File No. 121006

Committee Item No. 8
Board Item No. 28

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date 11/14/2012

Board of Supervisors Meeting Date November 20, 2012

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Completed by: Victor Young Date November 9, 2012
Completed by: Victor Young Date 11-15-12

[Master Lease Extension - Department of Public Health - 2176-78 Mission Street - $32,363.07 Per Month with Annual Increases]

Resolution authorizing the extension of a Master Lease of Real Property at 2176-78 Mission Street for the Department of Public Health for ten-years, $32,363.07 per month for the period of December 5, 2012, to December 4, 2013, and subsequently subject to increases pursuant to the Consumer Price Index yearly.

WHEREAS, The City, on behalf of the Department of Public Health, entered into a Master Lease authorized by Resolution 412-01 for an initial term commencing December 5, 2002, through December 4, 2012, comprising approximately 10,770 square feet for 54 residential, single-room occupancy units, property management and support services office spaces under the Department of Public Health's Direct Access to Housing Program; and

WHEREAS, The Master Lease contains two, ten-year option periods bas ed on mutually acceptable terms and conditions; and

WHEREAS, The option period extensions are each subject to an enactment of a resolution approving and authorizing the exercise of said options by the Board of Supervisors and Mayor in their respective sole and absolute discretion; and

WHEREAS, The fair market rent determination for the first, ten-year option period is $32,363,07, or approximately $3 per square foot net of utility and janitorial services; and

WHEREAS, All other terms and conditions of the Master Lease shall remain the same; now, therefore, be it

RESOLVED, That in accordance with the recommendation of the Director of Public Health and the Acting Director of Property, the Board of Supervisors hereby approves the City's exercise of the first option to extend the Master Lease term for ten years commencing on December 5, 2012, on the terms and conditions set forth in the Master

Lease, a copy of which is included in Board of Supervisors File No. 121006, and on a form approved by the City Attorney and authorizes the Acting Director of Property to take all actions, on behalf of the City and County of San Francisco as may be required in furtherance of the City's exercise of the option; and be it

FURTHER RESOLVED, That the Master Lease includes a clause indemnifying, holding harmless, and defending the Landlord 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 Landlord or its agents; and be it

FURTHER RESOLVED, That any action taken by any City employee or official with respect to the Master Lease is hereby ratified and affirmed; and be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Acting Director of Property to enter into any amendments or modifications to the Master Lease (including without limitation, the exhibits) that the Acting Director of Property determines, in consultation with the City Attorney, are in the best interest of the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Master Lease or this resolution, such determination to be conclusively evidenced by the execution and delivery by the Acting Director of Property of any amendments thereto in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, That City shall occupy said Premises for the entire extension term expiring December 4, 2022, unless funds for rental payments are not

appropriated in any subsequent fiscal year, at which time City may terminate the Master Lease with written notice to Landlord pursuant to Section 3.105 of the Charter of the City and County of San Francisco.

RECOMMENDED:
See File for signature

Department of Public Health

See File for signature

John Updike
Acting Director of Property

$226,541.49 Available
Appropriation No. HCHSHHOUSGGF (General Fund)
Appropriation No. HMHMPROP63 (MHSA State Funding)

See File for signature

Controller

Item 8 File 12-1006	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 Sonali Holdings, LLC, as landlord, for the Star Hotel at 2176-78 Mission Street from December 5, 2012 through December 4, 2022.

Key Points

- The Star Hotel provides 54 single-room occupancy (SRO) residential units for low income adults 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. The Board of Supervisors previously approved the original master lease for the Star Hotel, located at 2176-78 Mission Street, for ten years, from December 5, 2002 through December 4, 2012, with two ten-year options to extend the lease. The Star Hotel master lease consists of 10,770 square feet, including, storage, office space and 54 SRO residential units.

Fiscal Impacts

- The proposed monthly rent from December 5, 2012 through December 4, 2013 would be $32,363 ($388,356 for 12 months) (approximately $3.00, for the first year, per square foot per month for 10,770 square feet), which is $943 or 3.0% more than the prior monthly rent of $31,420 (approximately $2.92 per square foot per month) from December 5, 2011 through December 4, 2012. Under the master lease, rent would be increased each year based on the Consumer Price Index (CPI), ranging from a minimum of 3.0% to a maximum of 6.0%. Annual rent in FY 2012-13 is $388,357.

- In addition to the first year annual rent of $388,356, DPH incurs annual (1) property management costs of $511,797 for utilities, maintenance, janitorial services, and 24-hour front desk coverage, and (2) DPH staff costs of $192,822 for supportive services. First year costs for rent, property management, and supportive services, totals $1,092,975. Such costs are partially offset by an estimated $176,744 in tenant rent, resulting in first year net General Fund costs to DPH of an estimated $916,231.

