a wasteful manner?	—	X	—
(b) Have a substantial effect on the potential use, extraction, or depletion of a natural resource?	—	X	—
12) <u>Hazards</u>			
* (a) Create a potential public health hazard or involve the use, production or disposal of materials which pose a hazard to people or animal or plant populations in the area affected?	—	X	X
* (b) Interfere with emergency response plans or emergency evacuation plans?	—	X	—
(c) Create a potentially substantial fire hazard?	—	X	—
13) <u>Cultural</u>			
* (a) Disrupt or adversely affect a prehistoric or historic archaeological site or a property of historic or cultural significance to a community or ethnic or social group; or a paleontological site except as a part of a scientific study?	—	X	X
(b) Conflict with established recreational, educational, religious or scientific uses of the area?	—	X	—
(c) Conflict with the preservation of buildings subject to the provisions of Article 10 or Article 11 of the City Planning Code?	—	X	—

C. OTHER

Require approval and/or permits from City Departments other than Department of City Planning or Bureau of Building Inspection, or from Regional, State or Federal Agencies?

YES NO DISCUSSED

X — X

D. MITIGATION MEASURES

YES NO N/A DISCUSSED

1) If any significant effects have been identified, are there ways to mitigate them?

X — — —

2) Are all mitigation measures identified above included in the project?

X — — —

E. MANDATORY FINDINGS OF SIGNIFICANCE

YES NO DISCUSSED

*1) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or pre-history?

— X —

*2) Does the project have the potential to achieve short-term, to the disadvantage of long-term, environmental goals?

— X —

*3) Does the project have possible environmental effects which are individually limited, but cumulatively considerable? (Analyze in the light of past projects, other current projects, and probable future projects.)

— X —

*4) Would the project cause substantial adverse effects on human beings, either directly or indirectly?

— X —

F. ON THE BASIS OF THIS INITIAL STUDY

I find the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared by the Department of City Planning.

X I find that although the proposed project could have a significant effect on the environment, there WILL NOT be a significant effect in this case because the mitigation measures, numbers 1-4, in the discussion have been included as part of the proposed project. A NEGATIVE DECLARATION will be prepared.

I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.

Barbara W. Sahm
BARBARA W. SAHM
Environmental Review Officer
for

DEAN L. MACRIS
Director of Planning

DATE:

May 5, 1979

BWS:eh
OER:23



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: October 11, 2017
Case No. GPR Assignment: 2017-012717GPR
SFMTA Islais Creek Operating & Maintenance Division
Project
Block/Lot No.: 4352/007; 4382/003; 4352/001; 4382/005
Project Sponsor: Liciana Iberri
San Francisco Municipal Transportation Agency
1 South Van Ness Ave. 7th Floor
San Francisco, CA 94103

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

Reception:
415.558.6378

Fax:
415.558.6409

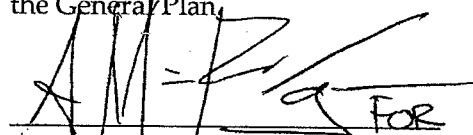
Planning
Information:
415.558.6377

Applicant: Same as Above

Staff Contact: Rachael Tanner – (415) 575-8730
Rachael.Tanner@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 entrance into (1) an Agreement for the Purchase and Sale of Real Estate for DD030660-01-02, DD 030660-01-03 and DD 030667-01-01 near the intersection of Indiana and Cesar Chavez Streets (portion of APN 4382-003) with Caltrans, with the Fee Parcels to be used for a public purpose for at least fifteen years after the closing date; (2) an Airspace Lease with Caltrans for Lease Area No. 04-SF-280-08 for a 50-year term, plus two 15-year extension options; (3) an Indiana Street Access License Agreement for Caltrans access from Indiana Street to the Lease Parcels during the Lease term; and (4) a Cesar Chavez Access Easement Agreement for Caltrans access from Cesar Chavez Street to the Lease Parcels after the Lease terminates.

