File No. 120790 Committee Item No. 4
Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date 09/05/2012

Board of Supervisors Meeting Date September 11, 2012

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Completed by: Victor Young Date August 31, 2012
Completed by: Victor Young Date 9-6-12

Amendment of the Whole
in Committee. 9/5/12

FILE NO. 120790 RESOLUTION NO.

[Real Property Lease - 124 Turk Street]

Resolution authorizing the exercise of a 10 year option to extend the Master Lease of the 14,700 square foot building at 124 Turk Street for the Department of Public Health for contract service providers to provide housing to homeless individuals, retroactively to August 1, 2012.

WHEREAS, The City and 124 Turk Street, LP, executed the ten year Master Lease dated 9/9/2002, authorized by Resolution 500-02 for the Premises at 124 Turk Street comprising 14,700 square feet; and

WHEREAS, The Department of Public Health contracts with service providers to provide clean and safe housing at the Premises for approximately 55 individuals who have a history of homelessness and may have a disability related to mental health, HIV/AIDS, and/or substance abuse; and

WHEREAS, The Master Lease is due to expire on July 31, 2012, and contains an option to extend the term for ten years on the same terms and conditions; and

WHEREAS, The option term is subject to enactment of a resolution by the Board of Supervisors and Mayor, in their respective sole and absolute discretion, approving and authorizing such exercise; now, therefore, be it

RESOLVED, That in accordance with the recommendation of the Director of the Department of Public Health and the Acting Director of Property, the Acting Director of Property is hereby authorized to take all actions on behalf of the City and County of San Francisco, as Master Lessee, to extend the Master Lease for the building commonly known as 124 Turk Street, a copy of which is included in Board of Supervisors File No. 120790 on the terms and conditions set forth, and on a form approved by the City Attorney; and be it

FURTHER RESOLVED, That the Master Lease extension shall be for a term of ten years at a base monthly rent of $34,664.99, or approximately $2.36 per square foot, in addition to utility and janitorial services, with an effective date of August 1, 2012; and be it

FURTHER RESOLVED, That the Master Lease includes a clause indemnifying, holding harmless, and defending the Master Lessor and its agents from and against any and all claims, costs and expenses, including without limitation, reasonable attorney fees incurred as a result of any default by the City in the performance of any of its material obligations under the Master Lease, or any negligent acts or omissions of the City, or its agents, in, on or about the Premises or the property on which the Premises are located, excluding those claims, costs and expenses incurred as a result of the negligence or willful misconduct of the Master Lessor or its agents; and be it

FURTHER RESOLVED, That any action taken by the Acting Director of Property and other relevant officers of the City with respect to the exercise of the option under the Master Lease as set forth herein is hereby ratified and affirmed; and be it

FURTHER RESOLVED, That the Acting Director of Property be authorized to enter into any additions, amendments or other modifications to the Master Lease agreement (including without limitation, the exhibits) that the Acting Director of Property determines, in consultation with the Director of the Department of Public Health and the City Attorney, are in the best interests of the City, do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transaction contemplated in the Master Lease and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Acting Director of Property of any amendments thereto; and be it

FURTHER RESOLVED, That said Master Lease shall be subject to certification of funds by the Controller pursuant to Section 6.302 of the Charter.

RECOMMENDED:

Department of Public Health

John Updike
Acting Director of Property

$415,979.88 Available
Appropriation No. HCHSHHOUSGGF
Sub-object: 03000

Controller, subject to the enactment
of the FY 2012-2013 annual
Appropriation ordinance

Item 4 File 12-0790	Departments: Department of Public Health (DPH) and Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve the exercise of the first of two ten-year options to extend the master lease between the Department of Public Health (DPH), as tenant, and 124 Turk Street, LP, as landlord, for the Camelot Hotel from August 1, 2012 through July 31, 2022.

Key Points

- The Camelot Hotel provides 55 single-room occupancy (SRO) residential units for adults participating in DPH's Direct Access to Housing Program, a permanent supportive housing program for formerly homeless adults. The Board of Supervisors approved the original master lease for the Camelot Hotel, located at 124 Turk Street, for ten years, from August 1, 2002 through July 31, 2012, with two ten-year options to extend the lease. The Camelot Hotel master lease consists of 14,700 square feet, including laundry, storage, office space and 55 SRO residential units.

Fiscal Impacts

- The proposed monthly rent from August 1, 2012 through July 31, 2013 would be $34,665 (approximately $2.36 per square foot per month), which is $813 or 2.4% more than the prior monthly rent of $33,852 (approximately $2.30 per square foot per month) from August 1, 2011 through July 31, 2012. Under the master lease, rent would be increased each year by the Consumer Price Index (CPI), ranging from a minimum of 1.5% to a maximum of 5.0%. Annual rent in FY 2012-13 is $415,980.

- In addition to annual rent, DPH incurs annual (1) property management costs of $563,840 for utilities, maintenance, janitorial services, and 24-hour front desk coverage, and (2) DPH staff costs of $311,004 for supportive services. Annual costs for rent, property management, and supportive services, which total $1,290,824 in FY 2012-13, are partially offset by an estimated $180,000 in tenant rent, resulting in FY 2012-13 net costs to DPH of approximately $1,110,824.

Recommendations

- Amend the proposed resolution for a retroactive start date of August 1, 2012.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Under Administrative Code Section 23.27, leases with a term of more than one year or rent of more than $5,000 per month, in which the City is the tenant, are subject to the Board of Supervisors approval, by resolution.

Background

In 2002, the Board of Supervisors approved a new master lease between the Department of Public Health (DPH), as tenant, and 124 Turk Street, LP, as landlord, for the Camelot Hotel, located at 124 Turk Street. Under the master lease, the Camelot Hotel provides 55 single-room occupancy (SRO) residential units to individuals participating in DPH's Direct Access to Housing Program, a permanent supportive housing program for formerly homeless adults and adults with mental and medical conditions, including HIV/AIDS and substance abuse.

The original lease was for 10 years, from August 1, 2002 through July 31, 2012, with two 10-year options to extend.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first of two 10-year options to extend the master lease, as follows:

Table 1: Summary of Proposed Extended Lease Terms

Term	10 years (August 1, 2012 through July 31, 2022)
Square feet	1,876 (basement floor for laundry facilities and storage) 2,431 (first floor for office space) 10,393 (Floors two through six for 55 SRO units) 14,700
Rent per square foot per month (year one)	$2.36
Total rent per month (year one)	$34,665
Total annual rent (year one)	$415,890
Annual increase in rent per square foot per month	Annual CPI adjustments to the base rent on August 1 of each subsequent year, which would increase at no less than 1.5% and no more than 5%
Utilities and services	Utilities and janitorial services paid by the City

The master lease would continue to provide 55 SRO residential units to formerly homeless adults in DPH's Direct Access to Housing Program. DPH will continue to contract property management, under a separate agreement, with Delivering Innovations in Supportive Housing

(DISH), a project of the non-profit Tides Center.[1] Support services are provided by DPH's Housing and Urban Health Program.

FISCAL IMPACTS

Under the proposed master lease extension, and shown in Table 2 below, the monthly base rent of $34,665 would increase by approximately $813 or 2.4% from the current monthly rent of $33,852 under the existing master lease. According to Ms. Claudine Venegas, Real Estate Division Senior Real Property Officer, the proposed monthly rent is based on the Consumer Price Index (CPI) adjustment for the period from July 2011 through June 2012.

Table 2: Comparison of Rent under the Prior Master Lease and the Proposed Master Lease Extension

Rent	Rent per square foot per month	Total rent per month
August 1, 2012 through July 31, 2013	$2.36	$34,665
August 1, 2011 through July 31, 2012	$2.30	$33,852
Increase	$0.06	$813
Percent	2.4%	2.4%

FY 2012-13 annual rent of $415,980 (see Table 3) is General Fund monies, previously appropriated by the Board of Supervisors in the FY 2012-13 DPH budget.

Property Management and Supportive Service Costs
In addition to rent, DPH incurs costs for (1) property management and (2) supportive services.

DPH has a three year contract with the nonprofit Tides Center's Delivering Innovations in Supportive Housing (DISH) program, from July 1, 2010 to June 30, 2013, selected through a competitive request for proposals, to provide property management services at the Camelot. These services include 24 hour per day front desk coverage, maintenance, janitorial, utilities, and other property management costs, for an annual contract amount of $563,840, of which $177,638 (31.5%) are General Fund and $386,202 (68.5%) are Federal Mental Health Services Act (MHSA) funds.

In addition, DPH staff, including one Licensed Clinical Social Work and two Case Managers, provide supportive services to Camelot Hotel tenants, at an annual cost of $311,004. Approximately 38% of DPH's eligible supportive services costs are reimbursable by MediCal.

DPH's total annual costs for the Camelot Hotel master lease, property management, and supportive services are $1,290,824, as shown in Table 3 below.

[1] According to DPH staff, DPH and DISH are in the third year of a three-year agreement, and would need Board of Supervisors approval to extend the term of the agreement.

Tenant Rent
DPH charges Direct Access to Housing tenants, including Camelot Hotel tenants, 50% of their income for housing and supportive services[2]. DPH estimates that Camelot Hotel tenants pay rent of approximately $180,000 per year, which DPH uses to offset property management costs.

Table 3: Total Estimated Camelot Hotel Costs from August 1, 2012 through July 31, 2013

Cost Category	Monthly Amount	Annual Amount
Master Lease Rent	$34,665	$415,980
Property Management	46,987	563,840
Supportive Services	25,917	311,004
Subtotal	107,569	1,290,824
Tenant Rent Payments	(15,000)	(180,000)
Total	**$92,569**	**$1,110,824**
Average Cost per Tenant (for 55 Tenants)	$1,683	$20,197

As shown in Table 3 above, the average cost per tenant per month is $1,683. Total costs of $1,110,824 are included in DPH's FY 2012-13 budget.

Retroactive Approval
According to Ms. Claudine Venegas, Senior Real Property Officer of the Real Estate Division (RED), the effective date of this first option period is August 1, 2012. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be amended to provide for retroactive approval to August 1, 2012.

RECOMMENDATIONS

1. Amend the proposed resolution for a retroactive start date of August 1, 2012.
2. Approve the proposed resolution, as amended.

[2] Camelot Hotel tenants generally have incomes of less than 20% of the 2012 area median income of $72,000, or approximately $14,400 per year.

John Updike
Acting Director of Real Estate

City and County of San Francisco
REAL ESTATE DIVISION

June 29, 2012

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 JUN 29 PM 3:39

Through Naomi Kelly, City Administrator

Honorable Board of Supervisors
City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: Exercise of option term under the Master Lease for 124 Turk Street

Dear Board Members:

On behalf of the Department of Public Health (DPH), attached for your consideration is a Resolution authorizing the exercise of City's option to extend the term of the Master Lease for the subject property (the "Premises") authorized by Board of Supervisors Resolution No. 500-02 for ten (10) years as set forth in the Master Lease provisions for the Premises.

The exercise of such option to extend the term is subject to enactment of a resolution by the Board of Supervisors and Mayor in their respective sole and absolute discretion.

Since 2002, the Premises comprising approximately 14,700± square feet have been used for approximately 55 individuals who have a history of homelessness and may have a disability related to mental health, HIV/AIDS, and/or substance abuse.

The DPH currently pays $33,852.53 (approximately $2.30/psf) per month for the Premises, which is subject to an annual CPI adjustment increasing the monthly rent from 9/2012 to 9/2013 to $34,664.99, or approximately $2.36 per square foot. All other lease obligations as set forth in the Master Lease remain the same.

The DPH and the Real Estate Division recommend approval and authorization to exercise the option as set forth in the Master Lease. We are advised that funds are available in Index Code No. HCHSHHOUSGGF, Sub-

object: 03000. If you have any questions in this regard, please contact Claudine Venegas of my staff at 554-9872 or Wolfgang Stuwe, DPH Project Manager, Housing and Urban Health, at 554-2829.