Recommendation

- Approve the proposed resolution.

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 Sonali Holdings, LLC, as landlord, for the Star Hotel, located at 2176-78 Mission Street. Under the master lease, the Star Hotel provides 54 single-room occupancy (SRO) residential units to low income adults 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 December 5, 2002 through December 4, 2012, with two 10-year options to extend.

DETAILS OF PROPOSED LEGISLATION

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

Table 1: Summary of Proposed Extended Lease Terms

Term	10 years (December 5, 2012 through December 4, 2022)
Square feet (approximate)	2,470 (first floor for office space, storage, and kitchen) 8,300 (floors two through three for 54 SRO units and laundry facilities) 10,770
Rent per square foot per month (year one)	Approximately $3.00
Total rent per month (year one)	$32,363
Total annual rent (year one)	$388,356
Annual rent increases	Annual CPI adjustments to the base rent on December 5 of each subsequent year, which would increase at no less than 3% and no more than 6%
Utilities and services	Utilities and janitorial services paid by the City

The master lease would continue to provide 54 SRO residential units to formerly homeless adults and adults with mental and medical conditions 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 as shown in Table 2 below, the monthly base rent of $32,363 ($388,356 for 12 months) payable by DPH to Sonali Holdings, LLC, would increase by approximately $943 or 3.0% from the current monthly rent of $31,420 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 December 2012 through December 2013, in accordance with Section 4.2 of the Master Lease.

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
December 5, 2012 through December 4, 2013	$3.00	$32,363
December 5, 2011 through December 4, 2012	$2.92	$31,420
Increase	$0.09	$943
Percent	Approximately 3.0%	3.0%

The first year annual rent of $388,356 is funded by 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 Star Hotel. These services include 24 hour per day front desk coverage, maintenance, janitorial, utilities, and other property management costs, for a first year General Fund costs of $511,797.

In addition, DPH staff, including one Licensed Clinical Social Work and two Case Managers, provides supportive services to Star Hotel tenants, at a first year cost of $311,004. Approximately 38% of DPH's eligible supportive services costs are reimbursable by MediCal, resulting in first year General Fund costs of $192,822 for supportive services ($311,004 less $118,182).

[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.

As shown on Table 3 below, DPH's total first year General Fund costs for the Star Hotel master lease, property management, and supportive services are $,1,092,975, with total costs, net of tenant rent payments, at $916,231.

Tenant Rent
DPH charges Direct Access to Housing tenants, including Star Hotel tenants, 50% of their income for housing and supportive services[2]. DPH estimates that Star Hotel tenants pay rent of approximately $176,744 per year, which DPH uses to offset property management costs.

Table 3: Total Estimated Star Hotel First Year General Fund Costs from December 4, 2012 through December 5, 2013

Cost Category	Monthly Amount	Annual Amount
Master Lease Rent	$32,363	$388,356
Property Management	42,650	511,797
Supportive Services	25,917	311,004
Less Supportive Services – MediCal Reimbursement	(9,848)	(118,182)
Subtotal	$91,082	$1,092,975
Tenant Rent Payments	(14,729)	(176,744)
Net Total Costs	**$76,353**	**$916,231**
Average Cost per Tenant (for 54 Tenants)	$1,414	$16,967

As shown in Table 3 above, the average cost per tenant per month is $1,414. Total net General Fund costs of $916,231 are included in DPH's FY 2012-13 budget.

RECOMMENDATION

Approve the proposed resolution.

[2] Star 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

October 5, 2012

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 OCT 12 AM 11:24

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 2176-78 Mission St.

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. 412-01 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 12/5/2002, the Premises, comprising approximately 10,770± square feet, have been used for approximately 54 residential, single-room occupancy units, property management and support services office spaces under the Department of Public Health's Direct Access to Housing Program.

The DPH currently pays $31,420.46 (approximately $2.92/psf) per month for the Premises, which is subject to an annual CPI adjustment of no less than 3% and no more than 6%. Consequently, the monthly rent will increase by 3% to $32,363.07, or approximately $3 per square foot for the period 12/5/12-12/4/13, net of utilities and janitorial service. 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 Nos. HCHSHHOUSGGF (General Fund) and HMHMPROP63 (MHSA State Funding).

