

File No. 200115

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 11, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

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- Youth Commission Report
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- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date February 28, 2020
 Completed by: Linda Wong Date _____

1 [Lease of Real Property - The Salvation Army - 1156 Valencia Street - Initial Base Annual
2 Rent of \$404,000 - \$300,000 Leasehold Improvements]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Public Health, to lease real property located at 1156 Valencia Street from**
5 **The Salvation Army at an initial base rent of \$404,000 per year, for a term of three years**
6 **with an estimated commencement date of March 1, 2020, and estimated to expire on**
7 **February 28, 2023, plus two one-year options to extend; authorizing the reimbursement**
8 **of \$300,000 towards the cost of Leasehold Improvements; and authorizing the Director**
9 **of Property to execute documents, make certain modifications and take certain actions**
10 **in furtherance of the Lease and this Resolution, as defined herein.**

11
12 WHEREAS, The mission of the Department of Public Health (“DPH”) is to is to protect
13 and promote the health of all San Franciscans.; and

14 WHEREAS, The provision of behavioral health care is critical to addressing
15 homelessness for people struggling with mental illness and substance use disorders.

16 WHEREAS, With the enactment of Ordinance Nos. 60-19 and 61-19 in April 2019, the
17 Board of Supervisors and Mayor Breed acknowledged homelessness in San Francisco to be
18 at a crisis point, and passed these Ordinances to expedite the process of opening programs
19 to respond to that crisis; and

20 WHEREAS, According to the January 2019 Point-in-Time Homeless Count
21 administered by HSH, there were approximately 8,035 people experiencing homelessness in
22 San Francisco, 64% of which were unsheltered sleeping outside in doorways, parks, vehicles
23 or wherever they can find; and

1 WHEREAS, Mayor Breed announced in October 2018 a plan to open 1,000 additional
2 shelter beds by 2020, and to provide more safe options for people experiencing
3 homelessness to sleep indoors; and

4 WHEREAS, The Real Estate Division and DPH have been investigating potential sites
5 to accommodate shelter and transitional housing for people with behavioral health challenges
6 to meet this goal and serve this high-needs population; and

7 WHEREAS, The property located at 1156 Valencia Street (the "Property") affords the
8 City an excellent opportunity to open temporary shelter to provide behavioral health respite for
9 people experiencing homelessness.; and

10 WHEREAS, The Real Estate Division, through DPH, in consultation with the Office of
11 the City Attorney, negotiated a three-year lease, with two, one-year options, dated January
12 27, 2020, (the "Lease"), of the approximately 10,100 square foot Property with The Salvation
13 Army ("Landlord"), for purposes of operating temporary, low barrier, service-enriched shelter
14 to provide behavioral health respite for people experiencing homelessness and behavioral
15 health challenges, a copy of the form of Lease is on file with the Clerk of the Board in File No.
16 200115; and

17 WHEREAS; The program will serve as a community-embedded behavioral health
18 respite program based on the model currently operating as Hummingbird Place Behavioral
19 Health Respite at 887 Potrero; and

20 WHEREAS, The "Commencement Date" of the Lease is expected to occur on or
21 around March 1, 2020; and

22 WHEREAS, At City's cost in the amount of \$300,000 and under the direction of San
23 Francisco Public Works ("SFPW"), Landlord will provide tenant improvement and capital work
24 (collectively, "Leasehold Improvements") and provide requested fixtures, furniture and
25

1 equipment ("FF&E") necessary for City to occupy and operate the Property for the intended
2 purposes; and

3 WHEREAS, Under the Lease, base rent payable by City in the first year of the initial
4 three-year term will be \$404,000 (or \$33,667 per month), increasing at 3% per year on each
5 anniversary of the Commencement Date; and

6 WHEREAS, As of the Commencement Date, City is obligated to pay for its own utilities
7 and services; and

8 WHEREAS, The Director of Property determines the rental rate under the Lease to be
9 at or below fair market rental value; and

10 WHEREAS, Pursuant to Chapter 23 of the Administrative Code, since the base rent
11 charged is less than \$45 per sq. ft. per year, an independent fair market rental appraisal is not
12 required in conjunction with the approval of this Lease; and

13 WHEREAS, Upon the Commencement Date, the building on the Property will be
14 delivered vacant; now, therefore, be it

15 RESOLVED, That in accordance with the recommendation of the Director of DPH and
16 the Director of Property, the Board of Supervisors approves the Lease in substantially the
17 form presented to the Board, and authorizes the Director of DPH and the Director of Property
18 to take all actions necessary to execute the Lease and any other documents that are
19 necessary or advisable to effectuate the purpose of this Resolution; and, be it

20 FURTHER RESOLVED, That City is authorized to request Landlord to perform on
21 behalf of City at City's cost and pursuant to the terms and conditions of the Lease, Leasehold
22 Improvements or other work and services at the direction of SFPW and to reimburse Landlord
23 for up to \$300,000 of that work; and, be it

24 FURTHER RESOLVED, That under the Lease, City shall indemnify and hold harmless
25 the Landlord from, and agree to defend the Landlord against, any and all claims, costs and

1 expenses, including without limitation, reasonable attorneys' fees, incurred as a result of City's
2 use of the premises or any negligent acts or omissions of City, its agents or invitees in, on or
3 about the Property; and, be it

4 FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with
5 respect to the Lease are hereby approved, confirmed and ratified; and, be it

6 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
7 Property to enter into any extensions, amendments or modifications to the Lease (including
8 without limitation, the exhibits) that the Director of Property determines, in consultation with
9 the Director of DPH and the City Attorney, are in the best interest of the City, do not increase
10 the rent or otherwise materially increase the obligations or liabilities of the City, are necessary
11 or advisable to effectuate the purposes of the Lease or this Resolution, and are in compliance
12 with all applicable laws, including City's Charter; and, be it

13 FURTHER RESOLVED, That the City shall occupy the Premises for the full term of the
14 Lease unless funds for rental payments are not appropriated in any subsequent fiscal year at
15 which time City may terminate the Lease with written notice to Landlord, and the Lease shall
16 be subject to certification as to funds by the Controller, pursuant to Section 3.105 of the
17 Charter; and, be it

18 FURTHER RESOLVED, That within thirty (30) days of the Commencement Date of the
19 Lease being fully executed by all parties, DPH shall provide the final Lease to the Clerk of the
20 Board for inclusion into the official file.