Sincerely,

John Updike
Acting Director of Property

cvh:\124turkbos

Attachments

cc: Wolfgang Stuwe, Department of Public Health
Marc Trotz, Department of Public Health
Terence Peneda, Department of Public Health

MASTER LEASE

between

124 Turk Street, LP
as Owner/Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
on behalf of the Department of Public Health,
as Tenant

For the lease of

Camelot Hotel
124 Turk Street
San Francisco, California 94102

August 1, 2002

MASTER LEASE

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EXHIBIT A – Floor Plan(s) of Premises
EXHIBIT B – Inventory List of FF&E
EXHIBIT C – Notice of Commencement Date
EXHIBIT D - Plans and Specifications for Leasehold Improvements

MASTER LEASE

THIS MASTER LEASE (this "Lease"), dated for reference purposes only as of August 1, 2002 is by and between 124 TURK STREET, LP, as Owner ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, on behalf of the Department of Public Health ("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:	August 1, 2002
Landlord:	124 Turk Street, LP
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, on behalf of the Department of Public Health
Building (Section 2.1):	Camelot Hotel 124 Turk Street San Francisco, California 94102
Premises (Section 2.1):	The Building, including but not limited to all 55 units, restrooms, etc.
Term (Section 3):	Estimated commencement date: August 1, 2002 Expiration date: Ten (10) years after Commencement Date
Base Rent (Section 4.1):	Annual Base Rent: $330,000 subject to increase in accordance with Section 4.2 Monthly payments: $27,500 ($500 per month per unit x 55 units)
Use (Section 5.1):	Tenant shall use the Premises for occupancy as residential dwellings for individual households ("Subtenants") together with services generally associated with such use; including general

	administrative services.
Utilities (Section 9.1):	Tenant shall be responsible for all utilities.
Services (Section 9.2):	Tenant shall be responsible for janitorial services.
Deposit (Section 22):	$27,500 (1 month @ $500/unit) payable on September 1, 2002
Notice Address of Landlord (Section 23.1):	124 Turk Street, LP Michael J. Bovo, General Partner 148 Seal Rock Drive San Francisco CA 9412 Fax No. (415) 752-0516
Key Contact for Landlord:	Michael J. Bovo, General Partner
Landlord Contact Telephone No.:	(415) 467-2395
Notice Address for Tenant (Section 23.1):	Real Estate Department 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Marc S. McDonald, Director of Property Fax No.: (415) 554-9216
with a copy to:	Department of Public Health City and County of San Francisco 101 Grove Street San Francisco, CA 94102 Attn: Marc Trotz Fax No.: (415) 554-2658
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: Amy Brown, Deputy City Attorney Fax No.: (415) 554-4755
Key Contact for Tenant:	Marc H. Trotz, Director of Housing Development DPH-Housing and Urban Health
Tenant Contact Telephone No.:	(415) 554-2557

2. PREMISES

2.1. Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the building identified in the Basic Lease Information (the "Building") and shown on the floor plans attached hereto as Exhibit A (the "Premises") and the furniture, fixtures and equipment ("FF& E"), as more particularly described on the inventory list attached hereto as Exhibit B. 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."

Tenant acknowledges that Landlord may lease or permit the use the basement of the Building by another individual or entity, provided that such use is not, in the City's reasonable judgment, incompatible with the City's use and Subtenants occupancy of the Premises. The City agrees that it shall permit any such individual or entity reasonable access to the basement of the Building through the stairs and elevator of the building pursuant to a license agreement or other appropriate agreement between the City and such individual or entity. Nothwithstanding any provision in this Lease, Landlord shall indemnify City and its Agent against any and all claims arising from any use of the basement of the Building permitted under this Section.

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.

3.2. Commencement Date and Expiration Date

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

3.3 Extension Options

City shall have the right to extend the Initial Term of this Lease (the "Extension Options") for two additional ten (10) year terms (the "Extended Terms"). The terms and conditions of such Extension Options the same as set forth herein. City may exercise the Extension Option, if at all by giving written notice to Landlord no later than one hundred and twenty (120) days prior to expiration of the Initial Term, provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to

City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within sixty (60) days after the date such notice of exercise is given.

3.4 Transfer of Landlord's Interest; First Right of Refusal to Purchase

(a) Landlord shall have the right to transfer its interest in the Property or the Building, subject to the conditions set forth herein.

(b) In the event Landlord receives an offer to purchase the Property or Building at a price, terms and conditions acceptable to the Landlord, Landlord shall first offer the Property or Building to the City at the same price, under the same conditions and terms as the prior offer. Said purchase terms shall be contained in a written notice ("Notification") from Landlord to City. Within5 business days or receipt of such an offer, Landlord shall send Notification by certified mail, receipt requested, to City. The City shall have forty-five (45) days from the Notification date by Landlord to accept the offer to purchase at the price, terms and conditions contained in the Notification and approval by the City's Board of Supervisor and Mayor.

(c) City's offer to purchase shall be subject to the approval of the Board of Supervisors and the Mayor within sixty (60) days of execution of a Purchase and Sale Agreement and otherwise upon the other business terms contained herein.

City shall have sixty (60) days from the date of execution of the Purchase and Sale Agreement to perform, at its sole cost, a due diligence investigation. Landlord shall cooperate in affecting this investigation. Close of escrow shall occur on or before sixty (60) days from the date of City's notice of the approval by City's Board of Supervisors and Mayor of the purchase. The purchase price paid at close of escrow shall be adjusted in the following manner:

At close of escrow City shall pay for the cost of the premium of the extended coverage title insurance policy, the escrow fees, and all other typical closing expenses incurred by City. Landlord shall pay transfer taxes and all other typical closing expenses incurred by Landlord. Landlord shall deliver the following (among other customary items) through a mutually agreeable escrow company:

(i) a grant deed conveying ALTA insurable title subject only to taxes not yet due and payable, existing leasehold interests, and other exceptions acceptable to City,

(ii) executed estoppel certificates and assignment of leases, if applicable,

(iii) a bill of sale for all personal property on the Property, and

(iv) a written disclosure of all known facts (including any and all property inspection reports) which would affect the marketability or City's intended use of the Property or Building.

If City does not agree to purchase the property upon purchase price contained in the Notification, then this right of first refusal shall terminate and Landlord shall be free to sell the Property or Building to any person whomever and upon any terms whatsoever without any obligation to City except as set forth below in subsection (d).

This first right of refusal shall terminate and be of no further effect if a sale of the Property or Building to a third party is consummated in accordance with the foregoing provisions.

(d) In the event the Landlord transfers the Property or Building to a third party, Landlord shall deliver to City an express assumption of all Landlord's obligations under this Lease fully executed by the proposed transferee and in a form reasonably acceptable to the City. No consent from City under this Section shall be required for any transfer of all or any part of Landlord's ownership to the Landlord's family or any family member, either as individuals or in trust for the benefit of the Landlord's family or any family member.

3.5 Termination

In addition to other termination rights specifically provided in this Lease, City shall have the right to terminate this Lease for any reason upon One Hundred Eighty (180) days prior written notice to Landlord. Such termination shall be effective as of the date indicated in such written notice, which date shall be at least One Hundred Eighty (180) days after the effective date of such notice, as described in Section 23.1. The parties' rights and obligations under this Lease shall terminate as of the date of such termination, except as expressly provided in this Lease.

4. RENT

4.1. Base Rent

(a) 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 fifth (5th) 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. Base Rent for Second and Subsequent Years During the Term.

On the first anniversary of the Commencement Date, and on each subsequent anniversary of the Commencement Date during the Term, the Base Rent payable under Section 4.1 for the next twelve (12) month period shall be the Base Rent during the previous 12-month period

multiplied by a percentage equal to the percentage increase in the Consumer Price Index for all Urban Consumers (1982 – 84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics for the San Francisco Metropolitan Area ("CPI") most recently published as of the end of the applicable 12-month period from the CPI most recently published as of the commencement of the applicable 12-month period (the "Adjustment Percentage"); provided that in no event shall the Adjustment Percentage for any 12-month period be less than one and a half percent (1.5%) nor more than five percent (5%).

4.3. Payment of Real Estate Taxes

During the Term, Landlord shall be solely responsible for the Real Estate Taxes for the Premises. "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Premises, other than those taxes attributable or due to Tenant's use and operation of the Premises as described in Section 4.4. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes, and any tax, fee, or excise on the act of entering into this Lease or any other lease of space in the Building or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Building, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes, whether or not now customary or in the contemplation of the parties on the date of this Lease.

4.4. Payment of Other Taxes

(a) During the Term, City is solely responsible for the payment of all taxes, fees and charges attributable or due to the City's use and operation of Premises imposed by the United States of America, the State of California or any political subdivision thereof, or the City and County of San Francisco, including but not limited to City's business license fees and renewal fees, transient taxes and other similar taxes, fees and charges, but only to the extent attributable to City's use and operation of the Premises. In addition, the City is responsible for payment of all personal property taxes attributable to the City's personal property, and any privilege tax, excise tax, gross receipts tax and commercial rent tax. If the City fails to pay any amounts due under this Section within thirty (30) days of when due, then the Landlord may pay any such amounts on the City's behalf. The City shall reimburse Landlord for such amounts paid, together with interest at the rate set forth in Section 4.2, with the next monthly payment of Base Rent payable no more than thirty (30) days after the payment made by Landlord.

5. USE

5.1. Permitted Use

City may use the Premises for the uses specified in the Basic Lease Information, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed. Tenant covenants and agrees that during the Term of this Lease, Tenant

and/or any subtenant or assignee will continuously and uninterruptedly operate and conduct within the Premises the business it is permitted to operate and conduct under the provisions of this Lease, except and to the extent the Premises is untenantable by reason of fire or other casualty or Landlord's failure to comply with its obligations under this Lease.

5.2. Manner of Use

The City shall not cause or permit the Premises to be used in any way which constitutes a violation of any law, ordinance, or governmental regulation or order, or which constitutes a nuisance or waste.

5.3 Interference with Use

If City's use of any of the Premises or access thereto is materially and adversely interrupted as a result of the Premises 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 immediately undertake all commercially reasonable steps to correct such condition. In the event such condition continues for twenty (20) days, the Rent payable hereunder shall then be abated based on the extent to which such condition renders any portion of the Premises untenantable. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and 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 hereunder, to immediately 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. DELIVERY AND ACCEPTANCE OF PREMISES

6.1. Condition of the Premises

As of the Commencement Date, Landlord shall deliver the Premised and the FF&E to Tenant clean and free of debris on the Commencement Date, with all items on the punch list prepared by Landlord and City fully repaired and with all Leasehold Improvements substantially completed (as defined below in Section 7). The FF&E shall be located in the units, common areas of other portions of the Premises as indicated on Exhibit B.

6.2. Acceptance of the Premises

Following the inspection and completion of the Punch List items described in Sections 6.1 and 6.2, and completion of the Leasehold Improvements described below, City shall accept the Premises in its condition as of the Commencement Date, subject to its existing physical condition and all recorded matters, laws, ordinances and governmental regulations and orders. Except as provided herein, City acknowledges that neither Landlord nor any agent of Landlord

has made any representation as to the condition of the Premises or the suitability of the Premises for City's intended use. City represents and warrants that City has made its own inspection of and inquiry regarding the condition of the Premises and is not relying on any representations of Landlord, except as expressly provided herein, or any broker with respect thereto. It is expressly understood and agreed by the parties that nothing contained in this Lease, or in any manner expressed or implied, is to be construed as in any way prohibiting, restricting or limiting Landlord's right to use, rent or lease any other property owned, managed or leased by Landlord, for any purpose or use, whether or not such purpose or use be in competition, direct or otherwise, with the use for which the Premises is to be operated by the City.

