

File No. 120675

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee GOVERNMENT AUDIT & DIVERSIGHT Date JULY 12, 2012

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
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OTHER

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Completed by: Rana Calonsag
Completed by: _____

Date July 6, 2012
Date _____

An asterisked item represents the cover sheet to a document that exceeds 20 pages. The complete document is in the file.

1921

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1 [Lease of Real Property - Emergency Management and Assessor-Recorder - 711 Van Ness
2 Avenue]

3 **Resolution authorizing the lease of 9,800 sq. ft. at 711 Van Ness Avenue for twenty-**
4 **one months for the Department of Emergency Management and the Office of the**
5 **Assessor-Recorder.**

6
7 WHEREAS, The Department of Emergency Management (DEM) office lease at 10
8 Lombard St. expires on July 15, 2012 and DEM must vacate the property on or before that
9 date; and

10 WHEREAS, The offices for the Office of the Assessor-Recorder (Assessor's Office)
11 at City Hall are not sufficient to address interim space demands from program growth; and

12 WHEREAS, Both DEM and the Assessor's Office are in need of immediate, short-
13 term office needs in the Civic Center area; and

14 WHEREAS, Since December 2011, DEM and the Assessor's Office, with the Real
15 Estate Division's assistance, began researching and visiting office locations in and around
16 Civic Center to determine the best site for its needs, and suite within 711 Van Ness Avenue
17 was determined as the best site; now, therefore, be it

18 RESOLVED, That the Director of Real Estate is hereby authorized to take all actions,
19 each on behalf of the City and County of San Francisco, as tenant, to execute a lease and
20 other related documents with SFOC, LLC, ("Landlord"), in the building commonly known as
21 711 Van Ness Avenue, San Francisco, California, for the Premises which comprise an area
22 of approximately 9,800 square feet, (known as "Suite 400"), on the terms and conditions
23 contained in the Lease (a copy of which is on file with the Clerk of the Board of Supervisors
24 in File No. 120675) and as contained herein; and, be it

1 FURTHER RESOLVED, That the Lease shall be for a term of twenty-one (21)
2 months (commencing upon Substantial Completion of the Tenant Improvements expected to
3 be on or about July 15, 2012). The Lease shall be at a base rent of \$17,966.67 per month
4 (\$22.00 per square foot per year) and shall be fully serviced. The base rent will not increase
5 during the term of the Lease. The City shall only pay for parking (\$1,200.00 per month) and
6 any utility usage costs above those of a typical tenant; and, be it

7 FURTHER RESOLVED, That the Lease shall include the lease clause indemnifying
8 and holding harmless the Landlord, from and agreeing to defend the Landlord against any
9 and all claims, costs and expenses, including, without limitation, reasonable attorney's fees,
10 incurred as a result of City's use of the premises, any default by the City in the performance
11 of any of its obligations under the lease or any acts or omissions of City or its agents, in, on
12 or about the premises or the property on which the premises are located, excluding those
13 claims, costs and expenses incurred as a result of the negligence or willful misconduct of
14 Landlord or its agents; and, be it

15 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
16 with respect to such lease are hereby approved, confirmed and ratified; and, be it

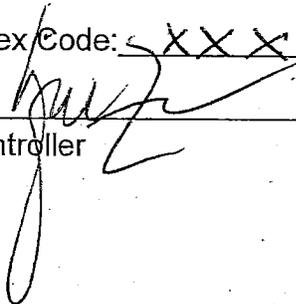
17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
18 Real Estate to enter into any amendments or modifications to the Lease (including without
19 limitation, the exhibits) that the Director of Real Estate determines, in consultation with the
20 City Attorney, are in the best interest of the City, do not increase the rent or otherwise
21 materially increase the obligations or liabilities of the City, are necessary or advisable to
22 effectuate the purposes of the Lease or this resolution, and are in compliance with all
23 applicable laws, including City's Charter; and, be it

24 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full
25 term of the lease unless funds for rental payments are not appropriated in any subsequent

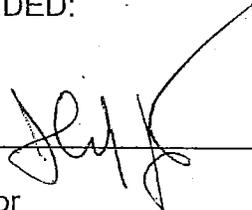
1 fiscal year. Said Lease shall be subject to certification as to funds by the Controller,
2 pursuant to Section 3.105 of the Charter.

3 \$ XXX Available

4 Index Code: XXXXXX

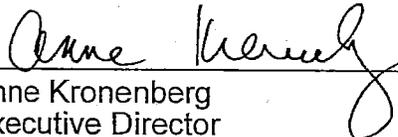
5
6 Controller 

7 RECOMMENDED:

8
9 
10 John Updike
11 Acting Director
Real Estate Division

12 RECOMMENDED:

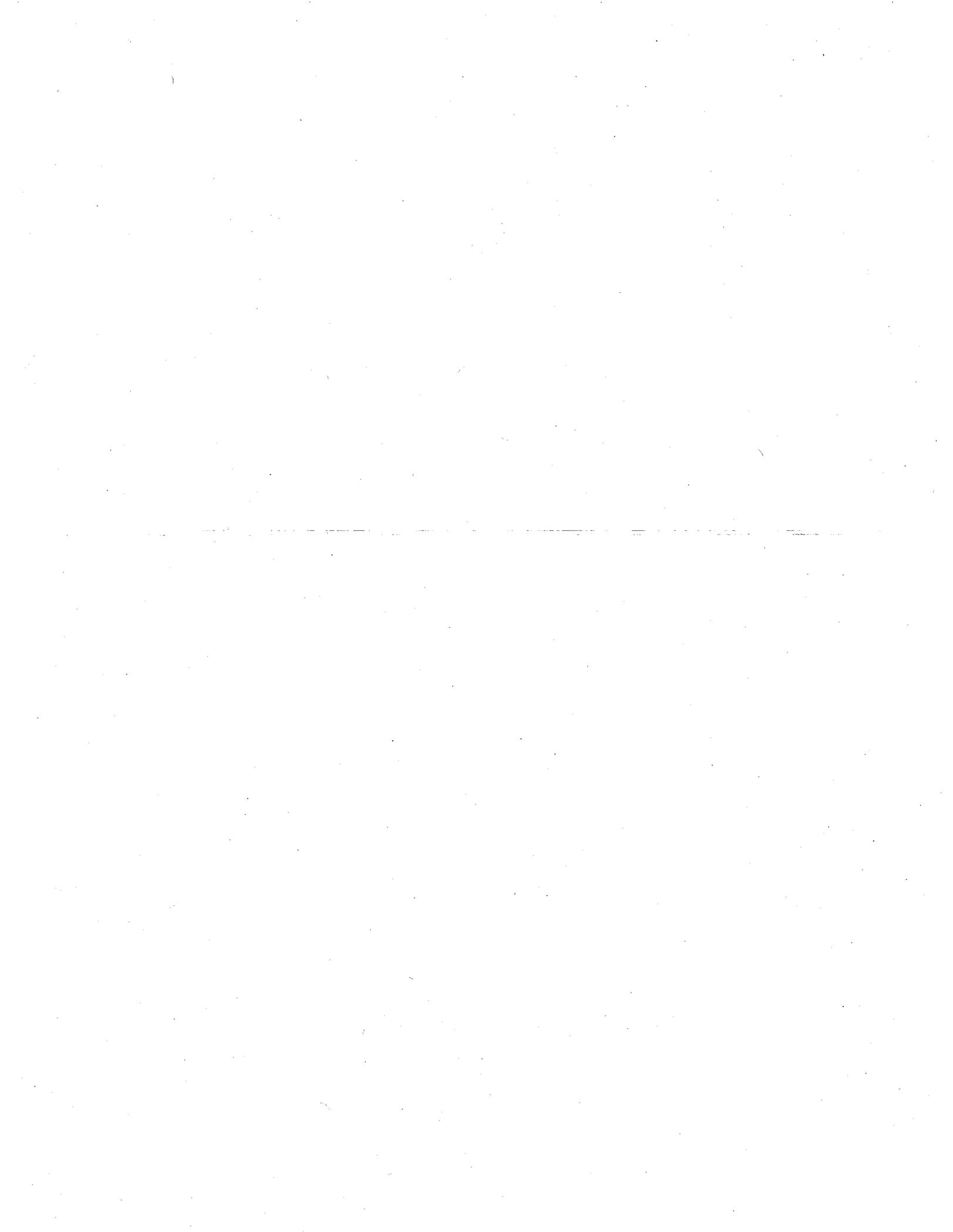
13 DEPARTMENT OF
14 EMERGENCY MANAGEMENT

15 
16 Anne Kronenberg
17 Executive Director
Department of Emergency Management

18 RECOMMENDED:

19 OFFICE OF THE
20 ASSESSOR-RECORDER

21 
22 Phil Ting
23 Assessor-Recorder
Office of the Assessor-Recorder



CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

July 5, 2012

TO: Government Audit and Oversight Committee
FROM: Budget and Legislative Analyst
SUBJECT: July 12, 2012 Government Audit and Oversight Committee Meeting

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Item 1
File 12-0675

Department:
Emergency Management and Assessor-Recorder

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new lease between the City, as tenant, and SFOC LLC, as landlord, for approximately 9,800 square feet of office space at 711 Van Ness for the Department of Emergency Management and the Assessor-Recorder's Office for approximately 20 ½ months, beginning August 1, 2012 and ending on April 14, 2014.