\$434,668 Available

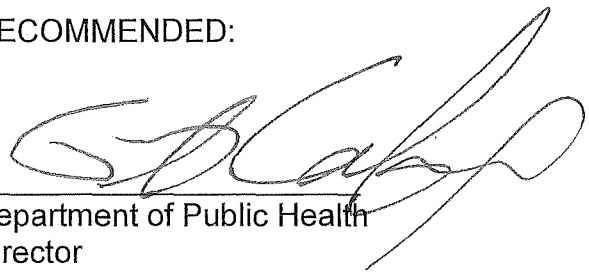
Fund ID: 10000	Fund Title: GF Annual Account Ctrl
Department ID: 204645	Department Project ID: Mental Health Other
Project Authority ID: 10026703	Authority title: HB MH Long Term Care
Account ID: 527000	Account title: Prof & Specialized Svcs-Bdgt
Activity ID: 1	Activity title: Long Term Care



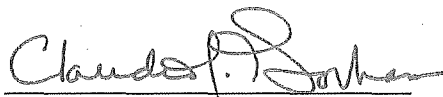
Ben Rosenfield
Controller

Funding for Fiscal Year 2020/2021 is subject to the enactment of the Annual Appropriation Ordinance for Fiscal Year 2020/2021.

RECOMMENDED:



Department of Public Health
Director



Claude F. Bohan
Real Estate Division
Director of Property

<p>Item 2 File 20-0115 <i>(Continued from March 4 meeting)</i></p>	<p>Departments: Department of Public Health (DPH) Real Estate Division</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would (1) approve a lease between the City and The Salvation Army for property located at 1156 Valencia Street for a term of three years with two one-year options to extend at a base rent of \$404,000 per year; (2) authorize the reimbursement by the City to the landlord up to \$300,000 plus a 4 percent construction management fee towards the cost of tenant improvements and (3) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and the resolution to commence following Board of Supervisors’ approval. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The property at 1156 Valencia Street will be used for a 30-bed Navigation Center serving adults experiencing homelessness and with behavioral health issues. The proposed Navigation Center will be based on the Department of Public Health’s Hummingbird Navigation Center model located at San Francisco General Hospital. • The landlord will construct tenant improvements, including showers and laundry facilities, which costs will be reimbursed by the City up to \$300,000 plus a 4 percent construction management fee. The Navigation Center is expected to open in April 2020 following completion of construction. • The landlord is offering a short-term, three-year lease because the landlord is expecting to develop the property as affordable housing and, therefore, is unwilling to commit beyond three years. If construction on the affordable housing project is delayed, the City expects to exercise one or both options to extend the lease term. The proposed resolution authorizes the Director of Real Estate to enter into the lease extensions without further Board of Supervisors approval if the lease extension does not increase the rent or otherwise materially increase the obligations or liabilities of the City. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed lease, the City would pay an initial annual rent of \$404,000, escalating by 3 percent per year over the three-year term Total rental costs over the 3-year lease term for 1156 Valencia Street are estimated at \$1,248,724. • The proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. The proposed operating costs for a Navigation Center site at 1156 Valencia Street from March 1, 2020 through June 30, 2021 will be \$3,878,000. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year • Approve the proposed resolution, as amended. 	

MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases of one year or more in which the City is the tenant.

BACKGROUND

The Navigation Center model was first piloted in March 2015 to provide a low-barrier, service-rich alternative to traditional homeless shelters, with the goal of transitioning people off the streets and into longer-term solutions. As of January 2020, seven Navigation Centers are active.

The Board of Supervisors approved an ordinance in April 2019 (File 19-0047, Ordinance 61-19) to streamline the process for entering leases and contracts for homeless shelters in order to expedite the opening of homeless service sites, including Navigation Centers. According to a February 25, 2020 letter from Public Works to the Clerk of the Board of Supervisors, Public Works is relying on these streamlined permitting procedures for developing this site.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a lease between the City and The Salvation Army for property located at 1156 Valencia Street for a term of three years with two one-year options to extend at a base rent of \$404,000 per year; (2) authorize the reimbursement by the City to the landlord up to \$300,000 plus a 4 percent¹ construction management fee towards the cost of tenant improvements and (3) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and the resolution to commence following Board of Supervisors' approval. The property at 1156 Valencia Street includes a 10,833 square foot building and adjacent parking lot and utility area. The City is leasing 10,100 square feet of the property².

According to Ms. Kelly Hiramoto, Special Projects Manager at the Department of Public Health, the site at 1156 Valencia Street will be used as an approximately 30-bed Navigation Center serving unsheltered adults with behavioral health issues experiencing homelessness. Ms. Hiramoto states that the site will serve as a community-embedded behavioral health respite program based on the Hummingbird Navigation Center model located at Zuckerberg San Francisco General Hospital.

Table 1 below lists the terms of the proposed lease.

¹ According to the Section 6.1(d) of the proposed lease, the 4 percent fee is based on the reimbursable leasehold improvements, which, as noted above, are capped at \$300,000.

² According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, when the City and landlord originally negotiated the financial terms of the lease, it was based on the assumption the building was 10,100 square feet, although the City later determined it was actually 10,833 square feet. Despite actually being larger than expected, the parties agreed to pay rent as already negotiated based on the 10,100 square feet, and the landlord reserved a 200 square foot portion of the building for its Salvation Army Chaplain.