6.3 Condition and Maintenance by Tenant

Tenant shall be deemed to have agreed by accepting occupancy that the improvements existing on the Premises as of the date of this Lease, are for the purposes of Tenant's intended use, in good order, condition and repair. Tenant, at Tenant's expense, shall at all times keep the improvements existing on Premises as of the date of this Lease, and those improvements subsequently constructed by Tenant upon the Premises (including maintenance of exterior entrances, all glass and show window moldings and all partitions, doors, door jambs, door closers, door hardware, ceilings, walls, floor coverings, concrete slab, fixtures, equipment and appurtenances, thereof including electrical, lighting, heating and plumbing, plumbing fixtures, and any air conditioning system, including leaks around ducts, pipes, vents or other parts of the air conditioning, heating, or plumbing systems which protrude through the roof) in good working order, condition and repair, including reasonable painting as determined by Landlord (ordinary wear and tear and damage by unavoidable casualty excepted).

Tenant shall obtain and keep in full force and effect maintenance contracts for the heating and air conditioning system serving the Premises with a maintenance company approved by Landlord in writing. Tenant agrees to provide Landlord with a copy of the maintenance contract and any renewals thereof and must obtain Landlord's written approval to the terms thereof. At Landlord's option, Landlord shall contract for such maintenance of the heating and air conditioning system serving the Premises, and in such event, Tenant shall reimburse Landlord for the cost of such maintenance within fifteen (15) days of presentation to Tenant of a written statement thereof.

6.4 Maintenance by Landlord

Tenant hereby assumes all responsibility for all repair, maintenance and replacement of any improvements currently existing on the Premises, or those constructed in the future and it is expressly agreed that Landlord shall have no liability whatsoever for any maintenance, repair or replacement of any portion of any improvement located on or upon the Premises at any time during the Lease, as it may be extended, except as otherwise noted in section 8.1(a).

6.5 Indemnification

Tenant shall indemnify Landlord (and its shareholders, partners, owners, Agents, contractors, servants, officers, directors, employees, licensees) and save it harmless from and against any and all claims, demands, actions, damages, liability and expense (including

reasonable attorney's fees and costs of investigation with respect to any claim, demand or action) in connection with loss of life, personal injury and/or damage to property arising from or out of the occupancy or use by Tenant, or occasioned wholly or in part by any act or omission of Tenant, its Agents, contractors, employees, servants, subtenants or concessionaires, or any accident, injury or damage, howsoever and whomsoever caused, to any person or property, occurring in or about the Premises. This indemnification shall not apply to damages resulting from the gross negligence or willful acts or omissions of Landlord or its authorized representatives. In case Landlord, shall without fault on its part, be made a party to any litigation commenced by or against the Tenant, then Tenant shall protect and hold Landlord harmless and shall pay all costs and expenses incurred or paid by Landlord in connection with such litigation. City shall have the right, at its sole option, to defend any such litigation by attorneys in the City Office of the City Attorney, by other attorneys, or both.

6.6 Loss or Damage

Landlord shall not be liable for any damage to property or Tenant or others located on the Premises, or in the Project, loss of or damage to any property or Tenant or of others by theft or otherwise unless such loss or damage result from the gross negligence or willful acts or omissions of Landlord or its Agents. Landlord shall not be liable for any injury or damage to persons or property resulting from fire, earthquake, flood, explosions, falling plaster, steam, gas, electricity, water, rain or snow, or leaks from any part of the Premises or from pipes, appliances, plumbing works or by any other cause of whatever nature. Landlord shall not be liable for any such damage caused by any other tenants or persons in the Premises, occupants of adjacent property of the Project, or the public, or caused by operations in construction of any private, public or quasi-public work. Notwithstanding the above, this Section shall not apply where such damage, loss or injury is caused by the willful misconduct or gross negligence of the Landlord.

7. LEASEHOLD IMPROVEMENTS

7.1 Landlord's Obligation to Construct Improvements

Landlord, through its general contractor approved by City, shall construct the Premises, perform the work and make the installations in the Premises pursuant to the Construction Documents (as defined in Section below) approved by City at a total cost not to exceed Three Hundred Thousand Dollars ($300,000), with City responsible for reimbursing Landlord pursuant to Section 7.2 for one-half of the actual costs up to a total City payment of no more than One Hundred and Fifty Thousand Dollars ($150,000), and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements".

(a) Plans and Specifications

Before the reference date of this Lease, Landlord has caused its architect or space planner approved by City to prepare and submit to City for its approval plans and specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. Copies of such approved plans and

specifications are attached hereto as Exhibit D. The final plans, specifications and any working drawings for the Leasehold Improvements approved by City shall be referred to as the "Construction Documents".

(b) Permits

Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work shown on the approved Construction Documents. Landlord shall be responsible for arranging for all inspections required by City's Bureau of Building Inspection.

The City has adopted a First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98) which established specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions. Within thirty (30) days after the City and County of San Francisco adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Ordinance, Landlord shall enter into a First Source Hiring Agreement meeting applicable requirements of Section 83.9 of the First Source Hiring Ordinance in connection with certain building permit applications.

(c) Construction

After approval of the Construction Documents and Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with applicable disabled access laws, including, without limitation, the most stringent requirements of the American With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.26 (Prevailing Wages), below, and shall not use tropical hardwood wood products, virgin redwood wood products as further provided in Section 23.28 (Tropical Hardwood and Virgin Redwood Ban), below.

(d) Construction Schedule; Substantial Completion

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonable interfere with the construction. Landlord or its representative may accompany City during any such inspection. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work

will be substantially completed in accordance with the Construction Documents. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notice City when the Leasehold Improvement Work is in fact substantially completed and the Premises ready for occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord or its architect on an inspection of the Premises.

The Leasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed in accordance with the approved Construction Documents so that City can occupy the Premises and conduct its business for its intended uses and City, through its Director of Property, shall have approved the Leasehold Improvements, it being agreed that City shall not unreasonably delay its approval. City may, at its option, approve the Leasehold Improvements even though there may remain minor details that would not interfered with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the premises, or as soon thereafter as practicable, a written punch list consisting of any items that have not been finished in accordance with the Construction Documents. Landlord shall promptly complete or cause to be completed all defective or incomplete items identifies in such punch list, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents of the Construction Documents or completion of the Leasehold Improvements Work for purposes of this Lease shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

7.1 Reimbursable Costs

City shall reimburse Landlord for one-half of Landlord's costs actually incurred in performing the Leasehold Improvement Work up to a ceiling of One Hundred and Fifty Thousand Dollars ($150,000) from City.

8. ALTERATIONS

8.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises that cost more than Ten Thousand Dollars ($10,000.00) per Alteration, 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 Major Systems (as defined below) or structural integrity of the Building, and the repainting and re-carpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations 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 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. To the extent those individuals or entities performing any Alterations to the Premises are not covered by the City's self-insurance, as described in Section 17.1, the City shall require that any such individual or entity obtain and maintain commercially customary and reasonable insurance with respect to such Alterations, which insurance shall name the Landlord and its lender(s) (as identified by Landlord) as additional insureds. Following the completion o any Alterations for which Landlord's consent is required under this Section, the City shall provide to the Landlord copies of final plans and specifications and as-built drawings, if any, fo such Alterations, together with proof of either the City's financial responsibility for such Alterations or payment made to third parties for such Alterations.

8.2 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.

8.3 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 damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. City's Personal Property shall not include any of the FF&E listed on Exhibit B. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document reasonably required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises on or before the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of a 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. Nothing in this section shall require the Landlord to subordinate its interest in the Building or the Premises.

8.4 Alteration by Landlord

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

9. REPAIRS AND MAINTENANCE

9.1 Landlord's Obligations

(e) Landlord shall, at Landlord's sole cost and expense, regardless of the cost, (i) maintain, replace, repair and keep the Building's foundation, interior and exterior roof, trusses and support system, structural walls, all exterior walls and surfaces (except graffiti and painting required solely for aesthetic purposes), and main sewer and water and gas pipes (i.e., the pipes connected to the utility delivery system) in a water-proof, leak-free, good condition and repair, except and to the extent any such maintenance, replacement or repair is required due to any willful misconduct or negligent act or omission of the City or any Subtenants, whereby in such case, the City shall at its sole cost and expense, regardless of the cost, maintain and replace, repair any and such items; and (ii) promptly and diligently make any structural seismic, engineering and other upgrades or improvements to the Building as are required by any law, statute, ordinance, rule or regulation now in force or hereafter adopted by any governmental body or agency. Notwithstanding the foregoing, Landlord's obligations under this subsection shall not extend to uninsured costs of repair or replacement of systems or facilities where such uninsured costs are required on account of a casualty event such as earthquake, flood, or act of God. As used in this subsection "uninsured costs" shall not include deductibles or self-insured retentions in any applicable insurance policy. In the event that Landlord fails or refuses to repair or replace systems or facilities damaged or destroyed by such casualty event on account of uninsured costs, Tenant may at its sole discretion terminate this Lease immediately with no further obligation to Landlord of any kind.

(f) Subject to Section 8.2(b), beginning the 6th year of the Lease, where the cost of any routine or extraordinary maintenance and/or replacement and/or repair of the elevator, HVAC system (including without limitation the boiler), electrical system, and plumbing system (including without limitation the fire safety/sprinkler system) (collectively, the "Major Systems") exceeds Five Thousand Dollars ($5,000.00) per single repair, the Landlord shall be solely responsible for the costs and performance of such maintenance or repairs, except and to the extent that any maintenance, replacement, or repairs are the result of any gross negligence, willful misconduct or intentional vandalism by the Tenant or any Subtenants. A Major System maintenance and/or repair cost shall be deemed to exceed $5,000.00 if (i) the parties so agree in writing, or (ii) Tenant secures three proposals from contractors who are licensed to perform the required services and who have not been informed of the $5,000.00 limit, and at least two of the

proposals exceed $5,000.00. If equal to or less than $5,000.00, Tenant shall be responsible for paying the cost of such maintenance or repair pursuant to Section 8.2(c) and (d) below.

(g) Tenant shall notify Landlord of the necessity of any maintenance or repairs under Subsections (a). Within ten (10) days of receipt of such notice, Landlord shall commence any required maintenance or repairs and shall notify Tenant of Landlord's anticipated schedule for performing any of said required maintenance or repairs. Landlord shall use its commercially reasonable efforts to complete all such maintenance or repairs as promptly as possible, and shall, in consultation with Tenant but at Landlord's sole expense, take commercially reasonable interim measures to ensure the habitability of the affected portions of the Premises pending completion of such maintenance activities or repairs.

9.2 City's Obligations

(a) Except to the extent that maintenance or repair responsibilities are assigned by this Lease to Landlord, City shall, at City's expense, keep the Premises and the common areas in good repair, in a clean condition, and properly maintained at all times. City shall maintain records which reflect maintenance performed on the Premises, and shall make those records available to Landlord for inspection at Landlords' reasonable request.

(b) Tenant shall be responsible for the cost of routine maintenance and repair of systems and facilities other than Major Systems (hereinafter, "Non-Major Repairs") in the Premises. Notwithstanding the foregoing, Tenant's obligations under this subparagraph shall not extend to maintenance or uninsured costs of repair of systems or facilities required on account of a casualty event such as fire, earthquake, flood, or other act of God.

(c) City acknowledges that elevator, HVAC system (including without limitation to the Boiler), electrical system, and plumbing system (including without limitation to the Fire Safety Sprinkler System) (collectively, the "Major Systems") are all new. As such Tenant/City shall be solely responsible for the cost of any routine or extraordinary maintenance and/or repair of said "Major Systems" for the first five years of the Lease starting from the commencement date of the Lease. Tenant shall be solely responsible for the cost and performance of such maintenance or repairs, except to the extent that the maintenance or repair is necessitated by the negligent act or omission of Landlord or its Agents or contractors. If any of the Major Systems require a replacement during the first five year period of the lease starting from the commencement date, the Landlord shall be solely responsible for such replacement, except to the extent that the replacement is necessitated by the negligent act or omission of the Tenant or its Agents or contractors. City shall be provided warranties by such contractors or vendors for all the "Major Systems".