Key Points

- The Department of Emergency Management requires new office space to house the Bay Area Urban Areas Security Initiative (BAUASI) because the department's two existing lease agreements of Port-owned property for the BAUASI program at 10 Lombard Street expire as of July 13, 2012 and July 14, 2012 respectively.
- The Assessor-Recorder's Office requires new office space because the department's existing office space in City Hall is not sufficient for 14 temporary and limited term staff currently assigned to assessment appeals processing.
- The proposed lease at 711 Van Ness provides for (a) rental of approximately 9,800 square feet of space at a fixed rent of \$22 per square foot per year, equal to \$215,600 per year; (b) five parking spaces at a rate of \$1,200 per month (\$14,400 per year); and (c) all utilities, insurance, taxes and custodial services to be paid by the landlord.
- The proposed lease term at 711 Van Ness is approximately 20 ½ months, beginning August 1, 2012 and ending on April 14, 2014, and provides no option to extend. According to Mr. William Lee, Department of Emergency Management Director of Finance and Administration, the 20 ½-month lease term is acceptable to the Department of Emergency Management because the current federal Department of Homeland Security grant for BAUASI expires in September 2014. Mr. Lee notes that information about the next grant cycle will become available in September 2013, allowing BAUASI to adjust its space needs accordingly at the expiration of the lease. According to Ms. Kimberlee Kimura, Assessor-Recorder's Office Director of Finance and Administration, the Assessor-Recorder's Office anticipates completing their work processing appeal backlogs by 2014 and does not anticipate a need for the space beyond the expiration date.

Fiscal Impacts

- The total estimated cost of the lease over the 20 ½-month term is \$392,916. Of the \$392,916, \$287,683 or 73.2% would be paid by the Department of Emergency Management's BAUASI grant funds and \$105,233 or 26.8% would be paid by General Fund monies previously appropriated by the Board of Supervisors in the Assessor-Recorder's Office budget.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with Sections 23.26 and 23.27 of the City's Administrative Code, leases of \$5,000 or more per month that extend for more than one year in which the City is the tenant are subject to Board of Supervisors approval by resolution.

Background

In late 2011 the Department of Emergency Management and the Assessor-Recorder's Office separately requested the Real Estate Division to find temporary office space for their respective departments. The Real Estate Division is proposing a short-term lease for new temporary office space at 711 Van Ness Avenue, which would be shared by the Assessor-Recorder's Office and Department of Emergency Management, as discussed further below.

Department of Emergency Management:

The Department of Emergency Management requires new office space to house the Bay Area Urban Areas Security Initiative (BAUASI), which is funded by a federal Department of Homeland Security grant, because the Department's two existing lease agreements for Port-owned property at 10 Lombard Street expire on July 13, 2012 and July 14, 2012 respectively. The two lease agreements at 10 Lombard Street covered a combined 4,360 square feet at an average annual cost of \$34 per square foot. BAUASI had 20 staff members working at 10 Lombard Street. According to Mr. William Lee, Director of Finance and Administration for the Department of Emergency Management, the 20 BAUASI employees have already relocated from 10 Lombard Street on June 26, 2012 and have been working in a temporary location at the Emergency Operations Center at the Department of Emergency Management headquarters at 1011 Turk Street. According to Mr. Lee, this temporary location is not suitable as a long-term office space and will need to be vacated in the event of any City emergency requiring use of an emergency operations center. Mr. Lee states that the proposed lease site is attractive to the department in part due to the proximity to the Department of Emergency Management offices at 1011 Turk Street.

Assessor-Recorder's Office

The Assessor-Recorder's Office's FY 2011-12 budget included funding for temporary and limited term staff to process the backlog in real property assessment appeals, as well as funding for office space rental and associated costs. These rental and other funds were not expended in FY 2011-12 and were carried forward to FY 2012-13.

According to Ms. Kimberlee Kimura, Assessor-Recorder's Office Director of Finance and Administration, the Assessor-Recorder's Office does not have sufficient space in the department's City Hall offices for the 14 temporary and limited term staff assigned to assessment appeals processing, and therefore, requires the additional office space at 711 Van Ness Avenue. According to Ms. Kimura, the Assessor-Recorder's Office anticipates that processing of the backlog in assessment appeals will be completed by 2014. The department will terminate the temporary and limited term employees when processing the assessment appeals backlog is

completed and will no longer require this additional, temporary office space once the project is complete.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease between the City, as tenant, and SFOC LLC, as landlord, for approximately 9,800 square feet of office space at 711 Van Ness for the Department of Emergency Management and the Assessor-Recorder's Office for approximately 20 ½ months, beginning August 1, 2012 and ending on April 14, 2014.

The proposed lease provides for:

- Fixed rent of \$22 per square foot per year, equal to \$215,600 per year;
- Five parking spaces at a rate of \$1,200 per month (\$14,400 per year); and
- All utilities, insurance, taxes and custodial services to be paid by the landlord.

Lease Term

According to Mr. Joshua Keene, Real Estate Division Property Manager, the proposed rent of \$22 per square foot per year is below market rate for comparable office space, which ranges from \$29 to \$30 per square foot per year, because the landlord desires to keep the option to repurpose or sell the building, depending on the economy. The proposed lease provides no opportunity to extend or hold-over past the April 14, 2014 expiration date. The proposed agreement further provides the option for the landlord to terminate prior to November 30, 2013, provided the landlord provides the City 6 months' notice and 2 months' rent credit.

According to Mr. Lee, the short term lease agreement is acceptable to the Department of Emergency Management because the current federal Department of Homeland Security grant for BAUASI expires in September 2014. Mr. Lee notes that information about the next grant cycle will become available in September 2013, allowing BAUASI to adjust its space needs accordingly at the expiration of the lease.

According to Ms. Kimura, the Assessor-Recorder's Office anticipates completing their work processing appeal backlogs by 2014 and does not anticipate a need for the space beyond the expiration date.

Parking

In addition to the office space, the proposed lease allows for 5 parking spaces, to be used by the Department of Emergency Management. According to Mr. Lee, the BAUASI work involves regular meetings with local law enforcement and other partners throughout 12 counties in the greater Bay Area, including in areas without ready access to public transit, which necessitate the availability of vehicles for the use of BAUASI staff and the associated parking spaces. Mr. Lee states that the prior lease with the Port for BAUASI at 10 Lombard Street also included 5 parking spaces.

FISCAL IMPACTS

The total cost for the lease agreement, including parking, is \$392,916 over the term of the lease, as shown in Table 1 below. Of the \$392,916, \$287,683 or 73.2% would be paid by the Department of Emergency Management's BAUASI grant funds and \$105,233 or 26.8% would be paid by General Fund monies previously appropriated by the Board of Supervisors in the Assessor-Recorder's Office budget for rent.

**Table 1: Total Rent
FY 2012-13 and FY 2013-14**

	FY 2012- 13	FY 2013- 14	TOTAL	Percent of Total
Assessor-Recorder (General Fund)				
Rent (2,800 square feet @ \$22/sq. ft./ year)	\$56,466	48,767	\$105,233	
Assessor-Recorder subtotal	\$56,466	\$48,767	\$105,233	26.8%
Department of Emergency Management (BAUASI Grant Funds)				
Rent (7,000 square feet @ \$22/ sq. ft./ year)	\$141,166	121,917	\$263,083	
Parking	\$13,200	11,400	\$24,600	
Department of Emergency Management subtotal	\$154,366	\$133,317	\$287,683	73.2%
Total Lease Amount For 711 Van Ness				
Subtotal - Rent	\$197,632	\$170,684	\$368,316	
Subtotal - Parking	\$13,200	\$11,400	\$24,600	
Total	\$210,833	182,083	\$392,916	100.0%

Comparison of Proposed and Prior BAUASI Office Space:

Under the proposed lease, office space leased by the Department of Emergency Management for BAUASI would increase from 4,360 square feet at 10 Lombard Street to 7,000 square feet at 711 Van Ness. As shown in Table 2 below, the number of square feet per employee would increase from 218 square feet per employee to 350 square feet per employee. However, as shown in Table 2 below, although the proposed lease at 711 Van Ness Avenue would result in a 61% increase in square footage for the Department of Emergency Management compared to the prior leases with the Port at 10 Lombard Street, the rent per year would increase by only 4%.