Office of the Director of Real Estate • 25 Van Ness Avenue, Suite 400 • San Francisco, CA 94102
(415) 554-9850 • FAX: (415) 552-9216

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:\2176-78MissionBOS

Attachments

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

MASTER LEASE

Between

SONALI HOLDINGS, LLC
As Owner/Landlord

And

CITY AND COUNTY OF SAN FRANCISCO,
On behalf of the Department of Public Health,
As Tenant

For the lease of

STAR HOTEL
2176-2180 Mission Street
San Francisco, California 94110

June 1, 2001

MASTER LEASE

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EXHIBIT B – Notice of Commencement Date

MASTER LEASE

THIS MASTER LEASE (this "Lease"), dated for reference purposes only as of **June 1, 2001** is by and between Sonali Holdings, LLC ("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:	June 1, 2001
Landlord:	Sonali Holdings, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, on behalf of the Department of Public Health
Building (Section 2.1):	Star Hotel 2176-2180 Mission Street San Francisco, California 94110
Premises (Section 2.1):	The Building, including but not limited to all 58 units, restrooms, as shown on Exhibit A, excluding only the commercial space at 2186 Mission Street currently rented as a restaurant.
Term (Section 3):	Estimated commencement date: June 1, 2001 Expiration date: Ten (10) years after Commencement Date
Base Rent (Section 4.1):	Annual Base Rent: $285,360 subject to increase in accordance with Section 4.2 Monthly payments: $23,780 ($410 per month per unit x 58 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 property management services including, but not limited to, janitorial and maintenance.
Deposit (Section 22):	$47,560 (2 months @ $410/unit x 58 units) payable in two installments
Notice Address of Landlord (Section 23.1):	Sonali Holdings, LLC Address: 579 O'Farrell Street San Francisco CA 94102 Attention: Kiran Patel Fax No.: (415) 345-1801
Key Contact for Landlord:	Kiran Patel
Landlord Contact Telephone No.:	(415) 474-8675
Notice Address for Tenant (Section 23.1):	Real Estate Department 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Director of Property Fax No.: (415) 552-9216
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 Trotz, Director Housing and Urban Health Department of Public 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"). 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."

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 shall be determined solely by the Landlord and City at the time the option is exercised and accepted. 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. Within five (5) 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) calendar days from the Notification date by Landlord to accept the offer by executing a term sheet setting the price, terms, and conditions contained in the Notification. Landlord is not obligated to agree to such a term sheet after the forty-five (45) calendar day period expires.

(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 with this investigation. Close of escrow shall occur on or before forty-five (45) calendar 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 customary closing expenses incurred by City. Landlord shall pay transfer taxes and all other customary 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); provided, however, that Landlord may sell the Property or Building to any potential buyer who is willing to pay a gross purchase price (an amount determined without regard to any brokerage commission liability, but reduced by any Landlord credits or give backs to the potential buyer for such items as existing building conditions or tenant improvements hereinafter to referred to as "Gross Purchase Price") not less

than eighty-five percent (85%) of the amount of Landlord's offer to sell to City or of any City's Offer. City shall have one (1) day less than the number of days within which Landlord is permitted to accept the proposal of the potential buyer, to agree in writing to purchase the Property at the same Gross Purchase Price and thereafter to complete the transaction in the manner required by this Section.

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, partnership, any corporation, or any other business entity.

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 a t 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.

(b) City's failure to pay Base Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and

late charges which may be imposed on Landlord by any mortgage or deed of trust encumbering the Premises. Therefore, if Landlord does not receive any rent payment on or before five (5) days before it becomes due, City shall pay Landlord a late charge equal to five percent (5%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

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 three percent (3%) nor more than six percent (6%).

4.3.Interest on Past Due Obligations

Any amount owed by City to Landlord which is not paid when due shall bear interest at the rate of five percent (5%) per annum from the due date of such amount. However, interest shall not be payable on late charges to be paid by the City under this Lease, including those in Section 4.1(b). The payment of interest on such amounts shall not excuse or cure any default by City under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate then permitted by law.

4.4.Additional Charges

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"). All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

4.5.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 2.1. 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.

4.6.Payment of Other Taxes

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, rent stabilization and hotel license 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, 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 4.3, 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.

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, which interferes with the right of other tenants of Landlord in the Building, 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 Premises clean and free of debris on the Commencement Date, with all items on the punch list prepared by Landlord and City fully repaired.

6.2.Acceptance of the Premises

Following the inspection and completion of the Punch List items described in Sections 6.1 and 6.2, City shall accept the Premises in "as-is" 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.

7. ALTERATIONS

7.1.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, either performed by City or done by Landlord at City's request, upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing sixty (60) days prior to City's vacation of the premises that such Alterations must be removed. 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 of 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, for such Alterations, together with proof of either the City's financial responsibility for such Alterations or payment made to third parties for such Alterations.