Beginning from the 6th year of the Lease, where the cost of maintenance and/or replacement or repair of a Major System is less than Five Thousand Dollars ($5,000.00) per single repair, or (ii) where and to the extent such maintenance or repairs are the result of any negligence, willful misconduct or intentional vandalism by the Tenant or any Subtenants, the Tenant shall be solely responsible for the cost and performance of such maintenance, replacement or repairs, except to the extent that the maintenance, replacement or repair is necessitated by the negligent act or omission of Landlord or its Agents or contractors.

(d) If during any one year lease period beginning from the 6th year of the lease the aggregate cost of Tenant's maintenance and repair obligations for "Major System" exceeds (or, based on a reasonable estimate procured pursuant to Section 8.1(b), would exceed) Ten Thousand Dollars ($10,000.00), then Tenant may submit to Landlord a written request that Landlord pay such costs exceeding Ten Thousand Dollars. Landlord shall pay such excess costs within thirty (30) days of Tenant's written request.

(e) In addition to any other obligations of City under this Lease, City shall, at its sole cost and expense, employ a licensed pest control vendor to provide pest control services to the Premises on a monthly basis, and shall provide Landlord upon request with a copy of its vendor's contract and such other reasonable evidence of compliance as Landlord may reasonably request.(f) Should City fail to make repairs or otherwise comply with its obligations under this Section 8.2 within ten (10) days after written notice by Landlord, in addition to all other remedies available hereunder or by law or equity and without waiving any remedy, may make the repairs. In that event, City shall reimburse Landlord, as Additional Charges, for such amounts paid, together with interest at the rate set forth in Section 4.2, with the next monthly payment of Base Rent payable no more than thirty (30) days after the payment made by Landlord.

9.3 Liens

(a) 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 that costs more than Two Thousand Five Hundred Dollars ($2,500.00) per repair or construction.

(b) Should any claim or lien be filed against, or should City learn of any intention of any third party to file any claim or lien, or should any action be commenced affecting the Premises and/or Landlord's interest in the Premises, City shall give Landlord notice of such lien or intention or action within ten (10) days after City receives notice of the same. In the event that City shall not, within thirty (30) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such a lien or filing of a bond in favor of any lien claimant. All such sums paid by Landlord and all expenses incurred by it in connection therewith, including any reasonable and actual attorney's fees and costs, shall be payable to Landlord by the City, together with interest at the rate set forth in Section 4.2, as Additional Charges with the next monthly payment of Base Rent payable no more than thirty (30) days after the payment made by Landlord.

10. UTILITIES AND SERVICES

10.1 Utilities

City shall be responsible, at City's expense, for contracting directly with and paying or causing to be contracted with and paid all service providers for all utilities necessary for City's intended uses, including gas, electricity, water, sewer service, garbage collection and telephone. Landlord shall, at its sole expense, ensure that utilities supplied to portions of the Building that are not part of the Premises are separately metered and paid through separate accounts from those applicable to the Premises.

10.2 Services

City is responsible for contracting for and paying the cost of linen service, maid/janitorial service, security, and any other services necessary for City's use of the Premises under this Lease. Landlord shall be solely responsible for terminating or, at City's request, assigning to Tenant (if assignable without cost or liability to Landlord), prior to the Commencement Date any contracts or other arrangements for such services, without any cost or liability to City, including but not limited to the contract for elevator maintenance. City shall maintain a contract for elevator maintenance through the Term. The Landlord shall not be responsible or liable for any damages resulting from any failure or interruption of services.

10.3 Disruption in Essential Utilities or Services

In the event of any of the sanitary, electrical, heating, air conditioning, water, elevator, or other essential services serving the Premises (collectively, "Essential Services") are disrupted for any reason other than City's failure to timely pay for such services and such disruption continues for any reason for a continuous period of ninety (90) days and such failure materially interferes with City's ability to carry on its business in the Premises, then City may immediately terminate this Lease upon written notice to Landlord.

11. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City to the best of Landlord's knowledge, without any independent investigation, and covenants with City, as follows: (a) the following portions of the Property and the Building along the path of travel to the Premises are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"): the entryway to the Building, the ground floor bathroom in the Building, and the ground floor common area in the Building, except the original registration desk and offices located on the ground floor; (b) the Building, the common areas and Major Systems

serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (collectively, "Life Safety Laws; and (c) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Major Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, common areas and the Major Systems serving the Premises in compliance with applicable present or future Seismic Safety Laws. Tenant shall at all times during the Term maintain, at its cost, the Property, Building, common areas and the Major Systems serving the Premises in compliance with applicable present or future Life Safety Laws, but only to the extent that compliance with such Life Safety Laws is required due to City's use and operation of the Premises, or required solely because of any Alterations to the Premises made by City pursuant to Section 7 of this Lease. Landlord and Tenant agree that Landlord shall take any actions necessary to comply with any other future Life Safety Laws, and that Tenant shall pay fifty percent (50%) of the reasonable and actual costs required for such compliance, but only if compliance with any such Life Safety Law is legally required during the Term.

11.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws. Subject to Landlord's obligations under Section 10.1, City shall make any alterations, additions or other modifications in order to comply with applicable Laws where such modifications are not otherwise Landlord's responsibility under this Lease. 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.

12. SUBORDINATION

This Lease is and shall be subject and subordinate to the following (each an "Encumbrance"): (a) any reciprocal easement agreements and ground leases or other underlying leases that may now exist or hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgage or deed of trust that may now exist or hereafter be executed by Landlord in any amount for which any part of the Property, any ground leases or underlying leases, or Landlord's interest or estate therein, is specified as security; provided that as a condition to any such Encumbrance, the holder of the Encumbrance shall, at City's request, enter into a subordination and nondisturbance agreement with City in a form then commercially reasonable. Notwithstanding the foregoing, Landlord shall have the right to subordinate or cause to be subordinated to this Lease any Encumbrance, provided that the Landlord provides to the City a nondisturbance and attornment agreement in form and substance approved by the City, which approval shall not be unreasonably withheld or delayed, from the holder of any such Encumbrance. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, City shall pay subsequent Rent and attorn to and become the tenant of such successor Landlord, at the option of such successor-in-interest, provided that City has received proper written notice of such succession and the name and address of the

successor landlord, and further provided that, in the case of any Encumbrance hereafter executed, as a condition to such attornment the holder of such Encumbrance shall, at City's request, agree that so long as City is not in default hereunder, such holder shall recognize this Lease and shall not disturb City in its possession of the Premises for any reason other than one that would entitle Landlord to terminate this Lease or otherwise dispossess City of the Premises in accordance with the terms hereof. 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. If City fails to do so within ten (10) business days after written request, City hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of City to execute and deliver any such instrument or document. In that case, the Landlord shall promptly provide to the City an executed copy of any such document.

13. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Major Systems are damaged by fire or other casualty, Landlord shall repair the same without delay if permits are not required under applicable laws for such repairs. Landlord shall repair such damage by fire of other casualty within sixty (60) days after Landlord obtains all necessary permits for such repairs and insurance proceeds attributable to such damage, but not later than two hundred ten (210) days after the date of such damage (the "Repair Period"). During any repair under this Section, 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 renders the Premises untenantable. 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, its Agents or Subtenants.

If permits are required under applicable laws for the repairs, within twenty (20) days after the date of the damage by fire or other casualty, 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 from the date of such damage by a proportionate amount based upon the extent to which such damage renders the Premises untenantable, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid in excess of the amount discussed in this Paragraph or for any period of time subsequent to such date of termination.

The Repair Period under this Section 12 shall be extended for such longer period as reasonably necessary for the Landlord to complete required repairs, if and to the extent that the

Landlord demonstrates that despite its reasonable good faith efforts, it is unable to complete a required repair within the Repair Period.

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, the Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

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.

14. EMINENT DOMAIN

14.1. 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.

14.2. General

If during the Term 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 1265.10, 1265.40, 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

14.3. Total Taking; Automatic Termination

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

14.4. 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: (A) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenantable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises, (B) the condition rendering the Premises untenantable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (C) 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.

14.5. Rent; Award

Upon termination of this Lease pursuant to an election under Section 13.4 above, then: (i) City's obligation to pay Rent shall continue up until the date of termination, and thereafter shall cease, except that Rent shall be reduced as provided in Section 13.6 below for any period during which this Lease continues in effect after the Date of Taking, and (ii) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive that portion of the Award, if any, made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

14.6. 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.

14.7. 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 proportion of the total Rent owing by City for the period of the Taking, where such proportion is equal to the proportion of the square footage of the Premises subject to the Taking.

15. ASSIGNMENT AND SUBLETTING

15.1. General

City shall have the right, without Landlord's consent or approval, to sublet all or any portion of the units in the Premises, as set forth in Section 14.2 below. Subject to Landlord's prior written consent, which consent may not be unreasonably withheld or delayed, City shall have the right to sublet the entire Premises as a whole ("Premises Sublease"), or to assign its rights and obligations under this Lease, to any person or entity (a) whose activities and business at the Premises shall be comparable in nature to the activities of City at the Premises prior to such Premises Sublease or assignment, and (b) who shall conduct such activities and business at the Premises pursuant to an agreement with the City and County of San Francisco or other governmental entity, and (c) who shall have experience in the operation and maintenance of affordable housing consistent with the use of the Premises described in this Lease. If Landlord consents to an assignment or Premises Sublease pursuant to this Section 14.1, then the Rent chargeable to such sublessee or assignee shall be calculated in accordance with Section 4 of this Lease, and City shall pay Landlord reasonable actual fees, not to exceed One Thousand Five Hundred Dollars ($1,500) incurred in connection with the processing of documents necessary to the giving of such consent. No subletting of all or any portion of the Premises or assignment shall release City's obligation or alter the primary liability of City to pay the Rent and to perform all other obligations to be performed by City hereunder, except as otherwise expressly permitted by Landlord in writing. City shall promptly deliver to Landlord a fully executed copy of any assignment or sublease.

15.2. Subtenants

During the Term, City shall have the right to sublet the units in the Premises to individual subtenant rental households (the "Subtenants"). Landlord shall have no right to determine the amount of the sublease payments from the Subtenants nor receive any portion of such sublease payments. In addition, Landlord shall have no right to determine the eligible Subtenants. The Subtenants shall include Existing Tenants and New Subtenants, as further described below:

(a) City's subleases with Subtenants shall specify, and require such Subtenants to acknowledge, the extent to which their payment of rent is subsidized by the City in connection with the City's lease of the Premises, and that upon expiration or earlier termination

of City's Lease with Landlord, such Subtenants who still occupy units at the Premises (i) shall become direct tenants of Landlord without such rent subsidy, and (ii) such Subtenant's total rent charges for a particular unit shall be subject to adjustment to the amount provided in Section 20.2 hereof.

15.3. Landlord's Right to Assign

Landlord may assign its rights and obligations under the Lease to any trustee or beneficiary of Landlord upon reasonable advance notice to City, provided that any such assignee expressly assumes all such rights and obligations and agrees to recognize the City's rights as the tenant under this Lease. Any such assignment shall not be subject to Section 3.4 hereof.

16. DEFAULT; REMEDIES

16.1. 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) days after the date when due; provided that with respect to the first monthly payment of Rent after the beginning of each new fiscal year of the City, City shall have twenty (20) days to cure any such nonpayment;

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

(c) The City is subject to an order for relief by the bankruptcy court, or is unable or admits in writing its inability to pay its debts as they mature or makes an assignment for the benefit of creditors; or the City applies for or consents to the appointment of any receiver, trustee or similar official for it or for all or any part of its property (or any such appointment is made without its consent and the appointment continues undischarged and unstayed for sixty (60) days); or the City institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar proceeding relating to it or to all or any part of its property under the laws of any jurisdiction (or any such proceeding is instituted without its consent and continues undismissed and unstayed for sixty (60) days); or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against City 's interest in the Premises and is not released, vacated or fully bonded within sixty (60) days after its issue or levy; or

(d) 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 completes such cure within ninety (90) days.