Table 2: Comparison of Prior and Proposed Department of Emergency Management Leases for BAUASI Staff

	Prior Leases at 10 Lombard Street	Proposed Lease at 711 Van Ness Avenue	Increase/ (Decrease)	Percent
Square Feet	4,360	7,000	2,640	61%
Number of Employees	20	20	0	0%
Square Feet per Employee	218	350	132	61%
Rent per Square Foot per Year	\$34.00	\$22.00	(\$12.00)	(35%)
Total Rent per Year	\$148,240	\$154,000	\$5,760	4%

Proposed New Temporary Assessor-Recorder's Office Space

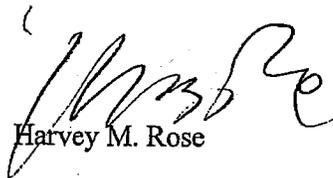
According to Ms. Kimura, the Assessor-Recorder's Office currently has 14 staff located in the department's City Hall offices, but the existing office space is inadequate for these 14 staff. The Assessor-Recorder's Office proposes to locate approximately 19 staff at 711 Van Ness Avenue. The Assessor-Recorder's Office would occupy approximately 2,800 square feet at 711 Van Ness Avenue, or approximately 147 square feet per staff for 19 staff assigned to processing assessment appeals.

According to Ms. Kimura, the Assessor-Recorder's Office has carried-forward unexpended funds, previously appropriated by the Board of Supervisors for rent, sufficient to pay the proposed rent in FY 2012-13 and FY 2013-14, when the project will be completed.

RECOMMENDATION

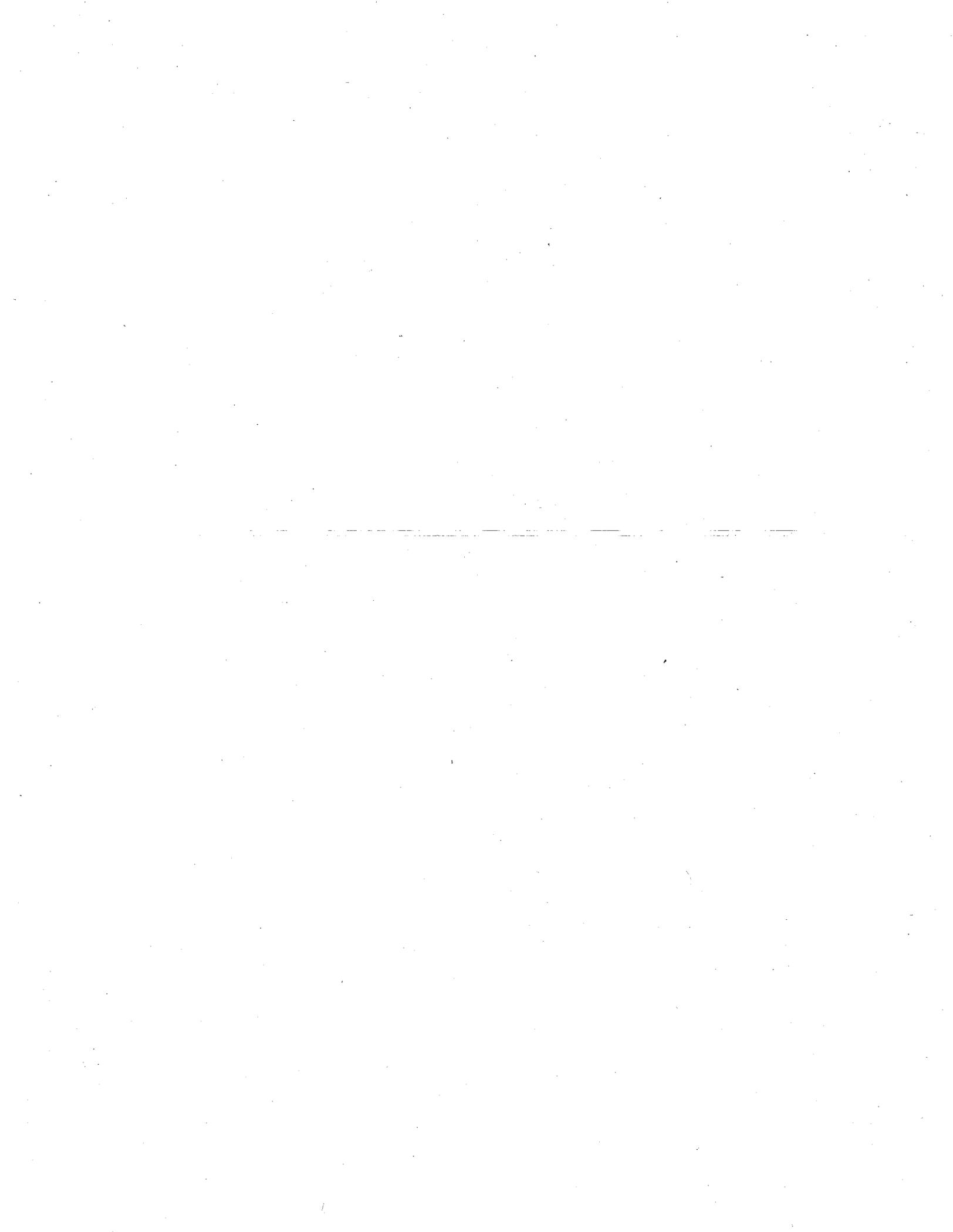
Approve the proposed resolution.

JULY 12, 2012



Harvey M. Rose

cc: Supervisor Farrell
Supervisor Elsbernd
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Chu
Supervisor Cohen
Supervisor Kim
Supervisor Mar
Supervisor Olague
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Mayor Lee
Controller
Kate Howard



OFFICE LEASE

between

SFOC LLC, a California Limited Liability Company
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
711 Van Ness Avenue
San Francisco, CA 94102

June __, 2012

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LIST OF EXHIBITS

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EXHIBIT C – Rules and Regulations

EXHIBIT D - List of Available Furniture from Landlord's Onsite Inventory

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of May __, 2012, is by and between SFOC LLC, a California Limited Liability Company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	June __, 2012
Landlord:	SFOC LLC, a California Limited Liability Company
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	711 Van Ness Avenue, San Francisco, CA 94102
Premises (<u>Section 2.1</u>):	711 Van Ness Avenue, Suite 400, San Francisco, CA 94102
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 9,800 rentable square feet
Term (<u>Section 3</u>):	Estimated commencement date: July 15, 2012 Expiration date: April 14, 2014
Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$215,600 (\$22.00 per sq. ft.) Monthly payments: \$17,967 (\$1.83 per sq. ft.)
Leasehold Improvements	Clean carpet, replace carpet in traffic pathways (but not within cubicle areas) where needed as reasonably requested by City in color and quality substantially similar to the existing carpet, paint where needed as reasonably requested by City, and install doors with locks so as to separate space into two areas as shown on <u>Exhibit A</u> .

Utilities (Section 9.1):

Landlord shall provide all electricity and water services reasonably necessary for ordinary office use at Landlord's sole cost, excluding telephone/data connections to be installed, if at all, by City at City's sole cost. City shall pay for any utility usage in excess of that typically used by tenants for ordinary office use or related to any equipment not typically used for general office uses.