7.2. Title to Improvements

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

7.3. City's Personal Property

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

7.4. Alteration by Landlord

Landlord shall use its commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold

improvement work for other tenants in the Building. Landlord shall promptly remedy, to the extent commercially reasonable, any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1.Landlord's Obligations

(a) Landlord shall, at Landlord's sole cost and expense, (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; 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.

(b) Subject to Section 8.1(a), where the aggregate cost of any extraordinary maintenance and/or replacement and/or repair of the HVAC system (including without limitation the boiler), electrical system, and plumbing system (including without limitation the fire safety/sprinkler system) (collectively, the "Major Systems") per year exceeds Ten Thousand Dollars ($10,000.00), the Landlord shall be responsible for the costs and performance of such maintenance or repairs over and above Ten Thousand Dollars ($10,000), except and to the extent that any maintenance, replacement, or repairs are the result of any negligence, misconduct or vandalism by the Tenant or any Subtenants. A repair shall be deemed extraordinary if it is a capital expenditure or is otherwise of a non-routine nature. The Ten Thousand Dollar ($10,000) allocation provided above shall increase by ten percent (10%) each year from the previous year's amount during the Term of the Lease.

(c)Tenant shall notify Landlord of the necessity of any extraordinary maintenance or repairs under Subsections (a) or (b) if the costs exceeds One Thousand Five Hundred Dollars ($1,500). An extraordinary maintenance and/or repair cost shall be deemed to exceed One Thousand Five Hundred Dollars ($1,500) if (i) the parties agree so in writing, or (ii) Tenant secures two proposals from contractors who are licensed to perform the required services and who have not been informed of the $1,500 limit, and all of the proposals exceed $1,500 or (iii) Landlord secures a proposal from a contractor who is licensed to perform the required services and who have not been informed of the $1,500 limit and such proposal exceeds $1,500.

8.2.City's Obligations

(a) Except to the extent that maintenance or repair responsibilities are assigned by this Lease to Landlord or except to the extent any necessary maintenance or repairs arise during any applicable warranty period, City shall, at City's expense perform all necessary and routine maintenance and repair of Major Systems as defined in Section 8.1(b), 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) (i) Except as provided in Section 8.2(d) below, where the aggregate yearly cost of extraordinary maintenance and/or replacement or repair of a Major System is less than Ten Thousand Dollars ($10,000.00), or (ii) where and to the extent such maintenance or repairs are the result of any negligence, misconduct or 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. The Ten Thousand Dollar ($10,000) amount shall increase by ten percent (10%) each year from the previous year's amount during the Term of the Lease pursuant to Section 8.1(b).

(c) Tenant shall be responsible for the cost of routine maintenance and repair of systems and facilities 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.

(d) If during any one year lease period the aggregate cost of Tenant's extraordinary 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) which in the following years will be adjusted yearly pursuant to Section 8.1(b), then Tenant may submit to Landlord a written request that Landlord pay such excess costs. 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, 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.

8.3.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 4.3, as Additional Charges with the next monthly payment of Base Rent payable no more than thirty (30) days after the payment made by Landlord.

9. UTILITIES AND SERVICES

9.1.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.

9.2.Services

City is responsible for contracting for and paying the cost of property management, including but not limited to, 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 The Landlord shall not be responsible or liable for any damages resulting from any failure or interruption of services.

9.3.Disruption in Essential Utilities or Services

In the event of any of the sanitary, electrical, heating, air conditioning, water, 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.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1. 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. City shall prior to commencement date inspect the property and notify the landlord in writing within five (5) days of such inspection if City ascertains any lack of compliance therein. 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. With any other future Life Safety Laws, Landlord and Tenant agree that Landlord shall take any actions necessary to comply, if compliance with any such Life Safety Law is legally required during the Term, that Landlord shall pay fifty percent (50%) of the reasonable and actual costs required for such compliance if the cost of the compliance does not exceed Fifty Thousand Dollars ($50,000). If the cost to comply with various Life Safety Laws during the Term of the Lease exceeds Fifty Thousand Dollars ($50,000), the Tenant in addition to 50% of the cost up to Fifty Thousand Dollars ($50,000) will pay for all costs beyond Fifty Thousand Dollars ($50,000).

10.2. 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.

11. 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.

12. 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 or other casualty within ninety (90) 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 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.

13. EMINENT DOMAIN

13.1. Definitions

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

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

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

13.2. General

If during the Term 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.

13.3. Total Taking; Automatic Termination

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

13.4. Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (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.

13.5. 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.

13.6. Partial Taking; Continuation of Lease

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

13.7. Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

14.1. 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. This amount shall increase at the same rate as the base rent increase for each year. 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.

14.2. 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. 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.

14.3. 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.

15. DEFAULT; REMEDIES

15.1. Events of Default by City

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) 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.