16.2. Landlord's Remedies

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

(a) To terminate City's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and City shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from City all damages incurred by Landlord by reason of City's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Charges and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Charges and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that City proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Charges and other charges which Tenant would have paid for the balance of the Term after the time of the award exceeds the amount of such rental loss that City proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by City's failure to perform its obligation under the Lease or which in the ordinary course of things would be likely to result therefrom. As used in Subsections (i) and (ii), the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of ten percent (10%) per annum, or such lesser amount as may then be the maximum lawful rate. As used in Subsection (iii), the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one (1) percent. If City has abandoned the Premises, Landlord shall have the option of (x) retaking possession of the Premises and recovering from City the amount specified in this Section 15.2(a), or (y) proceeding under Section 15.2(b).

(b) To maintain City's right to possession, in which case this Lease shall continue in effect whether or not City has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease including the right to recover Base Rent and Additional Charges as they become due;

(c) To pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State of California.

16.3. Landlord's Default

Subject to any other provisions to the contrary in this Lease, if Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such 30-day period, such 30-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to

cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. 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 renders all or any portion of the Premises untenantable. 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 60-day period. City's rights hereunder and under Section 5.2 (Interference with Use) and Section 9.3 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

17. INDEMNITIES

17.1. City's Indemnity

In addition to any other remedies which Landlord may have against City, City shall indemnify Landlord against and hold Landlord harmless from any and all costs, expenses, losses, demands, claims or liabilities, including, without limitation, reasonable and actual attorney's fees, court costs and disbursements, arising from: (a) City's use of the Premises; (b) the conduct of City's business or anything else done or permitted by City to be done in or about the Premises; (c) any misrepresentation or breach of warranty by City under this Lease or any breach of the Lease by City; or (d) other acts or omissions of City or its subtenants related to this Lease or City 's use of the Premises. City shall defend Landlord against any such cost, expense, loss, demand, claim or liability. This section is in addition to Section 6.5

17.2. Landlord's Indemnity

Landlord shall indemnify City and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or (b) any gross negligence or willful misconduct 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 act or omission of City or its Agents. In any action or proceeding brought against City or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of the Lease.

17.3. Limitation on Landlord's Liability

Notwithstanding anything to the contrary in this Lease, Landlord's liability for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Property, and neither Landlord nor its partners, shareholders, officers, trustees of other principals

shall have any personal liability under this Lease. The limitation of Landlord's liability under this Section 16.3 shall not apply to the extent that (a) Landlord receives insurance proceeds applicable to Landlord's obligations under this Lease, and (b) Landlord's liability which results from any fraudulent act on the part of Landlord.

18. INSURANCE

18.1. City's Self-Insurance

City maintains a program of self-insurance. Landlord agrees that City shall not be required to carry any third-party comprehensive general liability insurance or other insurance with respect to this Lease. City assumes the risk of damage to any of City's Personal Property.

18.2. 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 an all risk insurance policy in an amount equal to one hundred percent of the full insurance replacement value thereof, excluding coverages for earthquake or flood. Landlord shall, prior to the Commencement Date and thereafter within thirty (30) days prior to the expiration of such policy, provide to City an original certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days prior written notice to City. Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

19. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall use commercially reasonable efforts, but shall not be required, to give any prior notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (i) inspecting the Premises, (ii) supplying any service to be provided by Landlord hereunder, (iii) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (iv) posting notices of non-responsibility, and (v) altering, improving or repairing the Premises and any portion of the Building in accordance with this Lease, 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 unreasonably interfered with.

20. 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, shall execute, acknowledge and deliver to the other party, or 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, that 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), (d) the date to which Rent has been paid, and (e) any other information that may be reasonably required. If City fails to do so within ten (10) business days after written request, City hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of City to execute and deliver any such instrument or document. In that case, the Landlord shall promptly provide to the City an executed copy of any such document.

21. SURRENDER OF PREMISES

21.1. 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. On or prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. City represents and warrants that, in its capacity as tenant under this Lease, it shall neither take nor permit any action which would change the designation of units in the Premises as "tourist units" or "residential units" in effect on the Commencement Date, as those terms are defined in Chapter 41 of the San Francisco Administrative Code ("Residential Hotel Unit Conversion and Demolition" ordinance). City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21.2. Status of Subtenants on Surrender

Landlord agrees that, upon the expiration or earlier termination of this Lease for whatever reason, any then existing Subtenants whose sublease agreement contain the rent provision required by Section 14.2(b) of this Lease will automatically become direct tenants of the Landlord. Upon expiration of the Lease, City will transfer to Landlord any security deposits held by the City from any Subtenant. The parties hereto acknowledge and agree that, upon the expiration or earlier termination of this Lease, the rent chargeable by Landlord to then existing Subtenants who become direct tenants of Landlord is subject to adjustment to an amount equal to the applicable Fair Market Rent (FMR) for "zero bedroom" (studio) as then determined by the Department of Housing and Urban Development and as published by the Federal Register. Applicability of "Residential Rent Stabilization and Arbitration Ordinance"

City represents and warrants that (a) as of the Commencement Date and during the Term, each of the units occupied by **"SUBTENANTS"** in the building will be exempt from the "Residential Rent Stabilization and Arbitration Ordinance" (Chapter 37 of the San Francisco Administrative Code (the "Rent Ordinance"), since the rents for those units will be "controlled or regulated by [a] governmental unit, agency or authority" under Administrative Code Section 37.2(r)(4); and (b) the type of rental subsidy it will provide to New Subtenants does not constitute "tenant-based rental assistance" as that term is currently defined in the Section 37.2(u) of the San Francisco Administrative Code ("Residential Rent Stabilization and Arbitration Ordinance"). City's representations and warranties in this Section are subject to any amendments to the Rent Ordinance which may become effective during the Term. City, in its capacity as tenant under this Lease, may in no way limit the discretion of the Board of Supervisors in considering or approving any such amendments.

21.3. Landlord's Indemnity for Claims by Subtenants after Termination

(a) In addition to its indemnification obligations under Section 16.2, Landlord shall indemnify, defend, protect and hold City and its Agents free and harmless from and against any and all claims by Subtenants asserted against City or its Agents and arising after the expiration or termination of this Lease, unless and to the extent any such claim results from or relates to rights claimed by a Subtenant under any sublease agreement entered into between the City and a Subtenant or any other covenant or agreement made by the City to any Subtenant, which may include but shall not be limited to rent increases, evictions or modifications to lease or sublease agreements of such Subtenants.

(b) Notwithstanding the foregoing and notwithstanding Landlord's indemnification obligations under Section 16.2, Landlord shall have no obligation to indemnify, defend, protect or hold harmless the City or its Agents free and harmless from any claims by such Subtenants that allege the direct or primary liability of the City or its Agents, whether or not such claims arise before or after expiration or termination of this Lease.

22. HAZARDOUS MATERIALS

22.1. 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. Sections 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.

22.2. Landlord's Representations and Covenants

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

22.3. Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall indemnify City and its Agents against any and all Claims arising during or for a period of three (3) years after expiration of the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, or under the Property, unless City, its Subtenants or its Agents caused such Release.

22.4. City's Covenants

The City agrees to comply with all Environmental Laws related to its use of the Property. Neither City nor its Agents shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or throughout 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 is customary in office or residential use so long as such use is in compliance with all applicable Environmental Laws. In the event Landlord, in its reasonable judgment, has reason to believe that any Hazardous Substances have been brought upon, used or disposed of in or about the Premises by City, its Subtenants or its Agents with or without Landlord's consent, Landlord shall be entitled, at reasonable intervals during the Term, in Landlord's sole discretion, to have an environmental audit report, including, without limitation, a Phase I and Phase II report, performed, the costs and expenses of which shall be the sole responsibility of and paid by Landlord within twenty (20) days after receipt of written demand from landlord. City shall reimburse Landlord for the reasonable and actual costs of such report(s) if and to the extent Tenant has caused or permitted such Hazardous Substances to have been bought upon, used or disposed of in or about the Premises.

22.5. 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 (collectively, a "Hazardous Materials Violation"), then City shall indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of any Hazardous Materials Violation, except to the extent Landlord or its Agents is responsible for the Hazardous Materials Violation. The City's obligations under this Section shall include defending Landlord against any cost, expense, loss, demand, claim or liability, including, without limitation, reasonable and actual attorneys' fees and disbursements and costs incurred in connection with any investigation of site conditions or any cleanup, remediation, removal or restorative work required by any federal, state or local governmental agency or political subdivision resulting from a Hazardous Materials Violation. The foregoing indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees or Subtenants of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

23. DEPOSIT

On or prior to September 1, 2002, City shall deposit with Landlord the full sum equivalent to one month rent specified as the maintenance and damage deposit in the Basic Lease Information (the "Maintenance and Damage Deposit"), in cash, to secure Tenant's faithful performance of all terms, covenants and conditions of this Lease. Landlord shall hold the Maintenance and Damage Deposit in a separate interest-bearing account, as security for the performance by Tenant of all of its obligations under this Lease. If Tenant fails to pay Base Rent or other charges when due hereunder, or is otherwise in default under any provision of this Lease, then following the expiration of any applicable notice and cure periods the Landlord may

use, apply or retain all or any portion of the Maintenance and Damage Deposit, and any accrued interest thereon, for the payment of any actual Base Rent or other actual charge in default, or to compensate Landlord for any actual loss or damage which Landlord may suffer thereby. City agrees to deposit with Landlord, within thirty (30) days of when utilized by Landlord, any portion of the Maintenance and Damage Deposit utilized by Landlord for eligible costs under this Section. If Tenant performs all of Tenant's obligations hereunder, the Maintenance and Damage Deposit and all accrued interest thereon, or so much of the deposit and such accrued interest as has not theretofore been applied by Landlord in accordance with this Section, shall be returned to Tenant within thirty (30) days after the later of (i) the expiration or earlier termination of the Term, and (ii) the date on which Tenant has vacated the Premises. Tenant acknowledges that Landlord has the right to transfer its interest to the Premises, the Building and this Lease, and Tenant agrees that in the event of any such transfer pursuant to which the transferee assumes the obligations of Landlord under this Lease, Landlord shall transfer the Maintenance and Damage Deposit to the transferee and upon actual transfer of the Maintenance and Damage Deposit to transferee and written notice to Tenant of such transfer by either Landlord or transferee then thereafter Landlord shall be released by Tenant from all liability or obligation for the return of the Maintenance and Damage Deposit and Tenant agrees to look solely to such transferee of the return of the Maintenance and Damage Deposit.

24. GENERAL PROVISIONS

24.1. Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made.

24.2. 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.

24.3. Force Majeure

The occurrence of any of the following events shall excuse performance of such obligations of Landlord or City as are rendered impossible to perform while such event continues: strikes; lockouts; labor disputes; acts of God; inability to obtain labor, materials or reasonable substitutes therefore; governmental restrictions, regulations or controls; judicial orders; enemy or hostile governmental actions; civil commotions; fire or other casualty; and other causes beyond the reasonable control of the party obligated to perform. The occurrence of such events shall excuse performance only in the event that the party to be excused from performance has provided notice to the other party within thirty (30) days after the occurrence or commencement of the event or events.

24.4. 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. 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 Landlord and City and 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 (i) changing the legal description of the Premises, (ii) increasing the Term, (iii) increasing the Rent, (iv) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (vi) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the City's Board of Supervisors.