Services (Section 9.2):

Landlord provides all services at Landlord's sole cost

Notice Address of Landlord (Section 23.1):

Notices and Rental Payments to:

SFOC LLC
711 Van Ness Avenue, Suite 500
San Francisco, CA 94102
Attn: Ralph F. Marchese

With a copy of notices to:

The Marchese Company
1388 Sutter, Suite 805
San Francisco, CA 94109
Attn: Ralph F. Marchese

Key Contact for Landlord:

Ralph F. Marchese

Landlord Contact Telephone No.:

(415) 567-9872

Notice Address for Tenant (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: John Updike
Acting Director of Property
Re: 711 Van Ness Ave.
Fax No.: (415) 552-9216

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate/Finance
Deputy City Attorney
Re: 711 Van Ness Ave.
Fax No.: (415) 554-4755

Key Contact for Tenant:

Josh Keene

Tenant Contact Telephone No.:

(415) 554-9877

Other Noteworthy Provisions (Section 22):

Landlord has the right to terminate the Lease earlier than the Expiration Date, but not before November 30, 2013, by providing not less than

six (6) months prior written notice to City. Upon any exercise of such termination right by Landlord, City shall receive a rent credit equal to two (2) months Base Rent, or \$35,934, to be applied to the next two months of Base Rent following the date of exercise, as set forth in Section 22 below.

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Suite 400 of Exhibit A (the "Premises"). The Premises contain the approximate rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

2.2 Common Areas

City shall have the non-exclusive right to use, together with other tenants in the Building and such tenants' employees, contractors, and assigns, invitees, and customers, the lobbies, corridors, elevators, stairways and other public areas of the Building and the Property (collectively, the "Common Areas"), and the non-exclusive right of access to and from the Premises by the main entrances to the Building and the Property. Landlord shall provide keycard access to City and its employees at Landlord's sole cost for up to a maximum of forty (40) keycards, and City shall pay for the actual replacement costs, without markup, of any keycards lost or damaged by City or its employees.

2.3 Parking

Landlord hereby grants to City the right to lease five (5) parking spaces (collectively, the "Parking Spaces") on a monthly basis in the parking garage located in the Building (the "Garage") for current market value for such space (as charged for all parking spaces in the Garage); the market rate is currently \$210 per month for unreserved spaces and \$240 for reserved spaces, but is subject to change with 60 days prior notice to City in the event the market rate for such space changes (the "Parking Fees"). The Parking Spaces are for City's employees, contractors or agents to park automobiles, motorcycles, or motor driven bicycles ("Vehicles"). For so long as City rents one or more of the Parking Spaces, the Parking Fee shall be payable by City in advance on the first day of each month. The Parking Spaces in the Garage are for use only by City's employees who have been issued parking tags for specific spaces. City may cancel parking privileges at any time during the Term by giving Landlord thirty (30) days prior written notice.

Landlord from time-to-time in its sole and absolute discretion may designate the specific Parking Spaces for City's use. If Landlord designates such spaces, City's employees shall not park the Vehicles in any other space of the Garage. No bailment is created under this Agreement. Landlord does not guard the Vehicles, does not provide any security for the Garage,

and does not assume care, custody, or control of the Vehicles in the Garage or of personal property left on or within the Vehicles. Except to the extent caused by Landlord or its agents, Landlord is not liable for: (i) loss or damage to the Vehicles, (ii) consequential damages; (iii) loss of use of the Vehicles; or (iv) the loss or damage of articles of personal property left on or within the Vehicles, which loss or damage is caused by fire, theft, or from any other cause whatsoever. Any loss or damage must be reported and itemized in writing to Landlord as soon as practicable after such loss or damage. City's employees or others authorized hereunder to park Vehicles agree to set the brakes on the Vehicles after parking such Vehicles in the Garage.

City shall not permit any repairs or maintenance on the Vehicles while in the Garage, including but not limited to changing oil, changing tires, washing and/or waxing the Vehicles. Exceptions for emergencies will be handled on a case by case basis. The Garage will not be available for general public parking beginning at some time during 2012.

3. TERM

3.1 Term of Lease

The Premises are leased for a term (the "Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date as Landlord shall have delivered the Premises to City, and City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease.

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

3.2 Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Premises on or before the Estimated Commencement Date, with the Leasehold Improvements substantially completed and accepted by the City's Director of Property, such acceptance not to be unreasonably withheld, conditioned or delayed. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is not able to deliver the Premises as required hereunder within twenty (20) days following the date the City's Board of Supervisors approves this Lease, then the City may, at its option, terminate this Lease, without any liability, upon written notice to Landlord.

4. RENT

4.1 Base Rent

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

4.2 Adjustments in Base Rent

There is no adjustment to the Base Rent throughout the Term.

4.3 Additional Charges

There are no payments due from the City for operating expenses, taxes, insurance, common area charges, or other costs of occupying the Premises. City is not responsible for any charges other than Base Rent or those additional items specifically identified in this Lease.

4.4 Records

Landlord shall maintain all of its records pertaining to this Lease for a period of not less than three (3) years following expiration of the Term. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate review thereof. All such records shall be available for inspection, copying and audit by City and its representatives up to two (2) times per calendar year, at City's expense.

5. USE

5.1 Permitted Use

City may use the Premises for the following permitted uses, subject to compliance with any applicable fire safety and other applicable Laws, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed: offices employees of City departments and other governmental or nonprofit agencies for services under contract with the City and uses incidental thereto, job training for employees or prospective employees, and general office use, but in no event shall the Premises be held open to the public or be used in a manner inconsistent with activities typically associated with general office use.

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit C (the "Rules and Regulations"). Landlord may make

reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not materially reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. Landlord shall not be required to furnish any services during hours other than ordinary business hours, but if so furnished during other than ordinary business hours, such services shall be at City's sole cost and expense. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall within a reasonable time undertake all necessary steps to correct such condition. In the event such condition continues for five (5) business days and materially impairs City's ability to carry on its business in the Premises (and unless the condition was caused by the City), the Rent payable hereunder shall be abated commencing on the sixth (6th) day of such condition based on the extent to which such default interferes with City's ability to carry on its business at the Premises until such time as the condition is abated. If any such condition shall continue for thirty (30) consecutive days or more after City's use is materially interrupted and materially impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS AND TELECOMMUNICATIONS

6.1 Leasehold Improvements

Landlord shall use good faith efforts to complete the Leasehold Improvements as set forth in the Basic Lease Information before the Commencement Date, but shall not be obligated to commence such construction until City's Mayor and Board of Supervisors have approved the Lease in accordance with Section 23.30 (Effective Date). If the Leasehold Improvements are not completed to City's reasonable satisfaction within thirty (30) days following the Commencement

Date, then City shall have the right, in its sole discretion, to terminate the Lease without liability, except for such liabilities that expressly survive this Lease as set forth in this Lease, by providing written notice of termination to Landlord within ninety (90) days after the Commencement Date.

6.2 Installation of Telecommunications and Other Equipment

City shall be responsible for installing such facilities and equipment, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the floor(s) on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Premises and such other portions of the Building at reasonable times during the Term or as otherwise consented to by Landlord prior to the Term (such consent not to be unreasonably withheld) in order to install such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner.

7. ALTERATIONS

7.1 Alterations by City

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

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without

structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. City shall also use and reconfigure within the Premises the furniture located in the Premises as of the Lease Reference Date, and may use in the Premises such other furniture selected by Tenant from Landlord's onsite inventory described on Exhibit D attached hereto to the extent then-available (collectively, "Landlord's Personal Property"), at City's sole cost, such selection to occur within thirty (30) days after the Commencement Date. At the expiration or earlier termination of the Term, City shall return any Landlord's Personal Property used by City the general condition existing on the date such property was made available to Tenant, ordinary wear and tear excepted. If the City requests the use of any Landlord's Personal Property as specified above, the parties agree to create an inventory of such property within 30 days after the Commencement Date in order to identify the property that must be returned to Landlord as set forth above. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises) below, and repair any damage caused by City resulting from such removal. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term.

7.4 Alteration by Landlord

Landlord shall use reasonable efforts to minimize any interference with or disruption to City's use and occupancy of the Premises during any alterations or improvements to the Building. Landlord reserves and shall at reasonable times, with not less than 24 hours notice to City (except in the event of an emergency, in which case no notice is required), have the right to re-enter the Premises to post notices of nonresponsibility, to inspect, alter, improve, maintain or repair the Premises and any portion of the Building, or to show the Premises to prospective purchasers, mortgagees or tenants. Landlord agrees to repair damage to the Premises resulting from Landlord's exercise of the right set forth in the immediately preceding sentence, except in the event that the damage is caused by or results from the negligence or willful misconduct of City or City's employees or results from City's failure to provide Landlord with access to the Premises in accordance with this Section 7.4. Landlord intends to perform or complete improvements or alterations to the Building during the term, including, without limitation, to the building systems. Landlord shall use commercially reasonable efforts to carry out such work promptly and diligently once such work has commenced and in a manner that is reasonably designed to avoid interference with City's access to or use of the Premises. In addition, Landlord shall consult with City in the performance of any such work to the extent that it is reasonably foreseeable that the same may result in an adverse condition to City's use of the Premises for the purpose of developing a mutually acceptable reasonable work plan for such work. Landlord reserves the right to erect, use, and maintain scaffolding, pipes, conduits, and other necessary structures in and through the Building (other than the Premises) where reasonably required, provided City's use of and access to the Premises shall not be materially interfered with by such work. Landlord shall at all times have and retain a key to the Premises. Landlord shall also have the right to change the location of entrances or passageways, doors and doorways to the Building, and corridors, elevators, stairs, toilets, or other public parts of the Building and to change the name, number or designation by which the Building is commonly known; provided that the foregoing does not materially interfere with City's use of or access to the Premises.