15.2. Landlord's Remedies

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

(a) 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 (1) retaking possession of the Premises and recovering from City the amount specified in this Section 15.2(a), or (2) 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.

15.3. 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 sixty (60) 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 90-day period, such 90-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 ninety (90) 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 sixty (60) days after the expiration of such 90-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.

16. INDEMNITIES

16.1. 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) tortious conduct and fraudulent acts; or (e) other acts, or omissions of City 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.

16.2. Landlord's Indemnity

Landlord shall indemnify City and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its 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.

16.3. 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, members, 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.

17. INSURANCE

17.1. 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.

17.2. Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under 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.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall 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 tenants, during the last six (6) months of the Term of this Lease, (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.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, 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.

20. SURRENDER OF PREMISES

20.1. 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) which are ten (10) tourist and forty-two (42) residential units. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

20.2. 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. 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 a "Studio with no Bathroom". Upon expiration or earlier termination of the Lease, City will transfer to Landlord any security deposits held by the City from any Subtenant . Tenant's Subleases with Subtenants shall specify, and require such Subtenants to acknowledge, the extent to which their payment of rent is subsidized by the Tenant in connection with the Tenant's Lease of the Premises, and that upon expiration or earlier termination of Tenant's Lease with Landlord, such Subtenants who still occupy units at the Premises (a) shall become direct tenants of Landlord without such rent subsidy, and (b) shall be fully responsible for payment of Sublease Rent (as defined in Section 14.2(b)) without such subsidy or assistance. In the event that any Subtenant fails to pay the market rent directly to Landlord (such Subtenants being referred to hereinafter as 'Non-Qualifying Subtenants"), Tenant shall cooperate with Landlord and shall reimburse Landlord for Landlord's expenses (including without limitation legal fees and court costs, including legal fees paid by other parties) actually incurred in connection with the legal eviction of Non-Qualifying Subtenants, up to a limit of Five Thousand Dollars ($5,000) per remaining Non-Qualifying Subtenant legally evicted. The aggregate amounts payable under this section (the "Subtenant Costs") may not exceed the sum of One Hundred Thousand Dollars ($100,000), and the amount of any remaining Maintenance and Damage Deposit not utilized by Landlord pursuant to Section 22 shall be utilized first to reimburse Landlord for any amounts payable under this subsection. Landlord shall submit its invoice to Tenant for reimbursable expenses together with copies of documentation demonstrating that such expenses were actually incurred, as soon as possible following expiration or earlier termination hereof, but in no event shall Tenant be required to reimburse to Landlord any such expenses not submitted to Tenant for reimbursement in the manner described above later than two (2) years following expiration or earlier termination hereof. The Tenant agrees to provide supporting documentation reasonably required by the Landlord to assist in Landlord's legal eviction of Non-Qualifying Subtenants.

20.3. 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 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.

20.4. 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 from acts, omissions, or circumstances which occur 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.

21. HAZARDOUS MATERIALS

21.1. Definitions

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

(a) "Environmental Laws" shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to

the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. 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.

21.2. 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.

21.3. 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.

21.4. 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.

21.5. City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property (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 (with counsel chosen by Landlord) 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.

22. DEPOSIT

On or prior to **June 1, 2001**, City shall deposit with Landlord one-half (1/2) of the sum 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. City shall deposit with Landlord the remaining one-half (1/2) of the Maintenance and Damage Deposit on or before **August 1, 2001**. 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 new funds to replace, 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.

23. CO-TENANCY

City hereby acknowledges that City is a co-tenant of the building which the devised premises are a part and that City shall make a good faith effort to resolve any problems arising among the co-tenant.

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 therefor; 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 (v) 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 known agreements, 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 therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

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 ten percent (110%) 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, disability, height, weight, 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.

24.33. Acceptance of Lease by Landlord

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: SONALI HOLDINGS, LLC

BY: _____
ITS: _____

BY: _____
ITS: _____

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, on behalf of the Department of Public Health

_____
Director of Property (acting)

RECOMMENDED:

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

APPROVED AS TO FORM:

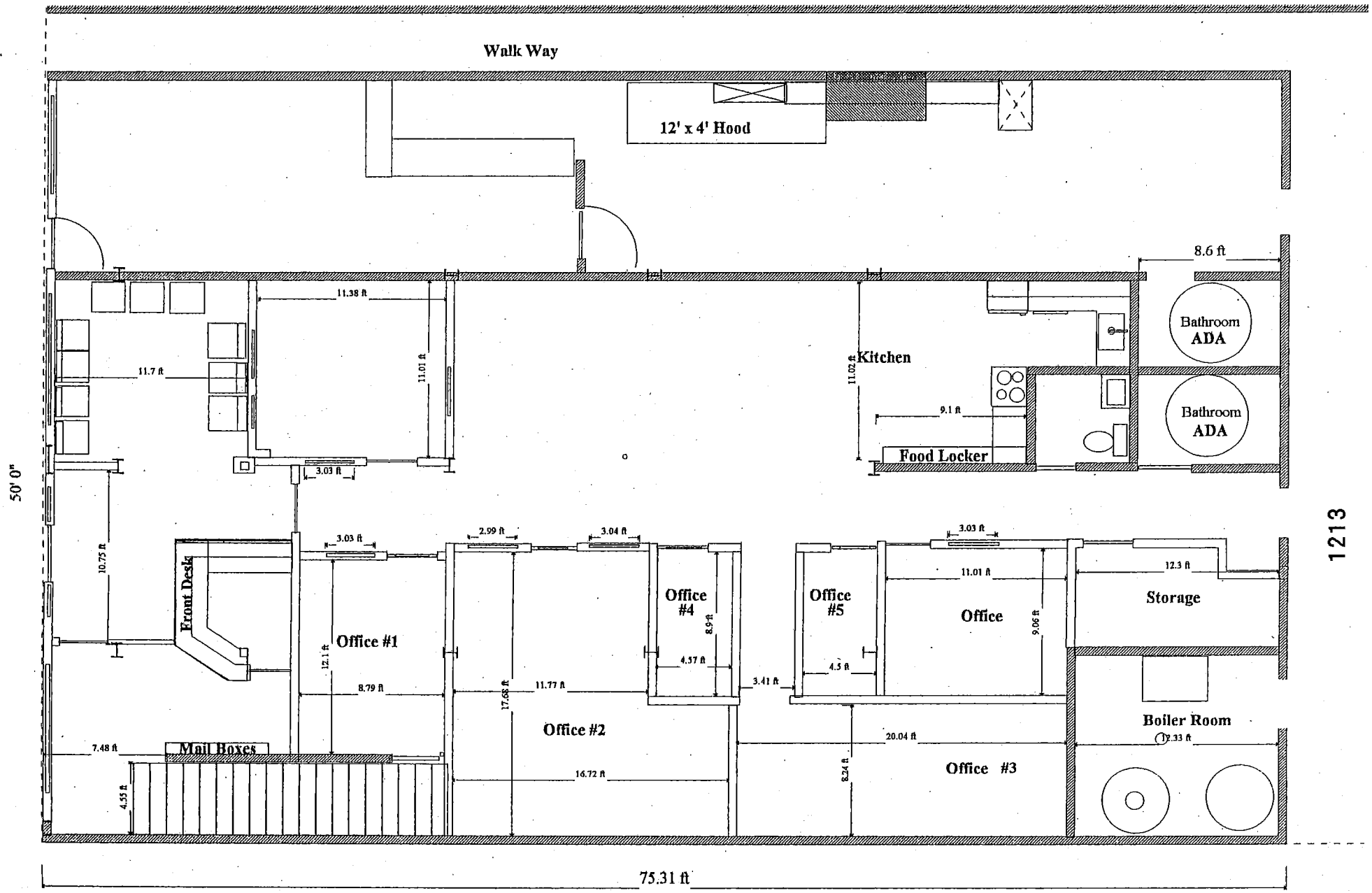
By _____
Deputy City Attorney

N:\SPCLPROJ\ABROWN\RESIDENT\STAR2LEA.DOC
05/24/01 12:05 PM

MASTER LEASE

EXHIBIT A

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



1213

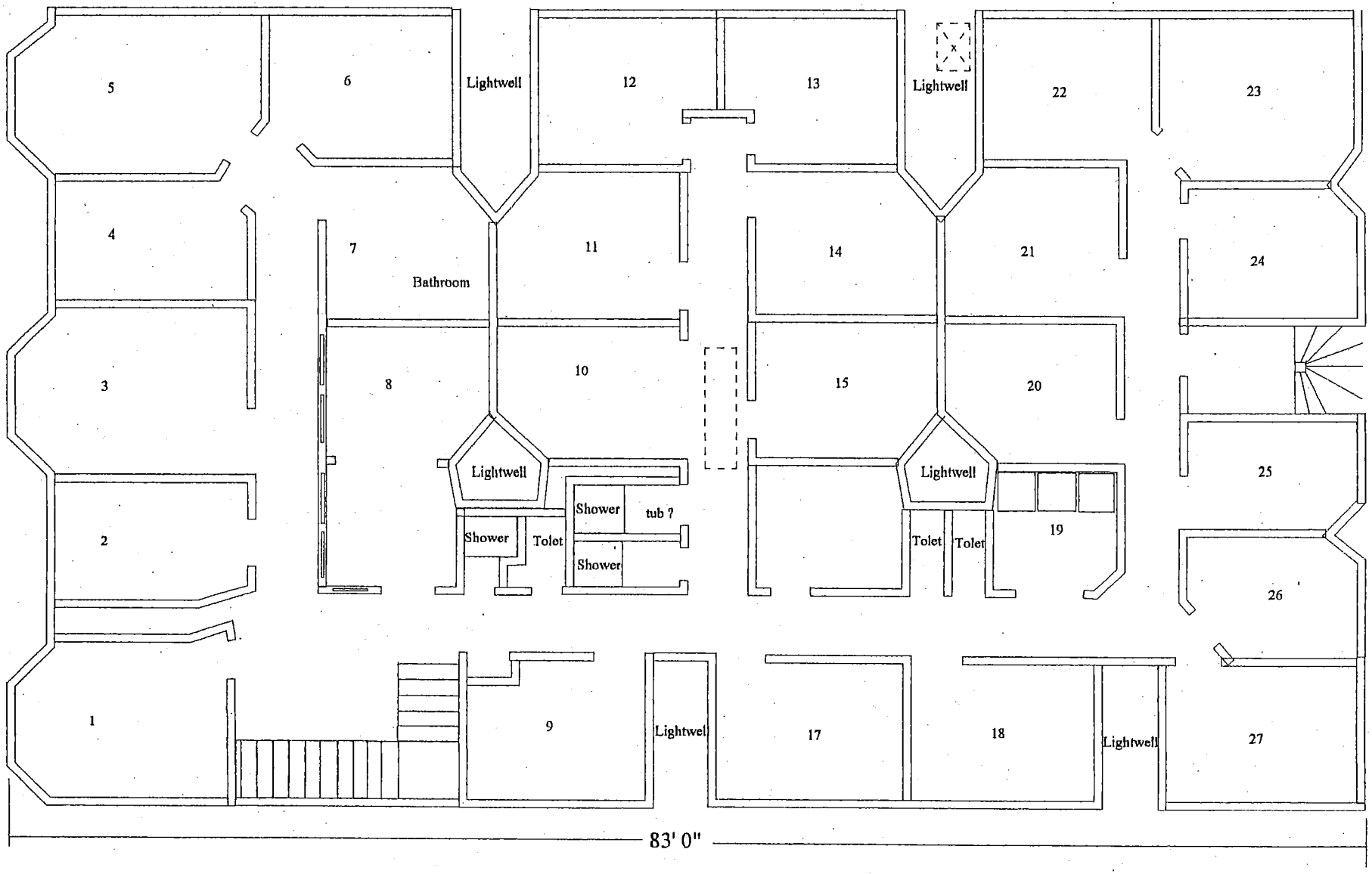
Ground Floor

LP Ford's Construction

Phon # (650) 589-7880 Fax # (650) 225-9632

Star Hotel

2176 Mission St. San Fr[illegible]o, CA.



1214

2 Floor Plan

(N) 2' x 3' 16ga. Greas Duct

LP Ford's Construction
Phone # (650) 589-7880 Fax # (650) 225-9632
Star Hotal
2176 Mission St. San Francisco, CA.

FILE NO. 010738 RESOLUTION NO. 412-01

[Lease of Property – Star 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 Sonali Holdings, LLC, as Landlord, for the Star Hotel located at 2176-2178 Mission Street.

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 residential treatment programs, all of whom are capable of living independently with on-site support services; and,

WHEREAS, The Star Hotel located at 2176-2180 Mission Street, owned by Sonali Holdings, LLC ("Landlord") presents an opportunity to provide clean and stable housing for approximately 50 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 Star 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, 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 execute a Master Lease with Landlord for the entire premises located at 2176-2180 Mission Street, San Francisco, California, comprising an area of approximately 10,770 square feet (not including the commercial space at 2180 Mission Street), 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 June 1, 2001 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 Landlord's approval and, be it

FURTHER RESOLVED, That the base rent under the Lease shall be $23,780 per month for the first twelve months (Base Rent- approximately $2.208 per square foot 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 three percent (3%), nor more than six percent (6%). 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. 010738 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 subject to the Department of Public Health's previously approved budget, the department shall be authorized to complete necessary tenant improvements in the approximate amount of and not to exceed $230,000; 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:

Director of Health, Department of Public Health

Director of Property

Available:

Controller: _____

Appropriation Number: HCHSHHOUSGGF

City and County of San Francisco

Tails

Resolution

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

File Number: 010738 **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 Sonali Holdings, LLC, as Landlord, for the Star Hotel located at 2176-2178 Mission Street.