Table 1. Proposed Lease Terms for 1156 Valencia Street

Landlord	The Salvation Army
Tenant	City
Area	10,100 rentable square feet
Rent (monthly and annual)	<ul style="list-style-type: none"> • \$33,666.67 (monthly) • \$404,000 (annually)
Rent adjustments	3 percent increase annually
Term	36 months or 3 years. Estimated to begin on approximately March 1, 2020 and expire on approximately February 28, 2023.
Options to extend	Two one-year options determined by mutual agreement
Rent during extension	Determined by mutual agreement
Services and Operations	City to pay operating expenses (e.g., utilities) of the building.
Taxes and Insurance	Landlord to pay real estate taxes and landlord's insurance.
Tenant and Capital Improvements	Landlord to perform capital and tenant improvements needed to occupy and operate the property for the intended purposes. These improvements are expected to include installation of shower and laundry facilities and improvements to accessibility. The City will reimburse the landlord for the cost of the improvements up to \$300,000 and pay landlord a four percent construction management fee for the improvements.
Additional Services	None expected to be contracted through landlord.

Source: Proposed Lease

Short-Term Lease

According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, the landlord is offering a short-term, three-year lease because the landlord is expecting to develop the property as affordable housing and, therefore, is unwilling to commit beyond three years. If construction on the affordable housing project is delayed, the City expects to exercise one or both options to extend the lease term.

The building on the property will be delivered vacant to the City on approximately March 1, 2020.

The proposed resolution authorizes the Director of Real Estate to enter into the lease extensions without further Board of Supervisors approval if the lease extension does not increase the rent or otherwise materially increase the obligations or liabilities of the City. Because the lease states that the rent during the extended lease term would be “determined by mutual agreement”, the proposed resolution should be amended to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year.

Capital and Tenant Improvements

Under the proposed lease, the landlord will perform capital and tenant improvements needed to occupy and operate the property for the intended purposes as a Navigation Center site. The City will reimburse the landlord for the cost of the improvements up to \$300,000 and pay the landlord a four percent construction management fee³ for the improvements. According to Ms. Hiramoto, the current layout of the building does not include showers or laundry facilities. Capital improvements include the addition of showers and outlets that can support washers and dryers, as well as upgrading accessibility of bathrooms. An architecture firm will be providing design services at no cost to the City as part of the firm’s community benefit program. The design plans will be used by the landlord to solicit bids from a contractor to complete the renovation work. Total costs to complete the renovations will be known after the bid process is completed.

According to Ms. Hiramoto, it is anticipated that the proposed Navigation Center at 1156 Valencia Street would be operational by April 2020 if renovations are completed as anticipated.

FISCAL IMPACT

Under the proposed lease, the City would pay an initial annual rent of \$404,000, escalating by 3 percent per year over the three-year term. Under the proposed lease, two additional one-year extension options exist with rent determined by mutual agreement between the City and the landlord. Table 2 below summarizes the rental costs of the three-year term of the proposed lease. Total rental costs over the 3-year lease term for 1156 Valencia Street are estimated at \$1,248,724.

³ According to Mr. Keene, management (including the contracting aspect) of construction projects are time intensive and often require pre-payment for work performed. A standard fee for oversight typically ranges between three to five percent.

Table 2. Total Rental Costs Under Proposed Lease for 1156 Valencia Street

Year	Square Feet ⁴	Annual Rent per Square Foot	Total Rental Costs
1	10,100	\$40.00	\$404,000
2	10,100	\$41.20	416,120
3	10,100	\$42.44	428,604
Total			\$1,248,724

Source: Real Estate Division

First year rent of \$40.00 per square foot is less than the \$45 per square foot requiring an appraisal in accordance with Administrative Code Section 23.27.⁵ Mr. Keene states that the fair market rental rates for available property in the area range from \$41 to \$55 per square foot per year⁶.

Proposed Operating Costs of 1156 Valencia Street Navigation Center

In addition to leasing costs, as noted above in Table 2, the proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. These costs have been incorporated into the operating costs for the proposed Navigation Center at the site. According to Ms. Hiramoto, the proposed operating costs for a Navigation Center site at 1156 Valencia Street from March 1, 2020 through June 30, 2021⁷ will be \$3,878,000, as shown in Table 3 below⁸.

⁴ Although the proposed lease states that the square feet are 10,833, the initial measurement for setting the rent was 10,100 square feet.

⁵ Per City Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than \$45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease

⁶ According to Mr. Keene, the following comparable properties were used to determine the base rental rate: \$55 per square foot for 11,100 square feet, \$45 per square foot for 5,600 square feet, \$41.12 per square foot for 5,408 square feet, and \$41 per square foot for 7,500 square feet. The average of all comparable properties is \$45.53 per square foot per year.

⁷ According to Ms. Hiramoto, costs will be adjusted to reflect finalized commencement date of proposed lease.

⁸ According to Ms. Hiramoto, the nonprofit operator will be Positive Resource Center/Baker Places, Inc. The contract amounts have not been finalized yet.

Table 3. Proposed Operating Costs for Navigation Center at 1156 Valencia Street from March 1, 2020 through June 30, 2021

Operating Costs	Amount
Salaries and Benefits ⁹	\$2,318,568
Operating Expense ¹⁰	1,053,606
Indirect Cost (15 percent) ¹¹	505,826
Total Costs	\$3,878,000

Source: Department of Public Health

According to Ms. Hiramoto, the operating costs reflect staffing and programs for a behavioral health respite site serving clients with behavioral health needs.

Source of Funds

According to Ms. Hiramoto, the Department of Public Health plans to utilize the \$3 million Tipping Point grant (File 20-0116), pending Board of Supervisors approval, to fund the operating costs, rental costs and start-up costs for the first and second year. In addition, the General Fund, as appropriated in the Department of Public Health's FY 2019-20 budget, will provide supplemental funding for the first, second and third years of the lease.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year
2. Approve the proposed resolution, as amended.

⁹ This includes staffing costs for a Project Director, Assistant Program Director, Residential Counselors, Relief Residential Counselor, Program Assistant, Peer Counselors, and Receptionist/Clerk.

¹⁰ This includes costs such as utilities, building maintenance supplies and repair, office supplies, medical supplies, medical professional service, insurance, equipment lease and maintenance, household supplies, computer supplies, security guard service, housekeeping and janitorial services, and client food.

¹¹ This is the allowable 15 percent of direct salary and operating expenses to cover the program's indirect cost to the provider's overhead. 15 percent is the standard percentage used by the Department of Public Health.

<p>Item 4 File 20-0115</p>	<p>Departments: Department of Public Health (DPH) Real Estate Division</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would (1) approve a lease between the City and The Salvation Army for property located at 1156 Valencia Street for a term of three years with two one-year options to extend at a base rent of \$404,000 per year; (2) authorize the reimbursement by the City to the landlord up to \$300,000 plus a 4 percent construction management fee towards the cost of tenant improvements and (3) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and the resolution to commence following Board of Supervisors’ approval. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The property at 1156 Valencia Street will be used for a 30-bed Navigation Center serving adults experiencing homelessness and with behavioral health issues. The proposed Navigation Center will be based on the Department of Public Health’s Hummingbird Navigation Center model located at San Francisco General Hospital. • The landlord will construct tenant improvements, including showers and laundry facilities, which costs will be reimbursed by the City up to \$300,000 plus a 4 percent construction management fee. The Navigation Center is expected to open in April 2020 following completion of construction. • The landlord is offering a short-term, three-year lease because the landlord is expecting to develop the property as affordable housing and, therefore, is unwilling to commit beyond three years. If construction on the affordable housing project is delayed, the City expects to exercise one or both options to extend the lease term. The proposed resolution authorizes the Director of Real Estate to enter into the lease extensions without further Board of Supervisors approval if the lease extension does not increase the rent or otherwise materially increase the obligations or liabilities of the City. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Under the proposed lease, the City would pay an initial annual rent of \$404,000, escalating by 3 percent per year over the three-year term Total rental costs over the 3-year lease term for 1156 Valencia Street are estimated at \$1,248,724. • The proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. The proposed operating costs for a Navigation Center site at 1156 Valencia Street from March 1, 2020 through June 30, 2021 will be \$3,878,000. 	
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BACKGROUND

The Navigation Center model was first piloted in March 2015 to provide a low-barrier, service-rich alternative to traditional homeless shelters, with the goal of transitioning people off the streets and into longer-term solutions. As of January 2020, seven Navigation Centers are active.

The Board of Supervisors approved an ordinance in April 2019 (File 19-0047, Ordinance 61-19) to streamline the process for entering leases and contracts for homeless shelters in order to expedite the opening of homeless service sites, including Navigation Centers. The ordinance waived competitive bidding requirements for construction work and professional and other services for homeless service sites.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a lease between the City and The Salvation Army for property located at 1156 Valencia Street for a term of three years with two one-year options to extend at a base rent of \$404,000 per year; (2) authorize the reimbursement by the City to the landlord up to \$300,000 plus a 4 percent¹ construction management fee towards the cost of tenant improvements and (3) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and the resolution to commence following Board of Supervisors' approval. The property at 1156 Valencia Street includes a 10,833 square foot building and adjacent parking lot and utility area. The City is leasing 10,100 square feet of the property².

According to Ms. Kelly Hiramoto, Special Projects Manager at the Department of Public Health, the site at 1156 Valencia Street will be used as an approximately 30-bed Navigation Center serving unsheltered adults with behavioral health issues experiencing homelessness. Ms. Hiramoto states that the site will serve as a community-embedded behavioral health respite program based on the Hummingbird Navigation Center model located at Zuckerberg San Francisco General Hospital.

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Options to extend	Two one-year options determined by mutual agreement
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Additional Services	None expected to be contracted through landlord.

Source: Proposed Lease

Short-Term Lease

According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, the landlord is offering a short-term, three-year lease because the landlord is expecting to develop the property as affordable housing and, therefore, is unwilling to commit beyond three years. If construction on the affordable housing project is delayed, the City expects to exercise one or both options to extend the lease term.

The building on the property will be delivered vacant to the City on approximately March 1, 2020.

The proposed resolution authorizes the Director of Real Estate to enter into the lease extensions without further Board of Supervisors approval if the lease extension does not increase the rent or otherwise materially increase the obligations or liabilities of the City. Because the lease states that the rent during the extended lease term would be “determined by mutual agreement”, the proposed resolution should be amended to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year.

Capital and Tenant Improvements

Under the proposed lease, the landlord will perform capital and tenant improvements needed to occupy and operate the property for the intended purposes as a Navigation Center site. The City will reimburse the landlord for the cost of the improvements up to \$300,000 and pay the landlord a four percent construction management fee³ for the improvements. According to Ms. Hiramoto, the current layout of the building does not include showers or laundry facilities. Capital improvements include the addition of showers and outlets that can support washers and dryers, as well as upgrading accessibility of bathrooms. An architecture firm will be providing design services at no cost to the City as part of the firm’s community benefit program. The design plans will be used by the landlord to solicit bids from a contractor to complete the renovation work. Total costs to complete the renovations will be known after the bid process is completed.

According to Ms. Hiramoto, it is anticipated that the proposed Navigation Center at 1156 Valencia Street would be operational by April 2020 if renovations are completed as anticipated.

FISCAL IMPACT

Under the proposed lease, the City would pay an initial annual rent of \$404,000, escalating by 3 percent per year over the three-year term. Under the proposed lease, two additional one-year extension options exist with rent determined by mutual agreement between the City and the landlord. Table 2 below summarizes the rental costs of the three-year term of the proposed lease. Total rental costs over the 3-year lease term for 1156 Valencia Street are estimated at \$1,248,724.

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Source: Real Estate Division

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Proposed Operating Costs of 1156 Valencia Street Navigation Center

In addition to leasing costs, as noted above in Table 2, the proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. These costs have been incorporated into the operating costs for the proposed Navigation Center at the site. According to Ms. Hiramoto, the proposed operating costs for a Navigation Center site at 1156 Valencia Street from March 1, 2020 through June 30, 2021⁷ will be \$3,878,000, as shown in Table 3 below⁸.

⁴ Although the proposed lease states that the square feet are 10,833, the initial measurement for setting the rent was 10,100 square feet.

⁵ Per City Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than \$45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease

⁶ According to Mr. Keene, the following comparable properties were used to determine the base rental rate: \$55 per square foot for 11,100 square feet, \$45 per square foot for 5,600 square feet, \$41.12 per square foot for 5,408 square feet, and \$41 per square foot for 7,500 square feet. The average of all comparable properties is \$45.53 per square foot per year.