Notwithstanding the foregoing, under no circumstances shall Landlord take any action to materially adversely affect City's reasonable security measures or to allow open access to the Premises from any adjoining tenant space or through the floor, ceiling and roof of the Premises. If Landlord's actions under this Section materially adversely impact City's access to or use of the Premises, then City shall receive a rent abatement as set forth in Section 9.4 below.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in good condition (consistent with the condition existing at the Commencement Date), the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") and the Common Areas. Without limiting the foregoing, Landlord shall maintain the Building in a commercially reasonable manner, consistent with commercial buildings in the vicinity.

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), and Landlord's repair and maintenance obligations hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing **(i)** at City's cost, **(ii)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(iii)** so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, **(iv)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and **(v)** in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall furnish the following utilities and services to the Premises: **(a)** heating, air conditioning and ventilation in amounts reasonably required for City's comfortable use and occupancy of the Premises, during the period from 8:00 a.m. to 6:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; **(b)** electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); **(c)** non-exclusive elevator service on a Daily Basis; and **(d)** water for lavatory, kitchen and drinking purposes on a Daily Basis. During the Term, Landlord shall provide freight elevator service to the extent freight service is available in the Building upon City's reasonable request. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other buildings similar to the Building in the San Francisco Civic Center District.

9.2 Services

Landlord shall provide at its cost janitorial service ~~and security~~ during the times and in the manner that such services are customarily furnished in comparable office buildings in the immediate market area. Landlord shall not be obligated to provide security services or alarm system service to the Building or Premises.

9.3 Conservation

Landlord may establish reasonable measures to conserve energy and water, including automatic light shut off after hours and efficient lighting forms, so long as these measures do not materially and unreasonably interfere with City's use of the Premises.

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord materially impairs City's ability to carry on its business in the Premises for a period of five (5) or more consecutive business days if such failure is in the reasonable control of Landlord or a period of ten (10) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, commencing on the day after the expiration of the preceding time periods. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been substantially restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use reasonable efforts to restore disrupted Essential

Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) consecutive days and such failure materially interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City arises from the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1 Premises Condition

Landlord represents and warrants to City, to Landlord's knowledge, that (i) the Premises comply with applicable laws, (ii) Landlord holds fee title to the Building, and (iii) Landlord is not aware of material defects or conditions that would materially impair City's intended use of the Premises for general office uses. On the Commencement Date, the City understands that Landlord shall tender the Premises in its then as-is condition and Landlord shall have no obligation to alter the Premises for City's use and occupancy except for securing the door division on the Premises floor (the Premises shall be delivered divided into two (2) separate areas with lockable doors between the areas each encompassing approximately 2,800 rsf and 7,000 rsf), spot-touching paint where reasonably necessary, professionally cleaning carpet, and replacing carpeting in traffic pathways (but not within cubicle areas) where needed as reasonably requested by City in color and quality substantially similar to the existing carpet.

10.2 City's Compliance with Laws; Indemnity

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

10.3 City's Compliance with Insurance Requirements

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord or the holder of

any mortgage or deed of trust encumbering the Building, (c) cause an increase in the fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's use of the Premises as permitted hereunder.

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is where the holder of such lien, mortgage or other interest agrees to not disturb City's continued possession and occupancy of the Premises following a foreclosure or deed in lieu of foreclosure. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof.

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

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without unreasonable delay, provided that such repairs can be made under applicable laws within sixty (60) days after Landlord obtains all necessary permits for such repairs but not later than two hundred ten (210) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

Notwithstanding the foregoing, in the event the Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. Such notice from Landlord shall include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

If at any time during the last six (6) months of the Term of this Lease there is substantial damage that Landlord would be required to repair hereunder, Landlord or City may, at the respective option of each, terminate this Lease as of the date such damage occurred by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage; provided, however, Landlord may terminate this Lease only if it would take more than thirty (30) days to repair such damage.

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

13. EMINENT DOMAIN

13.1 Definitions

(a) "Taking" means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under law. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

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

(b) In the case of a partial taking of a substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment,

render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

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

(c) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) and to cure such non-performance within thirty (30) days of the date of receipt of notice thereof from Landlord, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if City commences such cure within such period and diligently prosecutes such cure to completion.

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues beyond thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default

which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30)-day period, such thirty (30)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all reasonable steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), to the extent incurred as a result of (a) City's and City's Agents' and Invitees' use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents or Invitees in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents or Invitees. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

16.2 Landlord's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any insurance with respect to this Lease so long as City's self-insurance program provides coverage reasonably comparable to or better than the "Coverage Minimums" set forth below, and so long as all of City's vendors or contractors carry the insurance required below (such vendors and contractors not to self-insure). City assumes the risk of damage to any of City's Personal Property, except for damage caused by Landlord or its Agents.

(a) Coverage Minimums:

(1) Commercial General Liability insurance covering the ownership, use, occupancy or maintenance of the Premises, and all areas appurtenant thereto, and the operations of City (or any other occupant) at and from the Premises. Policies shall be written on an occurrence basis with a primary limit of liability of not less than \$1,000,000 per occurrence, and an umbrella of not less than \$5,000,000. Each policy shall include a severability of interests clause or cross-liability endorsement and provide that no act or omission of City or any other named insured shall reduce or avoid coverage for any other insured, including Landlord. The insurance shall be written on an "occurrence" basis form and not on a "claims made" form. The insurance referenced in this paragraph may be provided under (i) an individual policy specifically covering only the Premises, (ii) a blanket policy or policies which includes other liabilities, properties and locations of City, so long as the amount and coverage of insurance required to be carried hereunder is not diminished, (iii) a self-insurance program, so long as the amount and coverage of insurance required to be carried hereunder is not diminished or (iv) a combination of any of the foregoing insurance programs.

(2) Worker's Compensation coverage, and Employer's Liability Insurance with a limit of not less than \$500,000 or such lesser limit deemed satisfactory to the insurance carrier based on the actual number of City's employees; provided, in all events that such limits comply with all applicable laws.

(3) "All Risk" property insurance covering City's improvements, additions, fixtures, furniture, equipment and personal property located in the Premises. The limit of coverage shall be equal to the full then current replacement value of such property. The insurance referenced in this paragraph may be provided under (i) an individual policy specifically covering only the Premises, (ii) a blanket policy or policies which includes other liabilities, properties and locations of City, so long as the amount and coverage of insurance required to be carried hereunder is not diminished, or (iii) a combination of any of the foregoing insurance programs. No coverage for earthquake shall be required under such "all risk" coverage.

(b) Each policy of insurance which is obtained by City pursuant to the provisions of this Article (except for Workers' Compensation insurance) shall include endorsements or provisions providing that Landlord, Landlord's property manager (currently The Marchese Company, and subject to change with notice to City at Landlord's election in Landlord's sole discretion) ("Landlord's Managing Agent"), and such other party or parties as Landlord may by written notice to City from time to time designate, are each named in an endorsement to the policy as an additional insured or loss payee (or both), as appropriate, and that the protection afforded to Landlord, Landlord's Managing Agent and such other party or parties as Landlord may designate shall not be reduced or invalidated on account of any act or omission of City;

That the insurance coverage provided is primary and non-contributory to any other insurance carried by Landlord and that any insurance carried by Landlord relative to the covered items above shall be considered excess insurance only.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. Landlord will provide 30 days prior written notice to City should there be any cancellation, modification or reduction in coverage. Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident. Nothing herein shall require Landlord to provide earthquake insurance for the Building.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, each of Landlord and City hereby waive any right of recovery against each other for any loss or damage sustained by Landlord or City with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of Landlord or City, to the extent such loss or damage is covered by insurance which Landlord or City is required to purchase or maintain under this Lease or is otherwise actually recovered from valid and collectible insurance or self-insurance covering Landlord or City. Landlord and City agree to obtain a waiver of subrogation endorsement from each insurance

carrier issuing policies relative to the Building or the Premises; provided, Landlord's or City's failure to do so shall not affect the above waiver.

18. ACCESS BY LANDLORD

Subject to Section 7.4, Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be materially interfered with.

19. ESTOPPEL CERTIFICATES

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

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property and telecommunications, data and computer facilities and any Alterations City is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above; provided, City may leave any data wiring installed in the Premises. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from the removal of any personal property or fixtures that City is obligated to remove pursuant to this Lease. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

- (a) "Environmental Laws" shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial

hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

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

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

21.2 Landlord Representation

Landlord represents and warrants to City that on the Lease Reference Date, to Landlord's "actual knowledge," the Building is not in violation of any Environmental Laws. Landlord shall Indemnify the City against any Claims resulting from Hazardous Materials in the Building, except to the extent City or its Agents cause a Release of the Hazardous Materials. Landlord represents that Richard Lowry is the person within Landlord's organization with the most knowledge of the matters covered by this section. Furthermore, it is understood and agreed that such individual(s) shall have no personal liability in any manner whatsoever hereunder or otherwise related to the transactions contemplated hereby.

21.3 Intentionally Deleted

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after

the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. SPECIAL PROVISIONS

Landlord shall have the right to terminate the Lease before the Expiration Date but in no event shall the Early Termination Date (as hereinafter defined) be earlier than November 30, 2013. In the event that Landlord elects to exercise this termination option, Landlord shall notify City in writing not less than six (6) months before the new termination date (the "Early Termination Date"). In the event that Landlord exercises this option, (i) the City shall receive a rent credit equal to two (2) months of Base Rent for the two (2) months immediately following such notice (the "Rent Credit"), and (ii) this Lease shall terminate on the Early Termination Date. On the Early Termination Date, City shall vacate and deliver possession of the Premises to Landlord in the condition required by this Lease for surrender of the Premises.

23. GENERAL PROVISIONS

23.1 Notices

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

23.2 No Implied Waiver

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

23.3 Amendments

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

23.4 Authority

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

23.5 Parties and Their Agents; Approvals

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

23.6 Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar

days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7 Successors and Assigns

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

23.8 Brokers

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

23.9 Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law.

23.10 Governing Law

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

23.11 Entire Agreement

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

(including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

23.12 Attorneys' Fees

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

23.13 Holding Over

Tenant shall vacate the Premises and deliver the same to Landlord upon the expiration or sooner termination of this Lease. In the event of holding over by Tenant after the expiration or termination of this Lease, (a) if such holding over is with Landlord's written consent, then the tenancy shall be on a month-to-month tenancy or (b) if such holding over is without Landlord's written consent, then the tenancy shall be a tenancy at sufferance and Landlord shall have all rights and remedies available under this Lease. If such holdover is with Landlord's written consent, then such tenancy may be terminated by either party giving thirty (30) days prior written notice of termination to the other party. In the event of holding over by Tenant, all of the terms and provisions of this Lease shall be applicable during such period, provided, for any holding over without Landlord's consent, the Base Rent shall be increased to one hundred fifty percent (150%) of the monthly Base Rent in effect at the expiration of the Term. If such holdover is without Landlord's written consent, Tenant shall be liable to Landlord for such costs and expenses as may be permitted by applicable law.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

Landlord shall provide City with basic building signage package at Landlord's sole cost.

23.18 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, and subject to Section 7.4, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

23.19 Bankruptcy

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

23.20 Transfer of Landlord's Interest

Landlord shall have the right to transfer its interest in the Property, the Building or this Lease. In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor, of any obligations accruing hereunder from and after

the date of such transfer and upon delivering to City an express assumption by the transferee of all of Landlord's obligations hereunder.

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles

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

23.23 Controller's Certification of Funds

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

23.24 Intentionally Deleted

23.25 Non Discrimination

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

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

(c) **Non-Discrimination in Benefits.** Landlord does not as of the date of this Lease and will not during the term of this Lease, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within

the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

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

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

23.26 Intentionally Deleted

23.27 Bicycle Storage Facilities

Article 1.5, Section 155.1, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle storage at City-leased buildings at no cost to Landlord and if funds are available. In the event public and/or private donations, grants or other funds become available, at any time during the Term of this Lease, City may, by giving a 60-day advanced written notice to Landlord, install compliant bicycle storage in the Building garage in a location approved by Landlord. City shall pay the monthly rent value for any such parking spaces used for such bicycle parking, or Landlord also agrees that City may install, at City's sole cost and expense, bicycle racks in other location(s) in front of the Building approved by Landlord, which are required to meet the Class 1 and/or Class 2 requirements of the Planning Code. Landlord, at no cost to Landlord, shall reasonably cooperate with City regarding the location of such spaces in furtherance of the implementation of such requirements of the Planning Code.

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Landlord agrees that it shall comply with all applicable provisions of such code sections as they relate to the Premises.

23.29 Counterparts

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

23.30 Effective Date

The date on which this Lease shall become effective (the "Effective Date") is the date upon which (a) City's Mayor and Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto. If the Effective Date shall not occur within forty-five (45) days after Landlord executes and delivers Landlord's counterpart signature on this Lease to City, then Landlord may rescind Landlord's execution of such counterpart in Landlord's sole discretion, and in such event Landlord's offer to lease the Premises to City shall be deemed revoked and the parties shall have no further rights or obligations under this Lease except those that expressly survive a termination of the Lease.

23.31 Intentionally Deleted

23.32 Intentionally Deleted

23.33 Sunshine Ordinance

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

23.34 Conflicts of Interest

Reference is made to Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California. Landlord does not know of any facts that would constitute a violation of these provisions.

23.35 Notification of Limitations on Contributions

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

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

23.36 Intentionally Deleted

23.37 Cooperative Drafting

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

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

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

LANDLORD:

SFOC LLC, a California Limited Liability
Company

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

RECOMMENDED:

John Updike
Acting Director of Property

RECOMMENDED:

Department of Emergency Management

RECOMMENDED:

Office of the Assessor-Recorder

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Deputy City Attorney

EXHIBIT A
FLOOR PLAN
[To Be Attached]

EXHIBIT B

COMMENCEMENT DATE NOTICE

[To Be Attached]

EXHIBIT C

RULES AND REGULATIONS -ATTACHED TO AND MADE A PART OF THE LEASE

1. All signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord and consistent with Building standards for signage.
2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.
3. Tenant shall not alter any lock or install any new or additional locks to any bolts on any door or windows of the Premises.
4. The toilet rooms, urinals, wash bowls, and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the Tenant who or whose employees or invitees shall have caused it.
5. Tenant shall use professional movers that are bonded and insured. No furniture, freight, or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done on Saturdays and Sundays, or between the hours of 6:00 P.M. and 7:00 A.M. on normal business days.
6. Tenant shall not overload the floor of the Premises or in any way deface the Premises. Landlord shall have the right to prescribe the weight, size, and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Tenant shall not install any additional heavy equipment/machinery without Landlord's prior approval. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.
7. Tenant shall not use, keep, or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors, and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises of the Building.
8. No cooking shall be done or permitted by Tenant on the Premises except for use of microwave oven, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable, or immoral purposes.

9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline, or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord, if any.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed w/o the prior written consent of Landlord. The location of telephones, call boxes, and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
11. On Saturdays, Sundays, and legal holidays, and on other days between the hours of 6:00 P.M. and 7:00 A.M. the following day, access to the Building or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement or other commotion, Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.
12. All requests for air conditioning or heating during hours when such services are not normally furnished by Landlord must be submitted in writing to the Building management office at least two (2) business days prior to date service is required. Tenant shall bear the additional cost of such services.
13. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.
14. No vending machines or machines of any description shall be installed, maintained, or operated upon the Premises without the written consent of Landlord.
15. Tenant shall not disturb, solicit, or canvas any occupant of the Building and shall cooperate to prevent same.
16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant, except as Tenant's address.
17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities and heating, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

EXHIBIT D

LIST OF AVAILABLE FURNITURE FROM LANDLORD'S ONSITE INVENTORY

[To Be Attached]



John Updike
Acting Director of Real Estate

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2012 JUN 12 PM 3:58

RBC



June 11, 2012

Through Naomi Kelly,
City Administrator

NEW 21 Mos. Lease
711 Van Ness Ave.
DEM/ Assessor-Recorder

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

Dear Board Members:

Attached for your consideration is a Resolution authorizing the execution of a twenty-one (21) month lease of approximately 9,800 square feet at 711 Van Ness Avenue for the Department of Emergency Management (7,000 square feet) and the Office of the Assessor-Recorder (2,800 square feet).

Department of Emergency Management (DEM)

Governed by Memoranda of Understanding (MOUs) between participant jurisdictions, the Bay Area Urban Areas Security Initiative (BAUASI) is managed through a three tiered governance structure. Its purpose is to administer, monitor, and coordinate various federal grants and to perform regional strategy and risk management planning activities within the ten counties of the Bay Area. The City and County of San Francisco serves as the fiscal agent.

The BAUASI Management Team (tenant) is responsible for implementing policies associated with the administration and management of projects and all other BAUASI activities. Such activities predominantly pertain to grant compliance and strategy. Additionally, the BAUASI Management Team is the liaison for the City and County of San Francisco, which serves as the fiscal agent for grant funds, grantors, and sub-recipients. The BAUASI Management Team is the point of contact for all inquiries and issues raised by regional stakeholders, Bay Area working groups, and subject matter experts

The Bay Area UASI Management Team is comprised of approximately 20- 30 individuals consisting of the general manager, assistant general manager, chief financial officer, as well as program/project managers, finance/grant managers, and administrative staff. The General Manager appoints members to the Management Team to implement the policies of the Approval Authority. The members of this Team are employees of the member jurisdictions of the

Approval Authority, are assigned to work full-time on the Management Team, and are paid salaries through grant funds.

In order to best facilitate the BAUASI's role as a fiscal agent of San Francisco, the Management Team seeks this space because of its location in San Francisco and proximity to SF City Hall and DEM's fiscal agent headquarters located at 1011 Turk Street, where crucial servers, documents, and resources are located.

Assessor-Recorder (ASR)

The Office of the Assessor-Recorder requires more office space for additional temporary hires working property tax appeals. Due to the down-turn in the real estate market, ASR has been inundated with an unprecedented number of property tax appeals, on top of ASR's regular work of assessing new construction and change-in-ownership events.

In the past 12 months, ASR has undergone a multi-phase reconfiguration (with Pivot Interiors) to maximize the usable area of its City Hall offices. This helped but has not completely alleviated space requirements.

Fiscal Impact

The Real Estate Division and the Landlord, after substantial negotiations, have agreed that the rent is as follows:

Lease Term	Months	Monthly Rent (\$22/psf per year)	Total Lease Rent	FY 2013 Rent	FY 2014 Rent
July 15, 2012 - April 14, 2014	21	\$ 17,967	\$ 377,300	\$ 206,617	\$ 170,683

**Note: Add additional \$1,200 per month for parking

The lease is fully serviced and all standard services and utilities are to be covered by the Landlord. Parking is an additional cost of \$1,200 per month (\$14,400 per year).

We recommend approval of the proposed lease. If you have any questions regarding this matter, please contact Josh Keene of our office at 554-9877.

Respectfully,



John Updike
Acting Director of Real Estate

cc. Marta Bayol
Josh Keene



John Updike
Acting Director of Real Estate



March 9, 2012

711 Van Ness
Office Lease - 4th Floor

Mr. Ralph F. Marchese
The Marchese Company
1388 Sutter Street #805
San Francisco, CA 94109

RE: Proposal to Lease: 711 Van Ness Avenue, San Francisco

Dear Mr. Marchese:

I have met over the past month with representatives from McLellan Commercial to explore locating some of our departments onto the fourth floor (4th) of your building at 711 Van Ness Avenue, San Francisco, CA (the "Building"). The City and County of San Francisco (the "City") as the "Tenant" has an interest in leasing a portion of the fourth floor (4th) from SFOC, LLC ("Landlord"). The lease will occur under the following terms and conditions:

Lease Form: The Lease Agreement shall be based on the standard City Lease form. The final Lease Agreement is subject to negotiations with the City through its Director of Property and approval by the City's Director of Property, Board of Supervisors and Mayor, in their respective sole and absolute discretion.

Lease Premises: The "Premises" shall consist of a portion of the fourth floor (4th) comprising approximately 9,800 rentable square feet (RSF). Exhibit A to this LOI identifies the intended area of the lease. The Premises shall also include access to parking spaces located in the Building at a rate of \$210 per month. The quantity of assigned spaces will be provided by the Tenant before the signing of the Lease, expected to not exceed five (5) total.

It is understood that the Premises shall be delivered to the City in relatively "as-is" based on the current condition, with the exception of the below-listed Tenant improvement work to be performed at Landlord's cost.

Lease Term:

The term of the Lease (the "Term") will commence upon the date the premises are delivered to the Tenant and after the lease is approved by the City's Director of Property, Board of Supervisors and Mayor. The Landlord will deliver the space within thirty (30 days) of the executed lease. The Lease will terminate on April 15, 2014 (the "Expiration Date"), subject to Landlord's right to terminate the Lease no earlier than November 30, 2013 with 6 months advance notice prior to such termination. Tenant will be provided with two months free rent if Landlord exercises this early termination option. The Lease is subject to the annual appropriation of funds in accordance with the Charter of the City and County of San Francisco.

The Landlord shall make reasonable accommodations to allow Tenant entry to the premises to perform data, voice, wiring, FF&E relocation, and other typical move-in activities leading up to the delivery of the Premises.

Base Rent:

Rent shall be \$1.83/SF per month, for a total of \$17,967 per month. Rent shall be Fully-Serviced.

Base Rent

Escalations:

There is no escalation of the rent during the proposed term.

Tenant Improvements:

The Landlord will thoroughly clean the carpets, replace stained carpet as-needed, replace carpet as needed in areas where furniture is removed, and paint as-needed. The Landlord will leave in place the existing furniture on the 4th floor. The Tenant can relocate existing furniture within the Premises and also take furniture from other available locations and onsite inventory within the Building at the permission of the Landlord. Furniture relocation will be at Tenant's sole cost. In the event the Tenant wishes to remove furniture from the building, it is permissible at Tenant's sole cost. No compensation for disposed furniture is due the Landlord. The Tenant will not be charged for leaving behind any of the furniture supplied by the Building at move-out.

The Landlord has also agreed to divide the floor into two separate areas encompassing approximately 2,800 RSF and 7,000 RSF

(represented in Exhibit B). This will include providing lockable doors between the two areas (also marked on Exhibit B).

Additional Tenant Improvements:

During the term of the lease, the Tenant shall have the right to perform Tenant improvement work at its sole cost without unreasonable interference from the Landlord.

Signage and Access:

The Landlord shall provide keycard access and keys to the Tenant and its employees. The Landlord will also provide basic building signage at the lobby and entryway to the Premises. Any additional signage beyond the base building package is the Tenant's responsibility.

Renewal Options:

Presently, there is no option to extend the lease beyond the Expiration Date. However, in the event that both Tenant and Landlord agree in writing to extend the term, the tenancy can continue on a month to month basis beyond the Expiration Date at the current rate.

In the event that the Landlord does not go forward with the intended re-purposing of the building and decides to keep the general office use in place with multiple building Tenants, the Tenant shall have right of first refusal to retain its space at a negotiated fair market rate and term.

Permitted Use:

The Premises may be used for the following permitted uses and for no other purposes: Public offices used for City departments and other public or nonprofit agencies for the performance of their services under contract with the City and uses incidental thereto, including public programs, public board and hearing rooms, job training for employees or prospective employees of City departments occupying the Premises, public payment or application centers and job-training rooms, class rooms, parole or probation counseling / meetings

Sublease/Assignment:

City shall have the right to sublease all or any part of the Premises during the term with Landlord's prior written consent, which shall not be unreasonably withheld or delayed. Landlord shall be entitled to retain 50% of any net subleasing or assignment profits after subtracting all costs. The above notwithstanding, use of space or sublease(s) to any City departments, non-profits, vendors or contractors of City shall not be subject to Landlord approval or profit participation as long as it complies with the Permitted Use provision.

Landlord Representations:

Landlord shall represent and warrant that (i) it has good and marketable title to the Premises, (ii) at the date of the Lease, Landlord has no

known knowledge of material property defects or conditions which would affect City's intended use of the Premises for general office purposes, other than those items disclosed before signing of the Lease (iii) as of the lease date, Landlord has no actual knowledge of any hazardous materials or contamination in or about the Premises in violation of applicable laws other than those which will be disclosed during due diligence.