24.5. Authority

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

24.6. 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. All approvals, consents or other determinations permitted or required by City under this Lease 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 and Administrative Code.

24.7. 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.

24.8. 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, including but not limited to any management agent with which the City may contract for management of the Premises.

24.9. Management

The City intends to contract with a management agent for the management of the Premises in accordance with this Lease. However, the City's obligations under this Lease are not contingent on the existence or validity of any such arrangement. In the event of any inconsistency between the terms of this Lease and any management contract, the terms of this Lease shall control.

24.10. Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability therefore. 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.

24.11. 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.

24.12. Governing Law

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

24.13. 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.

24.14. 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 party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this Agreement, reasonable fees of attorneys of 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.

24.15. Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in

effect during the last month of the Term of the Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over, the rent payable by City during the period of such holding over shall be one hundred fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein, except that the Term of this Lease shall be on a month-to-month basis. In the event City holds over in possession of the Premises after expiration of the Term, City agrees to indemnity Landlord for any costs reasonably and actually incurred by Landlord as a direct result of the City's holding over.

24.16. 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.

24.17. 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.

24.18. 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 effect 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.

24.19. Signs/Structures

City may erect or post signs on or about the Premises subject to Landlord's prior approval as provided below. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

24.20. 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, 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 (Indemnities), 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.

24.21. Bankruptcy

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

24.22. Transfer of Landlord's Interest

Landlord shall have the right to transfer its interest in the Property, the Building or this Lease as described in 3.4(d). In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successors, 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.

24.23. Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to 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, except and to the extent of any gross negligence or willful misconduct of any such individual or entity.

24.24. MacBride Principles - Northern Ireland

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages then 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.

24.25. Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the Charter of the City and County of San Francisco. 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 Agreement unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the Charter of the City and County of San Francisco, 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.

24.26. Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of any leasehold improvements or other improvements to the Premises which Landlord provides under this Lease shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in any contract for construction of such improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord further agrees that, as to the construction of such improvements under this Lease, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Sections 6.33 through 6.45 of the San Francisco Administrative Code that relate to payment of prevailing wages. Landlord shall require any contractor to provide, and shall deliver to City every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of any Leasehold Improvements or other improvements to the Premises.

24.27. Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(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, in any of its operations in San Francisco or where the work is being performed for the City elsewhere in 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 specified above within the United States, between employees with domestic partners and employees with spouses, and/or between 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 condition set forth in Section 12.B2(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: (i) Landlord executed and submitted to the HRC Form HRC-12B-101 with supporting documentation, and (ii) 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 Agreement 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 $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.

24.28. Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 12I.3.b and 12I.4.b of the San Francisco Administrative Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of leasehold improvements or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

(c) In the event Landlord fails to comply in good faith with any of the provisions of Section 12I of the San Francisco Administrative Code, Landlord shall be liable for liquidated damages for each violation in any amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Landlord acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any monies due to Landlord from any contract with the City and County of San Francisco.

24.29. First Source Hiring Ordinance

The City has adopted a First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions. Within thirty (30) days after the City and County of San Francisco Department of Public Health adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Ordinance, Landlord shall enter into a First Source Hiring Agreement meeting applicable requirements of Section 83.9 of the First Source Hiring Ordinance in connection with certain building permit applications.

24.30. Bicycle Storage Facilities

Section 155.1 of the San Francisco Planning Code ("Code") requires the City to provide, at no cost to Landlord and if City funds are available, bicycle storage at all City-leased buildings for City employees occupying the building and/or members of the public when the City's premises are open to the public. In the event public or private donations, grants or other funds become available at any time during the Term, City shall have the option, by giving a 60-day advance written notice to Landlord, to include parking stalls which meet the requirement of the Code in the Premises; provided that City may not make any structural changes to the Premises without Landlord's prior consent. Landlord, at no cost to Landlord, shall reasonably cooperate with City regarding implementation of the Code.

24.31. 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.

24.32. Effective Date

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

23.33 Notification of Limitations on Contributions

San Francisco Campaign and Governmental Conduct Code (the "Conduct Code") Section 3.700 et seq., and San Francisco Ethics Commission Regulations 3.710(a)-1-3.730-1, prohibit the public officials who approved this contract from receiving (1) gifts, honoraria, compensation or

pecuniary benefits of a value in excess of $50; (2) any employment for compensation; or (3) any campaign contributions for any elective office for a period of up to six years from individuals and entities who are "public benefit recipients" of the contract. Public benefit recipients of the contract are: (1) the individual, corporation, form, partnership, association, or other person or entity that is a party to the contract; (2) an individual or entity that has a direct 10% equity, or direct 10% participation, or direct 10% revenue interest in that party at the time the public benefit is awarded; or (3) an individual who is a trustee, director, partner or officer of the contracting party at the time the public benefit is awarded.

Landlord understands that any public official who approved this contract may not accept campaign contributions, gifts, or future employment from Landlord except as provided under the Conduct Code. Landlord agrees to notify any other individuals or entities that may be deemed "public benefit recipients" under the Conduct Code because of this contract. Upon request, Landlord agrees to furnish, before this contract is entered into, such information as any public official approving this contract may require in order to ensure such official's compliance with the Conduct Code. Upon request, the City agrees to provide, before this contract is entered into, Landlord with a list of public officials who, under the Conduct Code, approved this contract. Failure of any public official who approved this contract to abide by the Conduct Code shall not constitute a breach by either the City or Landlord of this contract. Notwithstanding anything to the contrary in this contract, neither party shall have the right to terminate the contract due to any failure by the other party to provide the information described in this paragraph.

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

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

LANDLORD: 124 Turk Street, LP, as tenants in common

BY: _____
ITS: General Partner

BY: _____
ITS: _____

CITY: CITY AND COUNTY OF SAN FRANCISCO
a municipal corporation

_____
MARC S. MCDONALD
Director of Property

RECOMMENDED:

_____
MITCHELL H. KATZ, M.D.
Director of Health,
Department of Public Health

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

By _____
Deputy City Attorney

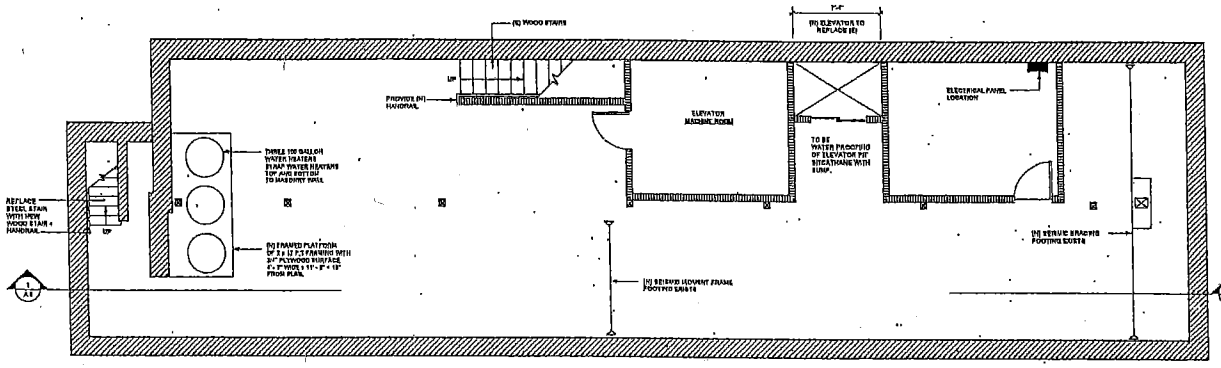
MASTER LEASE

EXHIBIT A

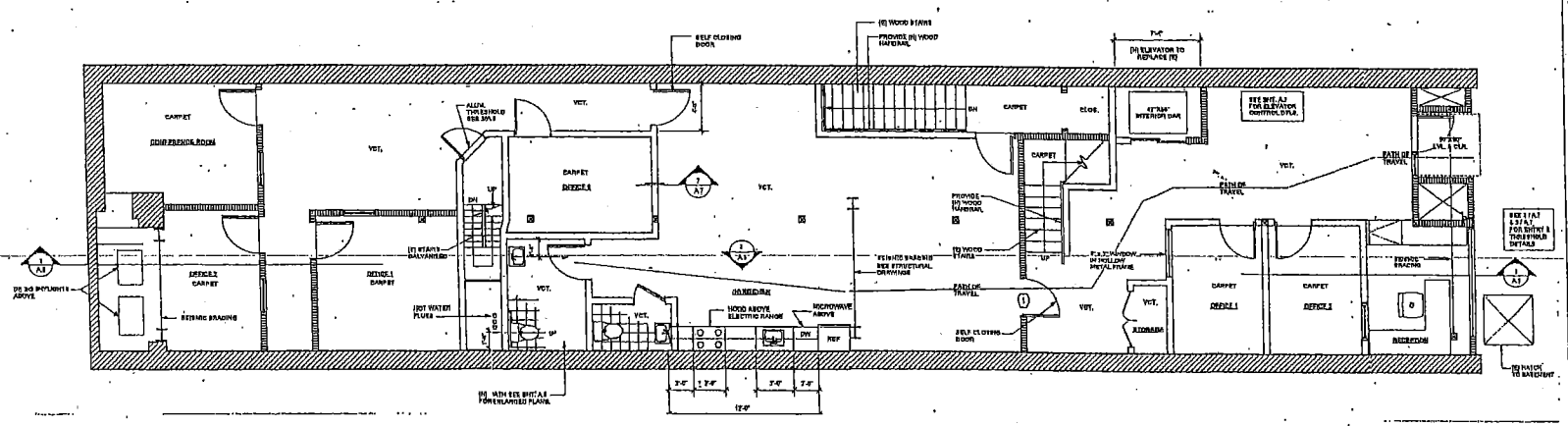
FLOOR PLAN(S)
CONSISTING OF __4___ PAGE(S)

WALL LEGEND	
	(E) WALL TO REMAIN
	(E) WOOD FRAMED WALLS. PROVIDE 5/8" GYP. BD. EA. SIDE.
	(N) WALL: 2X4 WOOD STUDS @16" O.C.WITH 5/8" GYP. BD. EA. SIDE. SEE A.7 No. 7
	(N) WALL: 2X4 WOOD STUDS @16" O.C.WITH 5/8" GYP. BD. EA. SIDE. PROVIDE R.13 BATT INSULATION

ALL DOORS TO BE RATED HOLLOW CORE DOORS, 2'-0" x 6'-8" WITH ACCESSIBILE LEVER TYPE HARDWARE. FRAMES TO BE HOLLOW METAL ASSEMBLED.