⁷ According to Ms. Hiramoto, costs will be adjusted to reflect finalized commencement date of proposed lease.

⁸ According to Ms. Hiramoto, the nonprofit operator will be Positive Resource Center/Baker Places, Inc. The contract amounts have not been finalized yet.

Table 3. Proposed Operating Costs for Navigation Center at 1156 Valencia Street from March 1, 2020 through June 30, 2021

Operating Costs	Amount
Salaries and Benefits ⁹	\$2,318,568
Operating Expense ¹⁰	1,053,606
Indirect Cost (15 percent) ¹¹	505,826
Total Costs	\$3,878,000

Source: Department of Public Health

According to Ms. Hiramoto, the operating costs reflect staffing and programs for a behavioral health respite site serving clients with behavioral health needs.

Source of Funds

According to Ms. Hiramoto, the Department of Public Health plans to utilize the \$3 million Tipping Point grant (File 20-0116), pending Board of Supervisors approval, to fund the operating costs, rental costs and start-up costs for the first and second year. In addition, the General Fund, as appropriated in the Department of Public Health’s FY 2019-20 budget, will provide supplemental funding for the first, second and third years of the lease.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year
2. Approve the proposed resolution, as amended.

⁹ This includes staffing costs for a Project Director, Assistant Program Director, Residential Counselors, Relief Residential Counselor, Program Assistant, Peer Counselors, and Receptionist/Clerk.

¹⁰ This includes costs such as utilities, building maintenance supplies and repair, office supplies, medical supplies, medical professional service, insurance, equipment lease and maintenance, household supplies, computer supplies, security guard service, housekeeping and janitorial services, and client food.

¹¹ This is the allowable 15 percent of direct salary and operating expenses to cover the program’s indirect cost to the provider’s overhead. 15 percent is the standard percentage used by the Department of Public Health.

LEASE

between

THE SALVATION ARMY,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
1156 Valencia
San Francisco, California

January 27, 2020

DRAFT

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- EXHIBIT D – Proposed Leasehold Improvements

LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of January 27, 2020, is by and between The Salvation Army, a California corporation ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	January 27, 2020
Landlord:	THE SALVATION ARMY, a California corporation
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation
Building (<u>Section 2.1</u>):	The building located at 1156 Valencia Street, San Francisco, CA 94110
Premises (<u>Section 2.1</u>):	The entire Building, but excluding the 200 square feet reserved for Landlord's use for its Salvation Army Chaplain and shown on the floor plan attached as Exhibit A (the "Reserved Space"), and parking lot and utility area behind the Building
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 10,833 rentable square feet less the Reserved Space, subject to final measurement in accordance with BOMA standards pursuant to <u>Section 2.1</u> .
Term (<u>Section 3</u>):	Estimated commencement date: March 1, 2020 Expiration date: February 28, 2023
Extension Options (<u>Section 3.4</u>):	Two (2) additional terms of one (1) year each, exercisable by City by notice to Landlord given not less than 90 days nor more than 180 days in advance (subject to Landlord recission), with rent determined by mutual agreement (<u>Section 4.2</u>)

Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$404,000 (\$37.08 per sq. ft.)
	Monthly payments: \$33,666,67 (\$3.09 per sq. ft.)
Adjustment Dates (<u>Section 4.2</u>):	Each anniversary of the Commencement Date
Additional Charges (<u>Section 4.3</u>):	None
Use (<u>Section 5.1</u>):	Operating a shelter facility for homeless San Francisco residents with associated programs and services and any other use permitted under the zoning for the Premises
Leasehold Improvements (<u>Section 6</u>) and Work Letter	Landlord to deliver the Leasehold Improvements (as defined in <u>Section 6</u>), provided that City will reimburse Landlord for the cost of the Leasehold Improvements up to \$300,000 and pay Landlord a 4% construction management fee for the Leasehold Improvements as described in <u>Section 6</u> .
Utilities (<u>Section 9.1</u>):	City to pay for all utilities it uses at the Premises. Landlord responsible for all utility connections to the Building.
Services (<u>Section 9.2</u>):	City to arrange and pay for all services it uses at the Premises.
Notice Address of Landlord (<u>Section 23.1</u>):	The Salvation Army 832 Folsom Street San Francisco, CA 94107
	Fax No.: _____
Key Contact for Landlord:	Theo Ellington
Landlord Contact Telephone No.:	415-553-3593
Notice Address for Tenant (<u>Section 23.1</u>):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, California 94102 Attn: Andrico Q. Penick, Director of Property Re: 1156 Valencia Street Fax No.: (415) 552-9216
with a copy to:	Department of Public Health Attn: Kelly Hiramoto Fax No.: _____
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place

San Francisco, CA 94102-4682
Attn: Carol Wong
Deputy City Attorney
Re: 1156 Valencia
Fax No.: (415) 554-4757

Key Contact for Tenant: Jeff Suess
Tenant Contact Telephone No.: (415) 554-9873
Alternate Contact for Tenant: Josh Keene
Alternate Contact Telephone No.: (415) 554-9859

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the entire building identified in the Basic Lease Information (the "Building") and the adjacent parking lot and utility area (collectively, the "Premises"), provided the Premises shall not include the Reserved Area shown on the floor plan(s) attached hereto as Exhibit A. The Premises contain the rentable area of the Building specified in the Basic Lease Information. As used in this Lease, the term "rentable area" shall mean that measurement of interior floor area computed in accordance with the "Office Buildings: Standard Methods of Measurements" (ANSI/BOMA Z65.1 2017), adopted by the Building Owners and Managers Association (BOMA). 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."

City shall have the right, within thirty (30) days following acceptance of the Premises, to cause the portion of the Building that comprises a portion of the Premises to be remeasured in accordance with the BOMA standards specified above, to confirm the rentable area of such portion of the Building. If as a result of such remeasurement that portion of the Building contains more or less than the total rentable square feet specified in the Basic Lease Information, and Landlord reasonably agrees with such determination, the Base Rent. Landlord and City agree to enter into an amendment to this Lease confirming any such adjustment. In the event Landlord disagrees with such determination, Landlord and City shall use their best efforts to meet and confer with one another in an attempt to agree upon the proper measurement of the Premises within thirty (30) days thereafter. If, following such period, Landlord and City are still unable to agree, Landlord and City shall jointly select an independent consultant, experienced in measurements of leased space under BOMA standards, to remeasure the space, and the determination of such consultant shall be binding upon the parties. Landlord and City shall share equally the cost of such consultant.

2.2 Common Areas

City shall have the non-exclusive right to use, together with the Landlord employees using the Reserved Area, the lobbies, corridors, elevators, stairways and other public areas of the Building and the Property (collectively, the "Common Areas"), and the non-exclusive right of access to and from the Premises by the main entrances to the Building and the Property.

2.3 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist

("CASp") to determine whether the property meets all applicable construction-related accessibility requirements.

City is hereby advised that the Premises have not been inspected by a CASp. The law does not require landlords to have the inspections performed, but the Landlord may not prohibit City from obtaining a CASp inspection of the Premises for its occupancy or potential occupancy if requested by City. If City elects to obtain such inspection, City and Landlord shall mutually agree on the arrangements for the time and manner of such CASp inspection, the payment of the CASp inspection fee, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial 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 with the Leasehold Improvements (as defined below) having been substantially completed by Landlord and accepted by City pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements), and City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Options, below). The word "Term" as used herein shall refer to the Initial Term and any Extended Terms if City exercises the Extension Options as provided below.

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 B attached hereto, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term.

3.3 Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements) on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within Ninety (90) days after the Estimated Commencement Date, then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

3.4 Extension Options; Early Termination During Extended Terms

Subject to the terms of this Section, City shall have the right to extend the Initial Term of this Lease (the "Extension Options") for the additional terms specified in the Basic Lease Information (the "Extended Terms"). Such Extension Options shall be on all of the terms and conditions contained in this Lease. City may exercise the Extension Options, if at all, by giving written notice to Landlord no later than ninety (90) days nor more than one hundred eighty (180) days prior to expiration of the Term to be extended; provided, however, (i) 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, and (ii) Landlord shall have the right to rescind City's right to exercise an Extension Option by delivering written notice of such rescission to City within thirty (30) days of receiving City's written notice exercising that Extension Option.

City and Landlord shall each have the right to terminate this Lease during any Extended Term by providing no less than ninety (90) days' written notice of such termination.

4. RENT

4.1 Base Rent

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

4.2 Adjustments in Base Rent

On each anniversary of the Commencement Date (each, an "Adjustment Date"), the Base Rent payable under Section 4.1 (Base Rent) shall be adjusted to equal one hundred three percent (103%) of the Base Rent for the month immediately preceding that Adjustment Date.

4.3 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."

4.4 Landlord's Compliance with San Francisco Business and Tax and Regulations Code

Landlord acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Landlord under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector

will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

4.5 Taxes, Assessments, Licenses, Permit Fees, and Liens

Landlord shall pay all real estate taxes for the Premises. In addition, San Francisco Administrative Code Sections 23.38 and 23.39 require that certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease be provided to the County Assessor within sixty (60) days after the transaction. Accordingly, Tenant must provide a copy of this Lease to the County Assessor not later than sixty (60) days after the Effective Date, and any failure of Tenant to timely provide a copy of this Lease to the County Assessor will be a default under this Lease.

5. USE

5.1 Permitted Use

City may use the Premises to operate a shelter facility for homeless San Francisco residents with associated programs and services and any other use permitted under the zoning for the Premises.

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit C (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 (Permitted Use) hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such

condition. In the event such condition continues for three (3) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. 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 under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord, through its general contractor approved by City, shall construct the Premises, perform the work and make the installations in the Premises at Landlord's sole cost to be reimbursed by the City, pursuant to the Construction Documents (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements" and shall be performed in cooperation with and under the direction of the City's Department of Public Works and in accordance with the provisions of this Section 6.1.

(a) Plans and Specifications

By _____, 2020, Landlord will have caused its architect or space planner approved by City to prepare and submit to City for its approval an architectural plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the proposed Leasehold Improvements described on the attached Exhibit D, based on City's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. City shall provide its comments to the delivered plans and specifications without unreasonable delay.

Immediately following City's approval of the plans and specifications described in the foregoing paragraph, based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings to City within twenty (20) days after the Effective Date. Such final working drawings and specifications shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves such final working drawings and specifications, or any portion thereof, then City shall promptly notify Landlord thereof and of the revisions that City reasonably requires in order to obtain City's approval. As soon as reasonably possible thereafter, but in no event later than fifteen (15) days after City's notice, Landlord shall submit to City final plans, specifications and working drawings incorporating the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The final plans, specifications and working drawings for the Leasehold Improvements approved by City shall be referred to as the "Construction Documents."

(b) Permits

Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work shown on the City-approved final Construction Documents.

Promptly following City's approval of the Construction Documents, Landlord shall apply for any permits, approvals or licenses necessary to complete the Leasehold Improvement Work and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by City's Bureau of Building Inspection.

(c) Construction

Immediately upon approval of the Final Construction Documents and Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages and Working Conditions), below, and shall not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), below.

(d) Construction Schedule; Substantial Completion

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the Construction Documents. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed and the Premises are ready for occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord or its architect on an inspection of the Premises.

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

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

City shall reimburse Landlord for the substantially completed Leasehold Improvement Work within thirty (30) days of receiving an invoice therefor (together with commercially reasonable evidence). City shall reimburse Landlord for the substantially completed Leasehold Improvement Work up to a maximum amount of \$300,000, and pay Landlord a construction management fee equal to four percent (4%) of that reimbursement cost, within thirty (30) days of receiving an invoice therefor (together with reasonable supporting documentation).

6.2 Installation of Telecommunications and Other Equipment

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

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

Landlord, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates

friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

7. ALTERATIONS

7.1 Alterations by City

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

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. 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 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 City's Personal Property from the Premises within thirty (30) days after 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 any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date.

7.4 Alteration by Landlord

Landlord shall use its best 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 any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in first-class condition, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") and the Common Areas. Without limiting the foregoing, Landlord shall maintain the Building in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency, and shall not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

8.2 City's Repairs

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

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Provision of Utilities

Landlord will cause the following utilities to be available at the Premises at its sole cost: electricity, water, sewer, natural gas, and telephone. City will be responsible for contracting with each utility provider for service it desires for the Premises and will pay each utility service provider directly.

9.2 Conservation

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

9.3 Disruption in Essential Utility Connections or Building Systems

In the event of any failure, stoppage or interruption of any utility connections or Building Systems to be furnished and maintained by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore that connection as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to provide any utility connections or Building Systems (collectively, "Essential Services") on an uninterrupted manner and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City, and covenants with City, as follows (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, and drinking fountains and parking areas) 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"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building, the Common Areas and Building 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 (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the

Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) 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 Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

10.2 City's Compliance with Laws; Indemnity

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

10.3 City's Compliance with Insurance Requirements

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Building, (c) cause an increase in the fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

(a) Landlord represents and warrants the Premises is not subject to the lien of any reciprocal easement agreements, mortgages or deeds of trust, or any ground lease or underlying lease as of the Effective Date. Subject to subsection (b) below, this Lease is subject and subordinate at all times to the following (each an "Encumbrance"): (i) any reciprocal easement agreements, ground leases, or other underlying leases executed after the Effective Date and affecting Landlord's interest in the Property (or any portion of it), and (ii) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements, and extensions of any of the foregoing executed by Landlord after the Effective Date and in any

amount for which any part of the Property, any ground lease, or underlying lease, or Landlord's interest or estate in them is subject. But, if the ground lessor, mortgagee, trustee, or holder of any mortgage or deed of trust (each an "Encumbrancer") elects to have City's interest in this Lease be superior to its Encumbrance, then, on City's receipt of a notice from the Encumbrancer, this Lease will be deemed superior, whether this Lease was executed before or after the date of Encumbrance or the date of its recording. At City's request, Landlord will cause any Encumbrancer to enter into a subordination, nondisturbance, and attornment agreement with City in a form reasonably acceptable to City evidencing the subordination or superiority of this Lease. City's covenant under this subsection (a) to subordinate this Lease to any Encumbrance hypothecation later executed is conditioned on each senior instrument containing the commitments in subsection (b) below.

(b) If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or if any ground lease or underlying lease to which this Lease is subordinate is terminated, then this Lease will not be barred, terminated, cut off, or foreclosed and the rights and possession of City under this Lease will not be disturbed unless an Event of Default has occurred and is continuing. City will attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of the succession and the name and address of the successor landlord.

12. DAMAGE AND DESTRUCTION

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

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

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

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

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

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable.

or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

(b) In the case of a partial taking of a substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

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

consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

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

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) 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 ten (10)-day period, such ten (10)-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 interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.3 (Disruption in Essential Utilities or 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

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

16.2 Landlord's Indemnity

Landlord shall Indemnify City and its Agents against any and all Claims 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 negligent acts or omissions of Landlord or its Agents in, on or about the Premises or the Property; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. 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 this Lease.

17. INSURANCE

17.1 City's Self-Insurance

Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any insurance with respect to this Lease. City assumes the risk of damage to any of City's Personal Property, except for damage caused by Landlord or its Agents.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to, reduction of coverage or otherwise 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.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord hereby waives any right of recovery against City for any loss or damage relating to the Building or the Premises or any operations or contents therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance that Landlord is required to purchase under this Lease or is otherwise actually recovered from insurance held by Landlord or its agents. Landlord agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

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

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, may reasonably request the other party to execute, acknowledge and deliver to such persons or entities designated by such other party a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in

full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), and (d) the date to which Rent has been paid.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities 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. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

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

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

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, 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 are customarily used in offices, 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 asbestos-containing materials or building materials that contain any other Hazardous Material, nor do the Premises or

the common areas of the Building contain any lead-based paints; (e) there has been and is no Release of any Hazardous Material in the Building or in, on, under or about the Property; and (f) 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, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws 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 after 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, under or about the Property, unless City or its Agents caused such Release.

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4 (City's Covenants), or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. [INTENTIONALLY OMITTED]

23. GENERAL PROVISIONS

23.1 Notices

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

23.2 No Implied Waiver

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

23.3 Amendments

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

23.4 Authority

Landlord represents and warrants to City that it is the sole owner of the Property and the execution and delivery of this Lease by Landlord does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject. If Landlord is a corporation, limited liability company or a partnership, each of the persons executing this Lease on behalf of Landlord does hereby covenant and warrant that Landlord is a duly authorized and existing entity, that Landlord has and is qualified to do business in California, that Landlord has the full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Landlord are authorized to do so. On City's request, Landlord shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

23.5 Parties and Their Agents; Approvals

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

23.6 Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7 Successors and Assigns

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

23.8 Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for 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.

23.9 Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall 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, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

23.10 Governing Law

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

23.11 Entire Agreement

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

23.12 Attorneys' Fees

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

23.13 Holding Over

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 this 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 without Landlord's consent, 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.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

City may erect or post signs on or about the Premises subject to Landlord's prior approval; and shall have the right to remove the existing signage (interior and exterior) at the Premises. 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.

23.18 Quiet Enjoyment and Title

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

23.19 Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to 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, City shall have the right to (a) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (b) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20 Transfer of Landlord's Interest

Landlord shall have the right to transfer its interest in the Property, the Building or this Lease to any other financially responsible person or entity. In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor, of any obligations accruing hereunder from and after the date of such transfer and upon delivering to City an express assumption by the transferee of all of Landlord's obligations hereunder.

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles - Northern Ireland

The provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Lease. By signing this Lease, Landlord confirms that Landlord has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

23.23 Controller's Certification of Funds

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

23.24 Prevailing Wages and Working Conditions

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to require its Contractors and Subcontractors performing (i) labor in the construction of a "public work" as defined in California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the

Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Landlord shall include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Landlord's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

Landlord does not as of the date of this Lease and will not during the term of this Lease, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwood, 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, tropical hardwood wood product, virgin redwood, or virgin redwood wood products.

(c) In the event Landlord fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Landlord shall be liable for liquidated damages for each violation in an 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.

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations required under the Planning Code.

23.28 Resource-Efficient City Buildings

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for

the design, construction and operation of City buildings. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

23.29 Counterparts

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

23.30 Effective Date

The date on which this Lease shall become effective (the "Effective Date") is the date upon which: (a) City's Mayor and Board of Supervisors, in their sole and absolute discretion, adopt a approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto.

23.31 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Landlord or any of its officers or members have been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, disbarment, discipline or prohibition may result in the termination or suspension of this Lease. Landlord acknowledges that this certification is a material term of this Lease

23.32 Sunshine Ordinance

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

23.33 Conflicts of Interest

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

23.34 Notification of Prohibition on Contributions

By executing this Lease, Landlord acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who leases, or seeks to lease, to or from any department of the City any land or building from making any campaign contribution to (a) a City elected official if the lease must be approved by that official, (b) a candidate for that City elective office, or (c) a committee controlled by that elected official or a candidate for that office, at any time from the submission of a proposal for the lease until the later of either the termination of negotiations for the lease or twelve (12) months after the date

the City approves the lease. Landlord acknowledges that the foregoing restriction applies only if the lease or a combination or series of leases or other contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars (\$100,000) or more. Landlord further acknowledges that (i) the prohibition on contributions applies to each prospective party to the lease; any person with an ownership interest of more than 10 percent (10%) in Landlord; any subcontractor listed in the lease; and any committee that is sponsored or controlled by Landlord; and (ii) within thirty (30) days of the submission of a proposal for the Lease, the City department with whom Landlord is leasing is obligated to submit to the Ethics Commission the parties to the lease and any subcontractor. Additionally, Landlord certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

23.35 Preservative-Treated Wood Containing Arsenic

Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Landlord from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

23.36 Cooperative Drafting

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

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION 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:

THE SALVATION ARMY,
a California corporation

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

ANDRICO Q. PENICK
Director of Property

RECOMMENDED:

Dr. Grant Colfax
Director of Public Health

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Carol Wong
Deputy City Attorney

EXHIBIT A

FLOOR PLAN(S)

CONSISTING OF ____ PAGE(S)

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

Date:

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

RE: Acknowledgement of Commencement Date, Lease Between THE SALVATION ARMY (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 1156 Valencia Street, San Francisco, CA

Dear Mr. Penick:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 20__.

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
Andrico Q. Penick
Director of Property

Dated: _____

EXHIBIT C

BUILDING RULES AND REGULATIONS

[TO BE PROVIDED BY LANDLORD; SUBJECT TO CITY REVIEW AND APPROVAL]

EXHIBIT D

PROPOSED LEASEHOLD IMPROVEMENTS

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

board of supervisors

Sk

2020 FEB -4 P 4: 30
received by JS

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Lease of Real Property – The Salvation Army – 1156 Valencia Street -
Base Annual Rent of \$404,000 - \$300,000 Leasehold Improvements
DATE: Tuesday, February 4, 2020

Resolution approving and authorizing the Director of Property, on behalf of the Department of Public Health, to lease real property located at 1156 Valencia Street, for an initial term of three years plus two, one-year options to extend the term, from The Salvation Army, at a base rent of \$404,000 per year; reimbursement of \$300,000 towards the cost of Leasehold Improvements; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the Lease and this Resolution, as defined herein, to commence following Board approval.

Please note that Supervisor Mandelman is a co-sponsor of this legislation.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.



San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

ethics.commission@sfgov.org . www.sfethics.org

Received On:

File #:

200115

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

1. FILING INFORMATION

TYPE OF FILING

Original

DATE OF ORIGINAL FILING (for amendment only)

AMENDMENT DESCRIPTION – Explain reason for amendment

2. CITY ELECTIVE OFFICE OR BOARD

OFFICE OR BOARD

Board of Supervisors

NAME OF CITY ELECTIVE OFFICER

Members

3. FILER'S CONTACT

NAME OF FILER'S CONTACT

Angela Calvillo

TELEPHONE NUMBER

415-554-5184

FULL DEPARTMENT NAME

Office of the Clerk of the Board

EMAIL

Board.of.Supervisors@sfgov.org

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT

Kelly Hiramoto

DEPARTMENT CONTACT TELEPHONE NUMBER

DPH

FULL DEPARTMENT NAME

DPH Public Health

DEPARTMENT CONTACT EMAIL

kelly.hiramoto@sfgov.org

5. CONTRACTOR

NAME OF CONTRACTOR The Salvation Army	TELEPHONE NUMBER 415.553.3500
STREET ADDRESS (including City, State and Zip Code) 832 Folsom St. SF CA 94107	EMAIL theo.ellington@usw.salvationarmy

6. CONTRACT

DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 200115
DESCRIPTION OF AMOUNT OF CONTRACT 3-year lease at \$404,000 per year increasing at 3% per year; two one-year options to ext.		
NATURE OF THE CONTRACT (Please describe) Three year lease for Department of Public Health		

7. COMMENTS

--

8. CONTRACT APPROVAL

This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Hudson	David E.	Board of Directors
2	Hodder	Kenneth G.	Board of Directors
3	Riley	Douglas	Board of Directors
4	Tollerud	Douglas	Board of Directors
5	Smith	Stephen	Board of Directors
6	Smith	Kyle	Board of Directors
7	Smith	Lisa R.	Board of Directors
8	Hodder	Jolene K.	Board of Directors
9	Norton	Darren	Other Principal Officer
10	Nelson	Mark	Other Principal Officer
11	Madsen	Matthew	Other Principal Officer
12			
13			
14			
15			
16			
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18			
19			

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
20			
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9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
41			
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48			
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50			
<input type="checkbox"/>	Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.		

10. VERIFICATION

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK BOS Clerk of the Board	DATE SIGNED
--	-------------