Specifically, the Board of Supervisors approval is required to enter into the Access License and the Access Easement. Taken together, these actions will allow for the operation of the Islais Creek Motor Coach Operation and Maintenance Facility located at the corner of Cesar Chavez and Indiana Streets. Phase I has been completed and those facilities are in use. Phase II will be completed and in-service by December 2017.

The 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

The project was reviewed pursuant to the California Environment Quality Act under the MUNI Diesel Coach Operating Division and Central Maintenance Facility Negative Declaration (Case No 88.700ER).

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is a series of agreements that will allow the San Francisco Municipal Transportation Agency to access and utilize the Islais Creek Motor Coach Operation and Maintenance Facility. The agreements include the purchase of designated Fee Parcels from Caltrans, an Airspace lease, an Access License, and an Access Easement. 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:

TRANSPORTATION ELEMENT

POLICY 1.3

Give priority to public transit and other alternatives to the private automobile as the means of meeting San Francisco's transportation needs, particularly those of commuters. In order to maintain a desirable living and business environment in San Francisco, the use of mass transit, ridesharing, walking and bicycling must assume a high priority to ensure mobility for commuters and residents alike. Mobility is ideally provided by a well-connected, multimodal system, but where a choice must be made to either provide public transit or accommodate the private automobile, public transit should receive the priority, consistent with the city's Transit First policy.

In order to support the City's Transit First policy, the SFMTA must maintain an adequate fleet of motor coaches. This additional facility is needed to ensure sufficient space to store and maintain the motor coach fleet. The fleet is anticipated to expand as rider demand continues to increase.

POLICY 21.11

Ensure the maintenance and efficient operation of the fleet of transit vehicles. Consideration should be given with every transportation system funding and development decision to maintaining and operating transit vehicles and the facilities that support them.

This investment directly impacts the efficient maintenance and operation of the fleet of transit vehicles. Through this project will support an expanded fleet of hybrid vehicles, which both improve service to riders while minimizing carbon emissions and air pollution.

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 no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses.

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 no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not be negatively affected.

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

The Project would have no adverse 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 would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.

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

The Project would not affect the existing economic base in this area.

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

GENERAL PLAN REFERRAL

CASE NO. 2017-012717GPR
SFMTA ISLAIS CREEK
OPERATING & MAINTENANCE DIVISION PROJECT

The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake. It would improve the City's ability to respond to injuries caused by earthquakes and other emergencies.

7. That landmarks and historic buildings be preserved.

This site and building are not landmarks or of historic significance.

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**

cc: Liciania Iberri, SFMTA



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Cheryl Brinkman, *Chairman*

Malcolm Heinicke, *Vice-Chairman*

Gwyneth Borden, *Director*

Lee Hsu, *Director*

Joël Ramos, *Director*

Cristina Ruble, *Director*

Art Torres, *Director*

Edward D. Reiskin, *Director of Transportation*

November 14, 2017

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Subject: SFMTA Agreements with Caltrans

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the execution of the following with Caltrans: 1) an Airspace Lease (Lease) with Caltrans; 2) a License Agreement (Access License) for Caltrans access; and (3) an Access Easement Agreement (Easement) for Caltrans access. The property, known as the Islais Creek Yard, is currently used for the motor coach operation and maintenance.

On September 19, 2017, the SFMTA Board of Directors approved an Agreement for the Purchase and Sale of Real Estate (PSA) for the Fee Parcels shown in Attachment 1. The Board of Supervisors is not required to take additional action on the PSA. However, the Board of Supervisors is required to approve the Lease, the Access License, and the Easement. The SFMTA Board Calendar Item and Resolution are attached as background in Attachment 2.

Lease and Appraisal

The proposed Lease would allow the SFMTA to lease the Open Space Parcels depicted in Attachment 1 for public access purposes. The proposed term is 50 years, with two 15-year extension options for a total of up to 80 years. Caltrans must make the Open Space Lease Parcels available to the SFMTA free of charge for public access purposes. Accordingly, the rent will be \$1.

To determine the rent for the remainder of the Lease Parcels, the SFMTA commissioned an appraisal in May 2014 that determined a fair market rental value of \$0.25/square foot/month. With the \$1 Open Space Lease Parcel, the proposed lease rate for the Lease Parcels is \$191,241 annually (\$0.25 per square foot), with 3% annual increases and Caltrans' right to readjust the rent to appraised fair market value no more than once every ten years after the first ten lease years. In addition, the SFMTA would pay for its use of the Lease Parcels since 2007 through a one-time payment equal to \$0.25 per square foot, plus interest on such amount between January 31, 2007, and December 1, 2017, which is projected to be a total of \$2.2 million. Interest is calculated using California Surplus Money Investment Fund (SMIF) which is what is used for Caltrans property.

The City's Director of Property has confirmed the 2014 appraisal, and current lease rates for similar property, are appropriate and relevant data to determine the proposed Lease rent terms are no greater than Market Rent (as defined in San Francisco Administrative Code Section 23.2).

As a condition of the Lease, Caltrans requires that the SFMTA maintain and repair bike path improvements that the SFMTA installed on Caltrans property adjacent to the Lease Parcels.

Access License

Caltrans currently has an access easement from Cesar Chavez Street to the Lease Parcels for highway maintenance purposes. With the sale of the Fee Parcels to the SFMTA, Caltrans believes it will lose access between the Lease Parcels and a public street for non-highway maintenance purposes. Caltrans agreed a non-exclusive license to access a portion of the Lease Parcels during the term of the Lease, and a non-exclusive easement to access a portion the Lease Parcels once access license terminates.

The City's Director of Property determined that no Market Value determination is required for the Access License under Administrative Code Section 23.30 because the Access License is being granted as a condition to Caltrans' sale of the Fee Parcels and in consideration of Caltrans terminating the 1962 Easement and its reserved floating access easement over the Fee Parcels.

Easement Agreement

After the Lease terminates, Caltrans will access the Lease Parcels via an Easement Agreement which will be restricted to vehicular and pedestrian access.

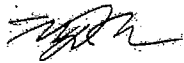
The City's Director of Property determined that no Market Value determination is required for the Easement under Administrative Code Section 23.3 because the Access License is being granted as a condition to Caltrans' sale of the Fee Parcels and in consideration of Caltrans terminating the 1962 Easement and its reserved floating access easement over the Fee Parcels.

Summary

The SFMTA requests that the San Francisco Board of Supervisors authorize the execution of the Lease, the Access License, and the Easement.

Thank you for your continued support of transportation. Please let us know if you have any questions.

Sincerely,



Edward D. Reiskin
Director of Transportation

Attachments:

1. Islais Creek Site Ownership Map
2. SFMTA Board Calendar Item and Resolution, September 19, 2017
3. Board of Supervisors Resolution
4. Airspace Lease Agreement between Caltrans and City
5. Indiana Street Access License Agreement
6. Cesar Chavez Access Easement Agreement

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 NOV 14 PM 4:54

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- ☒ 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- ☐ 2. Request for next printed agenda Without Reference to Committee.
- ☐ 3. Request for hearing on a subject matter at Committee.
- ☐ 4. Request for letter beginning : "Supervisor [] inquiries"
- ☐ 5. City Attorney Request.
- ☐ 6. Call File No. [] from Committee.
- ☐ 7. Budget Analyst request (attached written motion).
- ☐ 8. Substitute Legislation File No. []
- ☐ 9. Reactivate File No. []
- ☐ 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- ☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission
- ☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Cohen

Subject:

Real Property Lease, Access License and Access Easement - State of California Department of Transportation -
Property Near Cesar Chavez and Indiana Streets - \$191,240 Initial Annual Rent

The text is listed:

Attached

Signature of Sponsoring Supervisor:

Malia Cohen

For Clerk's Use Only