Commissions: Landlord shall be solely responsible for any and all real estate commissions. City and Landlord shall warrant to each other that neither has involved or used any broker.

Subordination and Non Disturbance: As a condition to the Lease, the holder of any encumbrance or lien that may now exist shall enter into a quiet enjoyment and nondisturbance agreement. The Lease will provide for subordination, non-disturbance and attornment for any future encumbrance.

Other City Clauses: Landlord, shall comply with the provisions (as applicable) specified in the San Francisco municipal codes relating to Resource – Efficient City Building (Admin. Code Sections 82.1-82.8), the MacBride Principals (Admin. Code Section 12F.1 et seq.), Prevailing Wages for Construction (SF Charter Section A&.204, and Admin. Code Section 6.33 through 6.45), the Controller's Certification of Funds (SF City Charter Section 3.105), the Tropical Hardwood and Virgin Redwood Ban (Admin. Code Section 121), Bicycle Storage (Planning Code Article 1.5), the Non Discrimination in City Contracts and Benefits Ordinance (Admin. Code Sections 12B, and 12C), Campaign Contribution Limitations (Section 1.126 of City's Campaign and Governmental Conduct Code), and Earned Income Credit Forms (Admin. Code Chapter 120), and First Source Hiring.

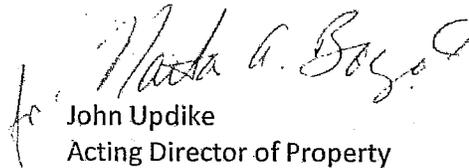
Expiration of this Proposal: This proposal shall expire unless acceptance is delivered to the Real Estate Division on or before 5:00 p.m., Friday March 16, 2012. This Lease Proposal is an outline of the major lease provisions only and is not a binding legal agreement. The premises described herein are subject to prior leasing and/or withdrawal at any time without further notice. Neither Landlord nor Tenant shall have any legal obligation or liability to the other with respect to the matters set forth in this Lease Proposal unless and until a definitive lease document is executed and delivered by both parties. Either party shall have the right to discontinue negotiations at any time without incurring any legal obligation or liability to the other. Furthermore, this Lease Proposal and/or

acceptance thereof by Tenant shall not confer any third party beneficiary rights in or create any liability on the part of either Landlord or Tenant to any third party. Without limiting the generality of the foregoing, this Lease Proposal shall be deemed automatically withdrawn ten (10) days from the date of this Lease Proposal unless extended in writing by City.

This letter is a preliminary statement of City's general intentions and is not intended to be a legally binding document. It should be understood that City and Landlord mutually intend neither party shall have any binding contractual obligation to the other relative to the terms specified herein until a formal lease agreement has been approved by the City's Board of Supervisors and Mayor, in their respective sole and absolute discretion and has been fully executed and delivered by parties.

If you have any questions regarding this matter, please contact Josh Keene at 554-9877.

Sincerely,


John Updike
Acting Director of Property

THE UNDERSIGNED OWNER AGREES TO THE ABOVE TERMS AND CONDITIONS OF THE LEASE AT 711 VAN NESS, AND ACKNOWLEDGES A COPY OF THIS PROPOSAL.

The Marchese Company

Date

cc: Marta Bayol, SFRED
Charlie Dunn, SFRED
Josh Keene, SFRED

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

City Elective Officer Information <i>(Please print clearly)</i>	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors
Contractor Information <i>(Please print clearly)</i>	
Name of Contractor: SFOC LLC	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
1. Bruce Spivey, MD- President and CEO; Dale Walker- Vice President; David Cuneo- Treasurer; Carolyn Burnett- Secretary; F. Clark Warden- Member at Large 2. Bruce Spivey- President and CEO 3. None 4. N/A 5. None	
Contractor address: 711 Van Ness Avenue, 5th Floor, San Francisco, CA 94102	
Date that contract was approved:	Amount of contract: \$402,500.00
Describe the nature of the contract that was approved: 21 month lease of 9,800 SF at 711 Van Ness Ave. for Department of Emergency Management and Office of Assessor-Recorder	
Comments:	

This contract was approved by (check applicable)

The City elective officer(s) identified on this form

A board on which the City elective officer(s) serves

San Francisco Board of Supervisors

Print Name of Board

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

Print Name of Board

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

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

Date Signed

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

Date Signed



Fw: BOS item 12-0675 - Lease at 711 Van Ness

Joshua Keene to: Rana
Calonsag

06/28/2012 11:16 AM

Rana,

As mentioned yesterday, once the Lease is more thoroughly fine tuned I will formally submit it to your office for record. However, the draft attached here is a substantially negotiated draft sent so that the Budget Analysts can begin their report.

Thanks,

Josh Keene
Real Estate Division
25 Van Ness, Suite 400
Office: 415.554.9877
Cell: 520.245.7704
joshua.keene@sfgov.org

— Forwarded by Joshua Keene/ADMSVC/SFGOV on 06/28/2012 11:15 AM

From: Joshua Keene/ADMSVC/SFGOV
To: Isaac Menashe/BudgetAnalyst/SFGOV@SFGOV
Cc: Debra Newman/BudgetAnalyst/SFGOV@SFGOV, John
Updike/ADMSVC/SFGOV@SFGOV, Marta
Bayol/ADMSVC/SFGOV@SFGOV
Date: 06/27/2012 02:32 PM
Subject: Re: BOS item 12-0675 - Lease at 711 Van Ness

Isaac,

As mentioned over the phone, please find attached a copy of the substantially negotiated Lease at 711 Van Ness. I am available almost any time tomorrow and also on Monday to discuss this with you. For planning purposes, I do have a meeting tomorrow from 2pm - 4pm with Department of the Environment to assist with their newly signed Lease at 1455 Market. However, I am free all day before and after that block of time to work with you on this item.

With respect to the Lease, the only remaining issues to resolve with the Landlord are procedural requirements and clauses. The budget impact will remain unchanged.



711 Van Ness Lease - 6_20_2012.doc

For your reference, here is a copy of the Letter of Intent which spells out the Business Terms as written in the Lease.



711 Van Ness - LOI.pdf

In summary, the financial terms are as follows:

- 9,800 Square Feet (7,000 sf for DEM & 2,800 sf for ASR)
- flat rate of \$22.00 per year (\$1.83 per month) with no escalation
- rent is fully-serviced (including janitorial and utilities)
- DEM is renting five (5) assigned parking spaces at a rate of \$240 per space per month. ASR is not renting any parking.
- Lease term runs from Lease Effective Date until April 2014. Landlord has an early termination option that is exercisable with 180 days notice. Termination by Landlord cannot occur before 11/30/2013. Landlord must credit tenant two (2) months of rent if this option is exercised.

Please let me know if you have any questions or need any clarification.

Thanks,

Josh Keene
Real Estate Division
25 Van Ness, Suite 400
Office: 415.554.9877
Cell: 520.245.7704
joshua.keene@sfgov.org

Isaac Menashe Hi Josh, I'm the an... 06/27/2012 01:55:14 PM

From: Isaac Menashe/BudgetAnalyst/SFGOV
To: Joshua Keene/ADMSVC/SFGOV@SFGOV
Date: 06/27/2012 01:55 PM
Subject: BOS item 12-0675 - Lease at 711 Van Ness

Hi Josh,

I'm the analyst at the Budget and Legislative Analyst's office working on Board leg item 12-0675, the proposed resolution to execute the lease at 711 Van Ness for DEM and ASR. We're just emerging from the budget process and I'm realizing the deadline is coming up quick: due to the holiday next week, our report needs to go to the Board on Tuesday. I will try to get you some preliminary questions via email by the end of the day today, or early tomorrow. Because I'll be out on Friday, will you be able to turn them around by tomorrow afternoon, and perhaps be free to answer some questions by phone tomorrow and again on Monday?

Please do let me know if I should pencil in any specific times you will be free on Monday in particular. Thanks in advance and I look forward to working with you on this item.

Best,
Isaac

--
Isaac Menashe
Budget and Legislative Analyst's Office
(415) 552-9292
isaac.menashe@sfgov.org



Introduction Form

By a Member of the Board of Supervisors or the Mayor

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 inquires"
- 5. City Attorney request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No.
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

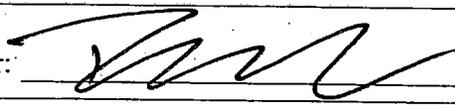
- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

Subject:

The text is listed below or attached:

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