2 A.1 BASEMENT FLOOR PLAN
Scale: 1/4" = 1'-0"
FIN. FL. EL. 25'-5 1/2"
TOTAL NET. S.F. 1178
REFER TO STRUCTURAL DRAWINGS FOR THE SEISMIC WORK TO BE COMPLETED



1 A.1 GROUND FLOOR PLAN
Scale: 1/4" = 1'-0"
FIN. FL. EL. +25'-0"
TOTAL NET. S.F. 2451
ALL EXPOSED BRICK SURFACES TO BE SAND BLASTED AND SEALED

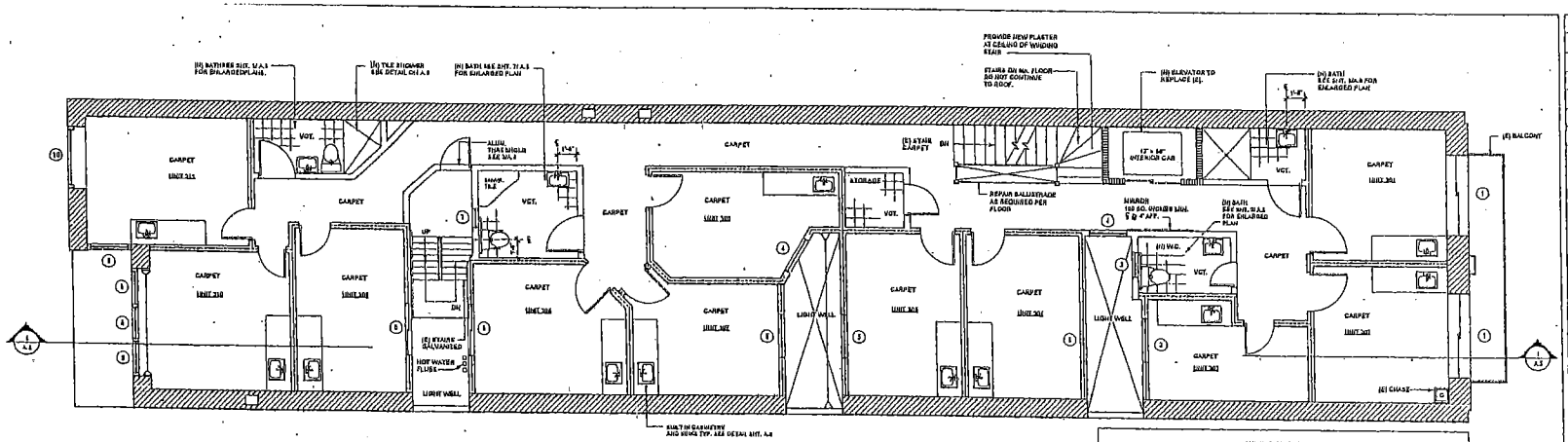
REVISIONS	BY
01. .01	SS

WALTERS ARCHITECTS
1399 Eighteenth St.
San Francisco CA 94107
Tel. 415.826.3262
Fax. 415.826.3261

CAMELOT HOTEL RENOVATION
124 - 126 Turk Street
San Francisco, CA 94102
8 339 LOT 05

Licensee

Date 10.13.00
Scale 1" = 1/4" - 1'
Drawn S.S
JVA
Sheet A.1
OF SHEETS 2



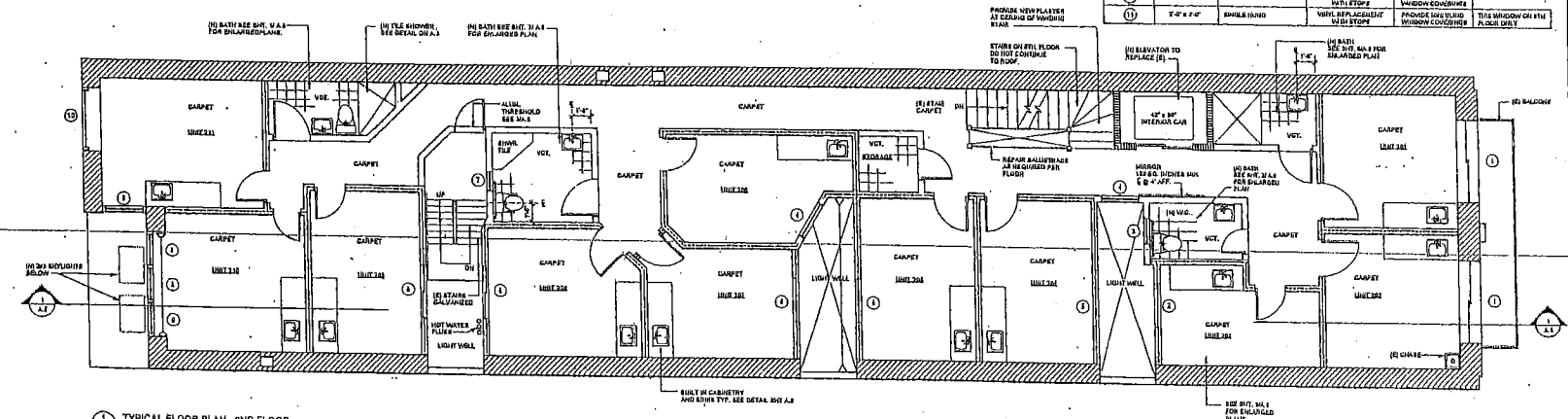
2 A-2 TYPICAL FLOOR PLAN - 3RD FLOOR
Scale: 1/4" = 1'-0"

FIN. FL. EL. 58'-9" TOTAL NET. S.F. 3478

PROVIDE R38 BATT INSULATION BETWEEN FLOOR JOISTS
ALL EXPOSED BRICK SURFACES TO BE SAND BLASTED AND SEALED

WINDOW SCHEDULE

SYMBOL	WINDOW SIZE	TYPE	MATERIAL	REMARKS
1	5'-0 x 5'-0"	HORIZONTAL SLIDER OR UPR RECAMBERED	VINYL NAIL ON	PROVIDE MIN BLIND WINDOW COVERINGS
2	4'-0 x 5'-0"	SINGLE HUNG	VINYL NAIL ON	PROVIDE MIN BLIND WINDOW COVERINGS
3	5'-0 x 2'-0"	HORIZONTAL SLIDER	VINYL NAIL ON	OBSCURE SURFACE
4	3'-0" x 5'-0"	SINGLE HUNG	VINYL NAIL ON	PROVIDE MIN BLIND WINDOW COVERINGS
5	6'-0" x 5'-0"	DOUBLE VENT	VINYL NAIL ON	PROVIDE MIN BLIND WINDOW COVERINGS
6	4'-0" x 4'-0"	HORIZONTAL SLIDER	VINYL NAIL ON	PROVIDE MIN BLIND WINDOW COVERINGS
7	3'-0" x 2'-0"	HORIZONTAL SLIDER	VINYL NAIL ON	OBSCURE SURFACE
8	2'-6" x 5'-11"	SINGLE HUNG	VINYL REPLACEMENT WITH STOPS	PROVIDE MIN BLIND WINDOW COVERINGS
9	2'-3" x 5'-11"	SINGLE HUNG	VINYL REPLACEMENT WITH STOPS	PROVIDE MIN BLIND WINDOW COVERINGS
10	4'-0" x 5'-11"	SINGLE HUNG	VINYL REPLACEMENT WITH STOPS	PROVIDE MIN BLIND WINDOW COVERINGS
11	3'-0" x 7'-0"	SINGLE HUNG	VINYL REPLACEMENT W/ IN STOPS	PROVIDE MIN BLIND WINDOW COVERINGS — THIS WINDOW ON 4TH FLOOR ONLY



1 A-2 TYPICAL FLOOR PLAN - 2ND FLOOR
Scale: 1/4" = 1'-0"

FIN. FL. EL. 47'-9 1/2" TOTAL NET. S.F. 3673

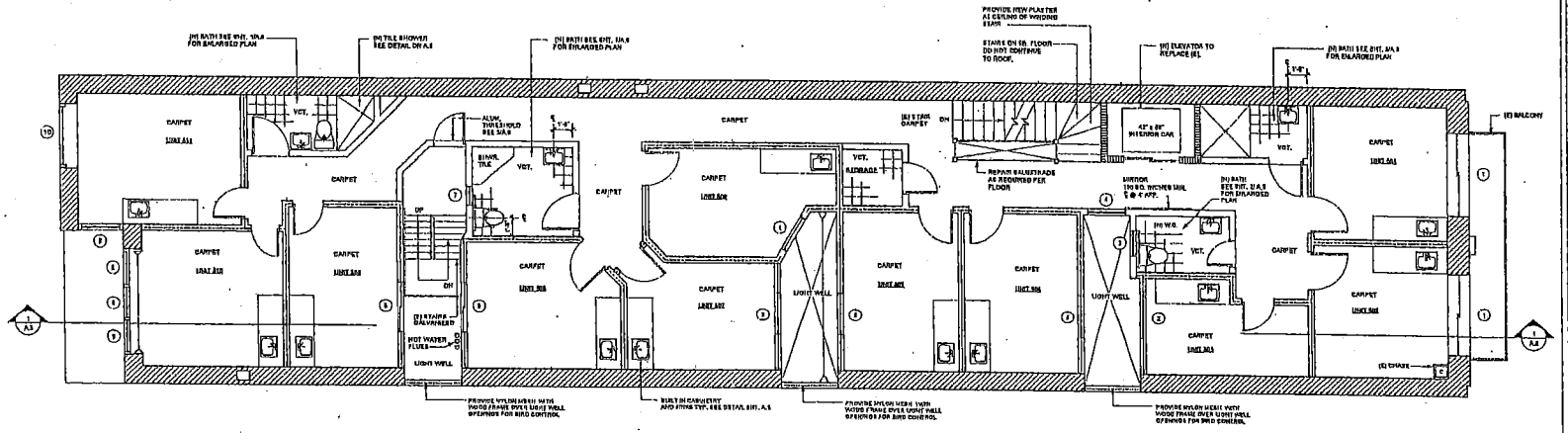
PROVIDE R38 BATT INSULATION BETWEEN FLOOR JOISTS
ALL EXPOSED BRICK SURFACES TO BE SAND BLASTED AND SEALED

REVISIONS	BY
01. 01	BB

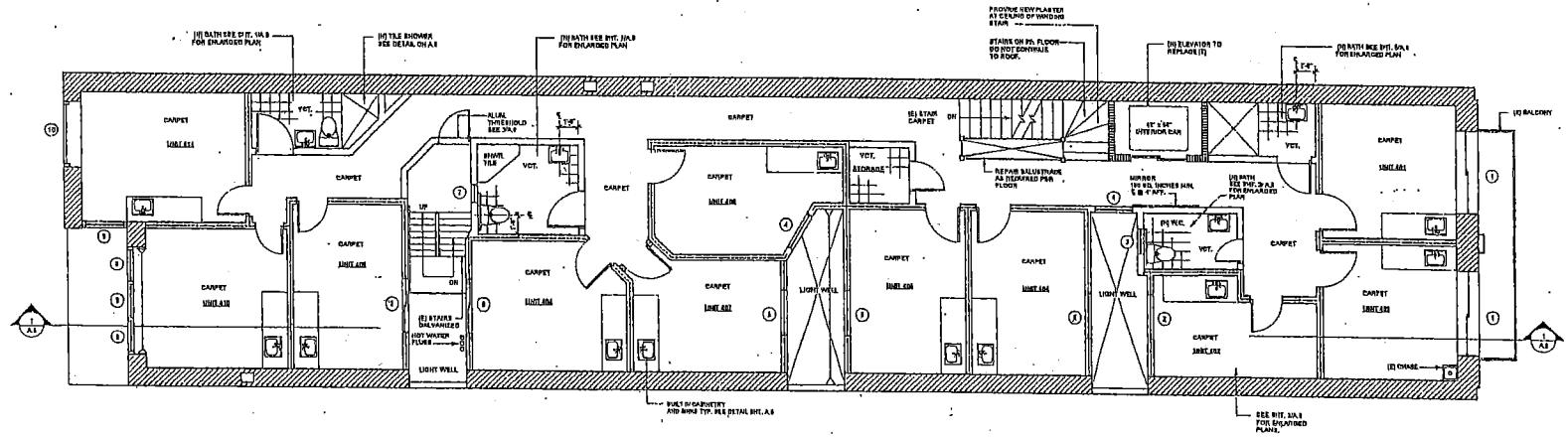
WALTERS ARCHITECT
1369 Elgin Ave.
San Francisco, CA 94107
Tel. 415.824.3040
Fax. 415.824.3391

CAMELIA HOTEL RENOVATION
124 - 126 Turk Street,
San Francisco, CA 94102
A.P.I. 339 LOT 05

Date 10.18.00
Scale 1" = 1/4" - 0"
Drawn B.B.
Job
Sheet A.2
OF SHEETS



2 A.3 TYPICAL FLOOR PLAN - FLOOR 5
Scale: 1/4" = 1'-0"
FIN. FL. EL. 71'-4"
TOTAL NET. S.F. 2079
PROVIDE R19 BATT INSULATION BETWEEN FLOOR JOISTS
ALL EXPOSED BRICK SURFACES TO BE SAND BLASTED AND SEALED