May 21, 2001 Board of Supervisors — ADOPTED

Ayes: 10 - Ammiano, Daly, Gonzalez, Hall, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee
Absent: 1 - Leno

File No. 010738

I hereby certify that the foregoing Resolution was ADOPTED on May 21, 2001 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

JUN - 1 2001
Date Approved

Mayor Willie L. Brown Jr.

File No. 121006

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: **Sonali Holdings, LLC**	
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.*** Pravin Patel, Kiran Patel, and Ashok Patel equally.	
Contractor address: 579 O'Farrell St., San Francisco, CA 94103	
Date that contract was approved: *(By the SF Board of Supervisors)*	Amount of contracts: $32,363.07 for the period 12/5/12 – 12/4/13
Describe the nature of the contract that was approved: Ten year option term extension of the Master Lease at 2176-78 Mission St., San Francisco, 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

Board Resolution #121044 - Pier 30-32 Sports and Entertainment Arena
Jon Ballesteros
to:
carmen.chu@sfgov.org
11/07/2012 04:12 PM
Cc:
"john.avalos@sfgov.org", "Jane.Kim@sfgov.org", "Cammy.Blackstone@sfgov.org", "raquel.redondiez@sfgov.org", "matthias.mormino@sfgov.org", "Sunny.Angulo@sfgov.org", "victor.young@sfgov.org"
Hide Details
From: Jon Ballesteros <JBallesteros@sanfrancisco.travel> Sort List...
To: "carmen.chu@sfgov.org" <carmen.chu@sfgov.org>,
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SENT ON BEHALF OF SAN FRANCISCO TRAVEL PRESIDENT AND CEO, JOE D'ALESSANDRO

San Francisco Travel

November 7, 2012

Honorable Carmen Chu
Chair, Budget and Finance Committee
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

RE: Board Resolution #121044

Dear Supervisor Chu:

The San Francisco Travel Association (San Francisco Travel) urges the approval of Board Resolution #121044 which will allow the City of San Francisco to take advantage of a rare opportunity to move forward with a plan to build a world-class sports and entertainment arena that will create thousands of jobs and generate hundreds of millions of dollars in new economic growth - particularly in the tourism

and hospitality sector.

At the same time, the developers will pay the upfront costs to repair the crumbling Piers 30-32 and will privately finance the arena – with no money coming from the City's general fund and no new taxes.

As you know, tourism is one of the City's most important industries – contributing $8.5 billion dollars a year to San Francisco's economy and generating more than 71,400 jobs. To remain competitive with other destinations, top meeting and convention planners have indicated to us that a large, indoor facility accommodating 18,000 attendees or more is essential and has been one of our biggest shortcomings for decades.

We recently conducted a survey to our top clients and among the group that responded 80% felt a new arena would add value to San Francisco as a convention and meeting destination. Forty-four percent indicated that they would use an arena for a variety of purposes ranging from general sessions to concerts and performances.

Additionally, a facility of this size gives San Francisco an opportunity to host marquee events such as the Democratic National Convention (an estimated $14.4 million in economic impact); Republican National Convention ($21.2 million), NCAA Basketball playoffs ($25 million) and Olympic gymnast trails ($18 million).

The people who attend these types of events generally contribute more to the local economy than the average visitor. According to Visit California, the non-profit charged with promoting the state as a top destination, event attendees stay longer — 3.9 nights vs. 3.4 nights — and spend more — an average of $336 vs. $175 per day. And, more than 63% stay in local hotels compared to 50 percent of all California visitors.

There is also a demand for a large arena to accommodate one-day events that are not tied to hotel rooms, which is the determining factor for the use of Moscone Center. Our staff estimates that at least 200 of these one-day events are turned away every year.

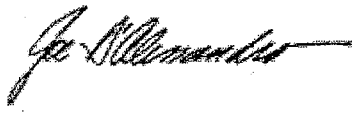
Indications are that the residents of San Francisco also understand the value a new venue for top-tier concerts and cultural events will bring to their lives by enhancing their entertainment options. In a recent resident survey San Francisco Travel conducted, the vast majority of the respondents support developing a waterfront sports and entertainment arena at Piers 30-32.

From a tourism and economic development perspective, this is an opportunity that it too good to let slip by.

For these reasons, we encourage the San Francisco Board of Supervisors to allow this project to move forward by approving Board Resolution #121044 when it comes before the Budget and Finance Committee for consideration.

If you have any questions or require additional information, please feel free to contact me directly or San Francisco Travel's Vice President of Public Policy, Jon Ballesteros, at 415.227.2655.

Sincerely,



Joe D'Alessandro
President and CEO

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