1 A.3 TYPICAL FLOOR PLAN - FLOOR 4
Scale: 1/4" = 1'-0"
FIN. FL. EL. 69'-7 1/2"
TOTAL NET. S.F. 2079
PROVIDE R19 BATT INSULATION BETWEEN FLOOR JOISTS
ALL EXPOSED BRICK SURFACES TO BE SAND BLASTED AND SEALED

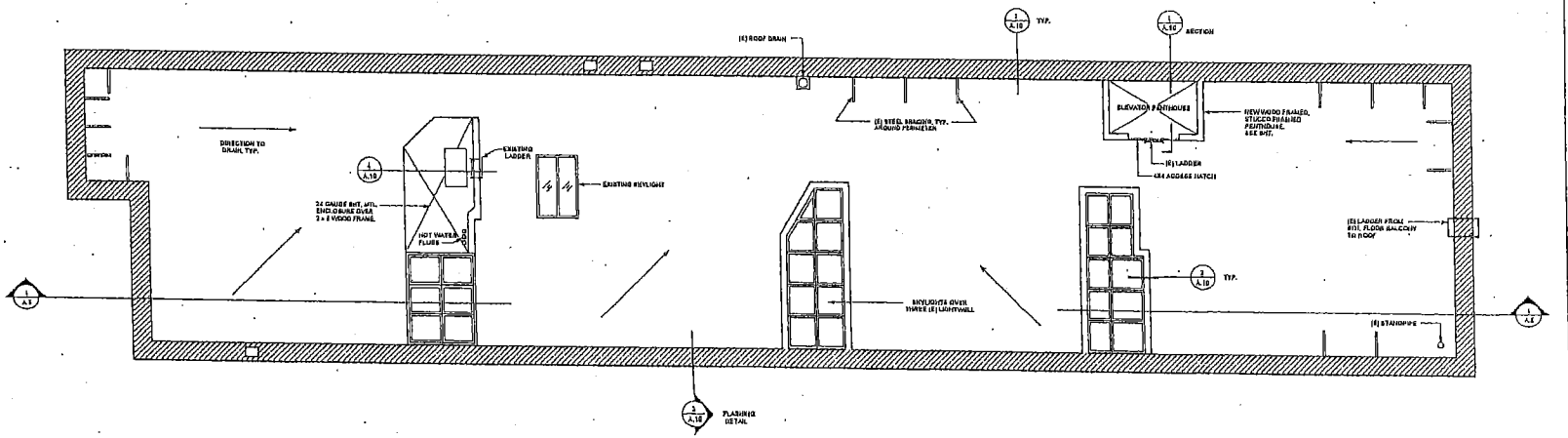
REVISIONS	BY
01. .01	99

WALTF ARCHITECTS
1701 Eighteenth St.
San Francisco CA 94107
Tel: 415.826.3283
Fax: 415.826.3281

CAMELOT HOTEL RENOVATION
124 - 126 Turk Street
San Francisco, CA 94102
BLC 1 LOT 05

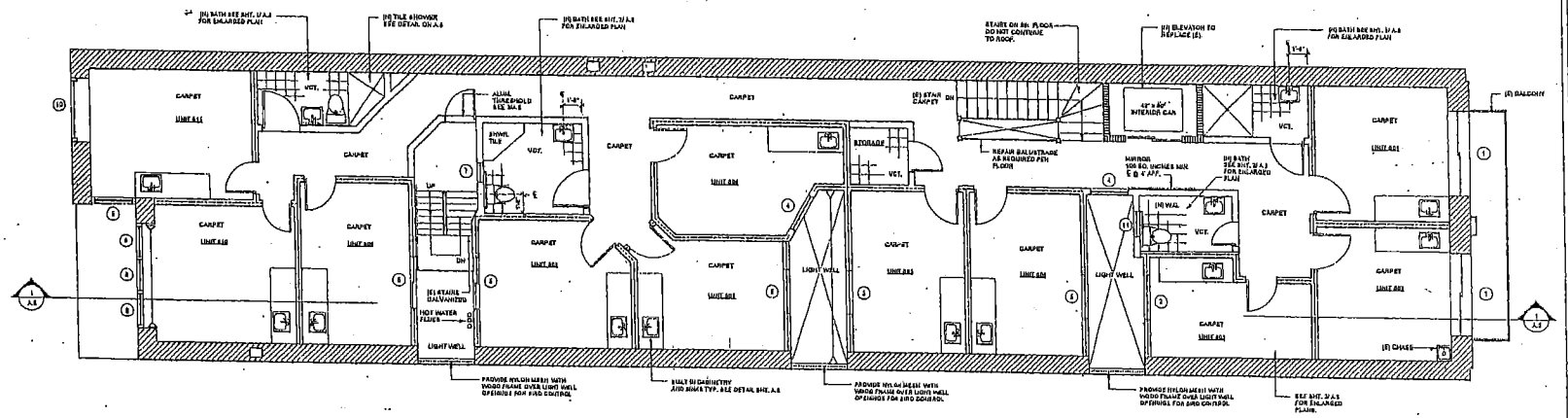
Licensed

Date 10.13.00
Scale 1" = 1/4" = 0"
Drawn S.S
Job
Sheet A.3
OF SHEETS 4



2 A-4 ROOF PLAN
Scale: 1/4" = 1'-0"

PROVIDE R19 BATT INSULATION BETWEEN ROOF JOISTS



1 A-4 TYPICAL FLOOR PLAN - 6TH FLOOR
Scale: 1/4" = 1'-0"

FIN. FL. EL. 85'-4 1/2"

TOTAL NET. S.F. 3079

PROVIDE R19 BATT INSULATION BETWEEN FLOOR JOISTS
ALL EXPOSED BRICK SURFACES TO BE SAND BLASTED AND SEALED

REVISIONS	BY
01. .01	SS

WALTERS ARCHITECT
1299 Eighteen
San Francisco, CA 94107
Tel. 415.826.3283
Fax. 415.826.3281

CAMELOT HOTEL RENOVATION
444
124 126 Turk Street
San Francisco, CA 94102
339 LOT 05

Licensed

Date 10.15.00
Scale 1" = 1/4" - 0"
Drawn SSB
Job
Sheet A.4
OF SHEETS

EXHIBIT B

INVENTORY LIST OF FF&E

NONE

EXHIBIT C

[Date]

Mr. Marc S. McDonald
Director of Property
Real Estate Department
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

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

Dear Mr. McDonald:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 199_.

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

Very truly yours,

_____
By_____
Title _____

Accepted and Agreed:

By _____
Director of Property

Dated _____

EXHIBIT D

RENT ROLL OF EXISTING TENANTS

NONE

FILE NO. 021049 RESOLUTION NO. 502-02

[Lease of Property – Camelot Hotel]

Resolution authorizing and approving the lease by and between the City and County of San Francisco, for the Department of Public Health, as Tenant, and 124 Turk Street, LP, as Landlord, for the Camelot Hotel located at 124 Turk Street, San Francisco, CA 94102.

WHEREAS, The Department of Public Health has created a "Direct Access to Housing" program, which is designed to secure affordable housing for homeless and very low-income San Francisco residents by having the City or a non-profit entity master lease privately owned buildings and then sublease residential units in those buildings to individuals who are medically frail and/or at risk of homelessness, and/or who have recently exited homeless shelters or residontial treatment programs, all of whom are capable of living independently with on-site support services; and,

WHEREAS, The Camelot Hotel located at 124 Turk Street, owned by 124 Turk Street, LP ("Landlord") presents an opportunity to provide clean and stable housing for approximately 55 individuals who have a history of homelessness and may have a disability related to mental health, HIV/AIDS, and/or substance abuse; and,

WHEREAS, Upon master leasing of the Camelot Hotel, the City will contract with a property management company to manage the day-to-day operations; and, in addition, the Department of Public Health will contract with a service provider to deliver on-site support services including mental health and substance abuse counseling, case management and peer advocacy, and referral to medical care; now therefore, be it

RESOLVED, That in accordance with the recommendation of the Director of the Department of Public Health and the Director of Property, that the Director of Property on behalf of the City and County of San Francisco, as Tenant, be and is hereby authorized to

Supervisor Ammiano
Public Health
BOARD OF SUPERVISORS

Post-it® Fax Note 7671	Date 8/14	# of pages ▶
To Jean	From BOS	
Co./Dept.	Co.	
Phone # 448	Phone #	
Fax # 552-9216	Fax #	

execute a Master Lease with Landlord for the entire premises located at 124 Turk Street, San Francisco, California, comprising an area of approximately 14,700 square feet, on the terms and conditions contained herein and in a form approved by the City Attorney; and, be it

FURTHER RESOLVED, That the term of this Lease shall begin upon execution and delivery of the Lease estimated to be on August 1, 2002 to continue for a ten (10) year period starting after the commencement of the Lease and the City shall have the right to extend the Initial Term for two additional ten (10) year terms subject to mutual agreement between City and Landlord; and, be it

FURTHER RESOLVED, That the base rent under the Lease shall be $27,500 per month for the first twelve months (Base Rent- $500 per unit per month) and, with annual rent increases based on the Consumer Price Index (CPI) for the San Francisco area and to be not less than one and a half percent (1.5%), nor more than five percent (5%). Rent shall be payable unless funds for rental payments are not appropriated in any subsequent City fiscal year, at which time the City may terminate the Lease with advance notice to the Landlord; and, be it

FURTHER RESOLVED, That the Master Lease may include a clause (Substantially in the form on file with the Clerk of the Board of Supervisors in File No. 021049 and approved by the Director of Property and the City Attorney) indemnifying and holding harmless the Landlord from, and agreeing to defend the Landlord against, any and all claims, costs and expenses, including without limitation, reasonable attorney's fees, incurred as a result of City's use of the premises, any default by the City in the performance of any of its obligations under the Master Lease, or any acts or omissions of City, its agents or its subtenants in, on or about the premises or the property on which the premises are located; and, be it

FURTHER RESOLVED, That the Director of Property be authorized to enter into any additions, amendments or other modifications to the Master Lease (including, without limitation, the exhibits) that the Director of Property determines, in consultation with the Department of Public Health and the City Attorney, are in the best interests of the City, do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transaction contemplated in the Lease and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Director of Property any amendments thereto; and be it

FURTHER RESOLVED, That any action taken by the Director of Property and other relevant officers of the City with respect to the Master Lease are hereby approved, confirmed and ratified.

Said Master Lease shall be subject to certification of funds by the Controller pursuant to Section 3.105 of the Charter.

RECOMMENDED:

Mitchell H. Katz, M.D.
Department of Public Health

Marc S. McDonald
Director of Property

Available:

Controller: _____

Appropriation Number:_____

City and County of San Francisco

Tails

Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 021049 **Date Passed:**

Resolution authorizing and approving the lease by and between the City and County of San Francisco, for the Department of Public Health, as Tenant, and 124 Turk Street, LP, as Landlord, for the Camelot Hotel located at 124 Turk Street, San Francisco, CA 94102.

July 22, 2002 Board of Supervisors — ADOPTED

File No. 021049

I hereby certify that the foregoing Resolution was ADOPTED on July 22, 2002 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

AUG 0 2 2002

Date Approved

Mayor Willie L. Brown Jr.

File No. 120790

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

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

Contractor Information *(Please print clearly.)*	
Name of contractor: **124 Turk St., LP**	
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.*** Stacy Huey, Partner	
Contractor address: 1708 Ocean Ave., San Francisco, CA 94112	
Date that contract was approved: *(By the SF Board of Supervisors)*	Amount of contracts: $415,979.88 annually
Describe the nature of the contract that was approved: Ten year option term extension of the Master Lease for the Department of Public Health	
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 this form sits

_____
Print Name of Board

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

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

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed