

File No. 260172

Committee Item No. 5

Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date March 18, 2026

Board of Supervisors Meeting Date March 24, 2026

Cmte Board

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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Original Lease 6/19/20215</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Amendment No. 1 5/3/2020</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>RED Presentation 3/18/2026</u> |
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Completed by: Brent Jalipa Date March 12, 2026

Completed by: Brent Jalipa Date March 19, 2026

1 [Real Property Lease Amendment - KLW Investments, LLC - 3119, 3125, and 3127 Mission
2 Street - Annual Base Rent of \$410,145]

3 **Resolution approving and authorizing the Director of Property, on behalf of the City**
4 **and County of San Francisco, to execute the second amendment to the lease of 11,085**
5 **square feet of office space at 3119, 3125, and 3127 Mission Street, from KLW**
6 **Investments, LLC, a California limited liability corporation; extending the term by four**
7 **years and six months from March 31, 2026, for a total term from, July 1, 2015, through**
8 **September 30, 2030, and granting a five year option to renew the lease, at an annual**
9 **base rent of \$410,145 for continuing use by the Human Services Agency; and**
10 **authorizing the Director of Property to enter into any additions, amendments or other**
11 **modifications to the lease that do not otherwise materially increase the obligation or**
12 **liabilities of the City to effectuate the purposes of the lease and this Resolution.**

13
14 WHEREAS, The City and County of San Francisco (the "City") leases 11,085 square
15 feet of office space located at 3119, 3125, and 3127 Mission Street ("HSA Offices"); the
16 Human Services Agency ("HSA") operates a range of programs from the HSA Offices,
17 including Workforce Development, CalWORKs, MediCal and CalFresh eligibility, and Family
18 and Children's Services; and

19 WHEREAS, HSA Offices have been an established presence in this part of the Mission
20 District for more than 10 years, conveniently accessible to clients by public transit; and

21 WHEREAS, The Executive Director of HSA and the City's Director of Property
22 recommend that the existing lease of HSA Offices with KLW Investments, LLC, a California
23 limited liability corporation (the "Lease") be amended to extend the term of the Lease for four
24 years and six months, retroactively reduce the annual base rent from \$513,773 to \$410,145
25 (\$37.00 per square foot), effective September 15, 2025, for an annual savings of \$103,628

1 (\$9.35 per square foot), or 20.2% per year; increase the base rent by 3% annually, beginning
2 March 1, 2027; and grant the City a five year option to extend the Lease at 95% of fair market
3 rent (collectively, the “Amendment Terms”); and

4 WHEREAS, A rent credit of \$56,131.60 the amount of the reduction in base rent to
5 accrue between September 15, 2025, and April 1, 2026, may be applied to the cost of tenant
6 improvements made by K LW Investments, LLC, in the City’s premises at 3120 Mission Street;
7 and

8 WHEREAS, The Director of Property has determined that the proposed rental rate set
9 forth in the Lease Amendment is equal to or less than fair market for the leased premises;
10 now, therefore, be it

11 RESOLVED, That the Board of Supervisors approve and authorize the Director of
12 Property, on behalf of the City, to execute an amendment to the Lease including the
13 Amendment Terms, and execute any further amendments or modifications to the Lease
14 (including without limitation, the exhibits) that the Director of Property determines, in
15 consultation with the City Attorney, are in the best interests of the City, do not materially
16 increase the rent or otherwise materially increase the obligations or liabilities of the City; are
17 necessary or advisable to effectuate the purposes of the Lease and this Resolution; and are in
18 compliance with all applicable laws, including the City Charter; and, be it

19 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
20 with respect to the amendment of the Lease are hereby approved, confirmed and ratified; and,
21 be it

22 FURTHER RESOLVED, That within thirty (30) days of full execution of the amendment
23 of the Lease, the Director of Property shall provide a copy to the Clerk of the Board for
24 inclusion into the official file.

25

Available: \$102,536.25
(base rent for period from 4/1/2026
through 6/30/2026)

Fund ID:	10000	Fund Name:	GF Annual Account Ctrl
Department ID:	149657	Dept Name:	HSA AM Central Management
Project ID:	10001700	Project Name:	HS AD County Expense Claim
Authority ID:	10000	Authority Name:	Operating
Account ID:	530110	Account Name:	Property Rent
Activity ID:	0001	Activity Name:	Allocable Staff &Overhd

/s/
Michelle Allersma, Budget and Analysis
Division Director on behalf of
Greg Wagner, Controller

HUMAN SERVICES AGENCY

/s/
Trent Rhorer
Executive Director
San Francisco Human Services Agency

REAL ESTATE DIVISION

/s/
Sarah R. Oerth
Director of Property

Items 5 & 6 Files 26-0172, 26-0173	Department: Human Services Agency (HSA), Real Estate Division (RED)
EXECUTIVE SUMMARY	

Legislative Objectives

- The proposed resolutions would approve the Second Amendments to the Human Services Agency’s (HSA) leases with KLV Investments, LLC for property at: (1) 3119, 3125, and 3127 Mission Street, for an annual base rent of \$410,145 (File 26-0172); and (2) 3120 Mission Street, for an annual base rent of \$1,237,642 (File 26-0173). Each lease would be extended by four years and six months, from April 2026 through September 2030, with a five-year option to extend through September 2035.

Key Points

- HSA has leased office space at 3119 and 3120 Mission Street since 1998 and 2001, respectively. The spaces provide public benefit assistance to clients in and around the Mission District. The leases expired June 30, 2025 and remain in holdover status with annual rental rates of \$46.35 per square foot for each lease. The Real Estate Division (RED) and the landlord have agreed to an extension of the lease with a new fair market rent and to credit the City for any additional rent paid over fair market rent since September 15, 2025.
- The proposed annual rental rates of \$37.00 per square foot for 3119 Mission Street and \$31.54 per square foot for 3120 Mission Street were determined through negotiations after appraisals conducted by the City’s and landlord’s appraisers showed differing fair market rental rates. The landlord has agreed to perform tenant improvements at the City’s expense, including remodeling the restrooms at 3120 Mission Street and LED lighting and fixture upgrades at 3119 Mission Street. The guaranteed maximum cost for these improvements is \$418,491. After applying the rent credits of \$371,155, the additional cost to the City would not exceed \$47,336.

Fiscal Impact

- Under the proposed Second Amendments to the leases, the City would pay initial annual base rent of \$410,154 for 3119 Mission and \$1,237,642 for 3120 Mission, for total annual base rent of \$1,647,796, with three percent annual escalation. Over the four-year and six-month term of the lease, the City would pay approximately \$7.8 million in total rent.
- The City is responsible for paying utility costs in both leases and for custodial, refuse, and pest control costs at 3119 Mission. We estimate that over the four-year and six-month term of the lease extension, the City will pay approximately \$549,398 for these costs.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

The Human Services Agency (HSA) has leased office space at 3119 and 3120 Mission Street since 1998 and 2001, respectively. The spaces provide public benefit assistance to clients in and around the Mission District, including Workforce Development, CalWORKS, MediCal and CalFresh eligibility, and Family and Children’s Services, and allow for co-located staff resources and services of the State Employment Development Department. The 3119 Mission Street property includes three buildings – 3119, 3125, and 3127 Mission Street – for a total of 11,085 square feet of office space and 15 parking spaces. 3120 Mission Street includes two buildings – 3120 Mission Street and 3425 Cesar Chavez Street – for a total of 39,251 square feet of office space. Both properties are owned by the same landlord, K LW Investments, LLC.

In June 2015, the Board of Supervisors approved new leases at 3119 and 3120 Mission Street for initial five-year terms, from July 2015 through June 2020, with three five-year options to extend through June 2035 (Files 15-0246, 15-0427). The leases had initial annual base rents of \$42.75 per square foot (\$473,884 annually for 3119 Mission Street and \$1,677,980 annually for 3120 Mission Street), with \$1 per square foot annual escalation. In May 2020, the Board of Supervisors approved the First Amendments to the leases, exercising the first five-year options to extend through June 2025, with initial annual base rent of \$41.18 per square foot (\$456,480 annually for 3119 Mission Street and \$1,616,356 annually for 3120 Mission Street), and three percent annual escalation (File 20-0315). The rent for the extension period was based on 95 percent of appraised prevailing market rent at the time.

The 3119 and 3120 Mission leases expired June 30, 2025 and remain in holdover status. The City is currently paying an annual rental rate of \$46.35 per square foot for the leases, equal to the rent in the final year of the First Amendment of the lease. The Real Estate Division (RED) and the landlord have agreed to an extension of the lease with a new fair market rent and to credit the City for any additional rent paid over fair market rent since September 15, 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the Second Amendments to the following HSA leases with K LW Investments, LLC:

- 1. 3119, 3125, and 3127 Mission Street, for annual base rent of \$410,155, or \$37.00 per square foot (File 26-0172); and
- 2. 3120 Mission Street, for annual base rent of \$1,237,642, or \$31.54 per square foot (File 26-0173).

Each lease would be extended by four years and six months, from April 2026 through September 2030, with a five-year option to extend through September 2035. The proposed resolutions

would also authorize the Director of Property to make any further immaterial amendments to the leases.

The key terms of the lease amendments are shown in Exhibit 1 below.

Exhibit 1: Key Terms of Proposed Lease Amendments

	3119 Mission Street (File 26-0172)	3120 Mission Street (File 26-0173)
Square Footage	11,085 square feet	39,251 square feet
Extension Term	4 Years and 6 Months from 4/1/2026 – 9/30/2030	
Options to Extend	One 5-Year Option to Extend through 9/30/2035	
Initial Annual Base Rent	\$410,154 (\$37.00 per sf)	\$1,237,642 (\$31.54 per sf)
Rent Escalation	3% Annually	3% Annually
Rent in Extension Term	Reset to 95% of Prevailing Market Rent	
Rent Credit	\$56,132	\$315,023
Tenant Improvements	Performed by Landlord at City’s expense, with a Guaranteed Maximum Price of \$418,491	
Utilities	Paid by City	Paid by City
Custodial, Refuse, & Pest Control	Paid by City	Paid by Landlord
Other Operating Expenses	Paid by Landlord	Paid by Landlord
Parking	15 Parking Spaces	None

Source: Original Leases and Proposed Amendments

The proposed annual rental rates of \$37.00 per square foot for 3119 Mission Street and \$31.54 per square foot for 3120 Mission Street were determined through negotiations after appraisals conducted by R. Blum and Associates (on behalf of the City) and Valbridge Property Advisors (on behalf of the landlord) showed differing fair market rental rates. The proposed rental rates for 3119 Mission and 3120 Mission are reductions of 20 percent and 32 percent, respectively, from the current rental rate of \$46.35 in the last year of the previous amendment. The landlord has agreed to set the rental rates retroactive to September 15, 2025 and credit the City with the difference between these rates and the actual rent paid (\$56,132 for 3119 Mission and \$315,023 for 3120 Mission).

The landlord has agreed to perform tenant improvements at the City’s expense, including remodeling the restrooms at 3120 Mission Street and LED lighting and fixture upgrades at 3119 Mission Street. The guaranteed maximum cost for these improvements is \$418,491. After applying the rent credits of \$371,155, the additional cost to the City would not exceed \$47,336.

FISCAL IMPACT

Under the proposed Second Amendments to the leases, the City would pay initial annual base rent of \$410,154 for 3119 Mission Street and \$1,237,642 for 3120 Mission Street, for total annual base rent of \$1,647,796, with three percent annual escalation. Over the four-year and six-month term of the lease, the City would pay approximately \$7.8 million in total rent, as shown in Exhibit 2 below. If the five-year options to extend the leases are exercised, the rent would be reset to 95 percent of prevailing market rent at that time.

Exhibit 2: Annual Rent Paid by City

Year	3119 Mission	3120 Mission	Total
Year 1 (4/2026 – 2/2027, 11 Months)	\$375,975	\$1,134,505	\$1,505,480
Year 2 (3/2027 – 2/2028)	422,459	1,274,771	1,697,230
Year 3 (3/2028 – 2/2029)	435,132	1,313,014	1,748,147
Year 4 (3/2029 – 2/2030)	448,186	1,352,405	1,800,591
Year 5 (3/2030 – 9/2030, 7 Months)	269,285	812,570	1,081,855
Total	\$1,951,037	\$5,887,266	\$7,838,303

Source: BLA Estimates, Proposed Lease Amendments

As noted above, the City would receive a rent credit of \$371,155 for additional rent paid over fair market rent since September 15, 2025. After applying this credit to planned tenant improvements, the City’s maximum additional cost for tenant improvements would be \$47,336.

The City is responsible for paying utility costs in both leases and for custodial, refuse, and pest control costs at 3119 Mission Street. According to RED, the City also pays for a portion of refuse collection at 3120 Mission because the volume of waste has required additional pickups by Recology. In 2025, the total cost for these services was approximately \$106,008. Assuming five percent escalation, we estimate that over the four-year and six-month term of the lease extension, the City will pay approximately \$549,398 for these costs.

Rent and operating costs would be paid by the City’s General Fund.

RECOMMENDATION

Approve the proposed resolutions.

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (this "**Amendment**") is made as of March 1, 2026, in San Francisco, California, by and between K LW Investments, LLC, a California limited liability company ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**" or "**Tenant**").

RECITALS

THIS AMENDMENT is made with reference to the following facts and circumstances:

A. City and Landlord have previously entered into that certain lease between Landlord and City, dated June 23, 2015 (the "**Initial Lease**"), as amended by that certain First Amendment to Lease, dated as of May 3, 2020 (the "**First Amendment**", and together with the Initial Lease, the "**Lease**"), for the lease of the Premises located at 3119, 3125 and 3127 Mission Street, in Assessor's Parcel Number 6574-069, San Francisco, California.

B. Landlord has leased to City the premises in the building identified in the Basic Lease Information of the Lease (the "**Premises**"). City is using the Premises for public programs, general offices and such other uses as specified in the Basic Lease Information.

C. The Term of the Lease, as extended by the First Amendment, expired on June 30, 2025, and City is currently occupying the Premises, with Landlord's consent, on a month-to-month basis at the same base rent in effect during the last year of the term under the First Amendment, or \$42,814.38 per month. Landlord acknowledges receipt of City's rent payments as set forth herein.

D. City and Landlord now desire to enter into this Amendment to extend the Term of the Lease to September 30, 2030, and amend the Lease on the terms and conditions as set forth herein. Capitalized terms used but not defined in this Amendment shall have the meanings set forth in the Lease.

ACCORDINGLY, in consideration of the foregoing Recitals, which are incorporated into this Amendment by this reference, the mutual promises and obligations of the parties contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, City and Landlord agree as follows:

1. Extension of the Term. City and Landlord agree to extend the Term of the Lease through September 30, 2030, unless sooner terminated pursuant to the terms of the Lease. From and after the Effective Date (as defined in Section 14), all references in the Lease and this Amendment to the "**Term**" shall refer to the Term, as extended hereby.

2. Premises As Is. Subject to Landlord's obligation to complete the Leasehold Improvements in accordance with Exhibit A and the provisions of Section 4 of this Amendment, City agrees and acknowledges that City accepts the Premises in their "AS IS", "WHERE IS" "WITH ALL FAULTS" condition as they are as of the Effective Date, neither Landlord nor its Agents have made any representations or warranties as to the condition of the Premises, the suitability of the Premises for Tenant's intended use, or whether or not the Premises comply with applicable requirements.

3. Rent

3.1 Base Rent

As of the Effective Date, the monthly Base Rent shall be paid in conformance with the Monthly Base Rent Schedule in Section 4 of this Amendment and all references in the Lease to the Base Rent shall mean the Base Rent as amended hereby.

3.2 Rent Credit

Tenant shall receive a credit against Base Rent due after the Effective Date in an amount of \$8,635.63 per month (which amount is equal to the difference in Base Rent paid during the last year of the term of the First Amendment and the monthly Base Rent due pursuant to this Amendment) for the period from September 15, 2025 to the Effective Date. For ease of reference, if the Estimated Effective Date of March 1, 2026 is also the Effective Date, the total Rent Credit due to Tenant will be \$47,495.97. For every month of delay in the Effective Date, the Rent Credit will be increased by \$8,635.63, subject to the terms of Section 14.

City has the right, but not the obligation, to apply the Rent Credit, in part or total, to any amounts due by the City under the lease between the City and Landlord for the premises located at 3120 Mission Street and 3425 Cesar Chavez Street.

4. Amendment to Basic Lease Information.

As of the Effective Date, the following subsections in Section 1 (Basic Lease Information) of the Lease are hereby amended and restated in their entirety to read as follows:

Initial Term (Section 3):

Commencement Date: July 1, 2015

Estimated Second Amendment Effective Date:
March 1, 2026

Expiration Date: September 30, 2030

Additional Extension Option (Section 3.3):

City shall have an option to extend the Term for one (1) additional term of five (5) years, exercisable by City providing notice to Landlord not less than one hundred eighty (180) calendar days and no more than two hundred seventy (270) calendar days prior to the expiration of the Term (the "**Extended Term**") under the terms and conditions of Section 3.3 and Section 4.4 of the Initial Lease, except that the number of days for notice shall be as stated in this subsection above.

Monthly Base Rent (Section 4; Section 3 of Amendment): Subject to the Rent Credit,

Second Amendment Effective Date – February 28, 2027:	\$34,178.75 per month
March 1, 2027 – February 29, 2028:	\$35,204.11 per month
March 1, 2028 – February 28, 2029:	\$36,260.24 per month
March 1, 2029 – February 28, 2030:	\$37,348.04 per month
March 1, 2030 – September 30, 2030:	\$38,468.48 per month

5. Non-Discrimination in City Contracts and Benefits Ordinance. Section 22.25 of the Initial Lease is deleted in its entirety and replaced with the following language:

(a) **Covenant Not to Discriminate.** In the performance of this Lease, Landlord will not to discriminate against any employee of Landlord, any City employee working with Landlord, any 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 those protected classes, or in retaliation for opposition to discrimination against those classes.

(b) **Subcontracts.** Landlord will include in all subcontracts relating to the Premises a non-discrimination clause applicable to the subcontractor in substantially the form of subsection (a) above. In addition, Landlord will incorporate by reference in all subcontracts the provisions of Sections 131.2(a), 131.2(c)-(k), and (m) and Section 132.3 of the San Francisco Labor and Employment Code and require all subcontractors to comply with those provisions. Landlord’s failure to comply with the obligations in this subsection will constitute a material breach of this Lease.

(c) **Non-Discrimination in Benefits.** Landlord does not as of the date of this Lease, and will not during the Term, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for 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 the employees, where the domestic partnership has been registered with a governmental entity under state or local law authorizing that registration, subject to the conditions set forth in Section 131.2(b) of the San Francisco Labor and Employment Code.

(d) **CMD Form.** As a condition to this Lease, Landlord will execute the City’s Declaration: Nondiscrimination in Contracts and Benefits form with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division (“CMD”). Landlord represents that before execution of the Lease: (i) Landlord executed and submitted to the CMD the required form with supporting documentation, and (ii) the CMD approved the form.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Articles 131 and 132 of the San Francisco Labor and Employment 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 in this Lease. Landlord will comply fully with and be bound by all of the provisions that apply to this Lease under those Articles of the Labor and Employment Code, including the remedies provided in those Articles. Without limiting the foregoing, Landlord understands that under Sections 131.2(h) and 132.3(g) of the San Francisco Labor and Employment Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which the 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.

6. Prevailing Wages and Working Conditions. Section 22.24 of the Initial Lease is deleted in its entirety and replaced with the following language:

22.24. Prevailing Wages and Working Conditions

(a) Any undefined, initially-capitalized term used in this Section has the meaning given to that term in Section 101.1 of the San Francisco Labor and Employment Code. Landlord will require its Contractors and Subcontractors performing work on any Covered Project at the Premises to pay Prevailing Wages in accordance with the requirements of Article 103 of the San Francisco Labor and Employment Code and employ Apprentices in accordance with Article 104 of the San Francisco Labor and Employment Code. Any contract, subcontract, or other type of agreement for the performance of that Covered Project shall (A) require the payment of the highest general Prevailing Rate of Wages as fixed and determined in accordance with Section 103.2 of the San Francisco Labor and Employment Code to all persons performing labor or work for the Covered Project and employment of Apprentices in accordance with Section 104.1 of the San Francisco Labor and Employment Code, (B) require all records described in Section 103.3(e) of the San Francisco Labor and Employment Code to be kept and submitted in compliance with the requirements of that Section, (C) name City, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage requirements of Article 103 of the San Francisco Labor and Employment Code and apprenticeship requirements of Article 104 of the San Francisco Labor and Employment Code, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with Articles 103 through 106 of the San Francisco Labor and Employment Code, (D) include the Prevailing Rate of Wages or a statement that copies of the Prevailing Rate of Wages as fixed and determined in accordance with Section 103.2 of the San Francisco Labor and Employment Code are on file at the job site and available to any interested party on request, and (E) include the following provisions:

(i) the Contractor will cooperate fully with the Labor Standards Enforcement Officer and other City employees and agents authorized to assist in the administration and enforcement of the Prevailing Wage requirements and other labor standards imposed on the Contractor by City's Charter or Municipal Code;

(ii) the Contractor agrees that the Labor Standards Enforcement Officer, and the Officer's designees, in the performance of their duties, shall have the right to engage in random inspections of job sites and to have access to the employees of the Contractor, employee time sheets, inspection logs, Contractor daily logs, payroll records, employee paychecks, employee paystubs, and proof of payment documents;

(iii) the Contractor shall maintain a record in the format prescribed by the Office of Labor Standards Enforcement of sign-in and sign-out showing which employees have been present on the job site;

(iv) the Contractor shall prominently post at each job site a sign informing employees that the project is subject to the City's Prevailing Wage requirements and that these requirements are enforced by the Labor Standards Enforcement Officer; and

(v) the Labor Standards Enforcement Officer may audit such records of the Contractor or Subcontractor as the Labor Standards Enforcement Officer reasonably deems necessary to determine compliance with the Prevailing Wage and other labor standards imposed by City's Charter or Municipal Code.

Failure to comply with any of these requirements may result in penalties and forfeitures consistent with analogous provisions of the California Labor Code, including Section 1776(h), as amended from time to time.

(b) Landlord will reasonably cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to pay the Prevailing Rate of Wages or employ Apprentices as required. Landlord's failure to comply with its obligations under this Section will constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable City to seek the remedies specified in accordance with Articles 103 through 106 of the San Francisco Labor and Employment Code against the breaching party.

7. Obligations Joint and Several. All obligations of the parties comprising Landlord under the Lease shall be joint and several. For all purposes of this Amendment, Landlord shall be deemed one entity and Landlord shall have no defense or claim resulting from or relating to the fact that Landlord is comprised of more than one party.

8. No Joint Venture. This Amendment or any activity by City hereunder does not create a partnership or joint venture between City and Landlord relating to the Lease or otherwise. This Amendment does not constitute authorization or approval by City of any activity conducted by Landlord, and City shall in no way be responsible for the acts or omissions of Landlord on the Premises or otherwise.

9. Governing Law. This Amendment will be governed by, construed and enforced in accordance with the laws of the State of California and City's Charter. Any legal suit, action, or proceeding arising out of or relating to the Amendment shall be instituted in the Superior Court for the City and County of San Francisco, and each party agrees to the exclusive jurisdiction of such court in any such suit, action, or proceeding (excluding bankruptcy matters). The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action, or proceeding in such court and irrevocably waive and agree not to plead or claim that any suit, action, or proceeding brought in San Francisco Superior Court relating to this Amendment or the Lease has been brought in an inconvenient forum.

10. References. No reference to this Amendment is necessary in any instrument or document at any time referring to the Lease. Any future reference to the Lease shall be deemed a reference to such document as amended hereby.

11. Notification of Prohibition on Contributions. By executing this Amendment, Landlord acknowledges its obligations under section 1.126 of City's Campaign and Governmental Conduct Code, which prohibits any person who leases, or seeks to lease, to or from any department of 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 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.

12. Landlord's Compliance with City 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 City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Landlord under the Lease is withheld, then City will not be in breach or default under the 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.

13. Further Instruments. The parties hereto agree to execute such further instruments and to take such further actions as may be reasonably required to carry out the intent of this Amendment.

14. Effective Date. The “**Effective Date**” means the first day of the month following the date that (a) City’s Board of Supervisors and the Mayor, in their sole and absolute discretion, have adopted the Resolution approving this Amendment in accordance with all applicable legal requirements and (b) this Amendment is duly executed and delivered by the parties. If the Effective Date has not occurred by June 1, 2026, this Amendment shall be void and of no further force and effect, unless the parties mutually agree to further extend that date.

15. 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.

Landlord discloses (i) Landlord has not been issued a disability access inspection certificate as described in California Civil Code (“**CC**”) Section 55.53(e), (ii) pursuant to CC Section 1938, that Landlord has not ordered, performed, or caused to be performed, a Certified Access Specialist (“**CASp**”) inspection of the Premises (sometimes referred to as “premises” or “subject premises” for the herein disclosures), and (iii) Landlord makes the following statutory disclosure per CC Section 1938 (the required “**CASp Disclosure**”):

“A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for

the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

If City elects to obtain an inspection, City and Landlord will mutually agree on the arrangements for the time and manner of the CASp inspection. If City elects to obtain a CASp inspection, City shall be responsible, at its sole cost and expense, for the payment of the CASp inspection fee.

16. No Brokers. Neither party has had any contact or dealings regarding this Amendment, 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 this Amendment. If any 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 its claim shall be responsible for such commission or fee and shall indemnify the other party from any and all claims or losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination or nullification of this Amendment.

17. Miscellaneous. Except as expressly modified herein, the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect. The Lease as amended by this Amendment constitutes the entire agreement of the parties concerning the subject matter hereof, and supersedes and conceals any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein. The execution of this Amendment shall not constitute a waiver or relinquishment of any rights which City may have relating to the Lease. Landlord and City hereby ratify and confirm all of the provisions of the Lease as amended by this Amendment. If there is any conflict between this Amendment and the Initial Lease, this Amendment shall control. If any one or more of the provisions in this Amendment is invalid, illegal or unenforceable in any respect, the remaining provisions contained herein shall not be affected in any way thereby. This Amendment 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. This Amendment shall be governed, construed and enforced in accordance with the laws of the State of California and City's Charter. Time is of the essence with respect to all provisions of this Amendment in which a definite time for performance is specified. This Amendment shall be effective as of the Effective Date. Each party represents and certifies that the individual signing on behalf of such party is duly authorized to do so.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

LANDLORD: K LW Investments, LLC, a California limited liability company

By: Richard Hyde
Name: Richard Hyde

Its: general partner

TENANT: CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
Sarah R. Oerth
Director of Property

RECOMMENDED:

HUMAN SERVICES AGENCY

By: _____
Trent Rhorer
Executive Director,
Human Services Agency

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Anna Parlato Gunderson
Deputy City Attorney



3119-27 Mission Street 3120 Mission Street

REAL PROPERTY LEASE AMENDMENTS

HUMAN SERVICES AGENCY (HSA)



BUDGET AND FINANCE COMMITTEE | MARCH 18, 2026

REAL ESTATE DIVISION

Background

- The Human Services Agency (HSA) has had a long-established presence in the Mission District.
- Located by the intersection of Mission and Cesar Chavez, HSA's offices are conveniently accessible to the community.
- HSA provides supportive services and programs at their offices, including:

Workforce Development • CalWORKs • MediCal and CalFresh eligibility • Family and Children's Services • Access to staff from the State Employment Dept (3120).



Combined Terms of Agreements

- **Premises: 50,336 sq. ft.**
- **Lease Term:** April 1, 2026 – September 30, 2030, with one option to extend for 5 years at 95% of Fair Market Rent.
- **Annual Base Rent: \$1,647,787**, plus 3% annual increases per year (**\$32.74/sq. ft.**), retroactively effective Sept. 15, 2025. Note: **\$371,155 rent credit** from retroactive adjustment to be applied to tenant improvement project.

Reduction from current rent: **\$685,210 annually/\$3.08 million** over term (29.6%)

- **Tenant Improvements (3120):** Restroom expansion and upgrades; breakroom improvements; associated mech., elec., plumbing modifications, contracted for guaranteed max. price of \$418,491; net cost to City: **\$47,336.**



SAN FRANCISCO
HUMAN SERVICES AGENCY

QUESTIONS?

REAL ESTATE DIVISION

LEASE

between

KLW Investments, LLC

as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
3119 – 3127 Mission Street
San Francisco, California

June 19, 2015

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LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A- 1 – Floor Plans of Premises
- EXHIBIT A- 2 – Excluded Property
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Minimum Standard for HVAC Services Agreement
- EXHIBIT D – Rules and Regulations

LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of June 19, 2015, is by and between K L W Investments, LLC, a California limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

AGREEMENT

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

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	June 19, 2015
Landlord:	KLW Investments, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, a charter city and county
Premises (<u>Section 2.1</u>):	The real property ("Real Property") commonly known as the ground floor space in 3119 – 3127 Mission Street, San Francisco, including the following buildings: 3119, 3125 and 3127 Mission Street (each a "Building" and collectively, the "Buildings") and 15 designated parking spaces located on the Real Property (the "Parking Area), as shown in <u>Exhibit A-1</u> . The Premises shall not include the portions of the Parking Area on the Real Property marked as "NIC" on the attached <u>Exhibit A-2</u> (the "Excluded Property").
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 11,085 rentable square feet 3119 Mission St: 3,100 SF 3125 Mission St: 5,520 SF 3127 Mission St: <u>2,465 SF</u> Total: 11,085 SF
Initial Term (<u>Section 3</u>):	Commencement Date: The later of (1) the effective date of a resolution adopted by the City's Board of

Supervisors approving this Lease, and (2) Landlord's and City's execution and delivery of this Lease, but in no event sooner than June 30, 2015.

Expiration date:
June 30, 2020

Extension Options (Section 3.4):

Three (3) additional terms of five (5) years each, exercisable by City by notice to Landlord given not less than 210 days in advance.

Landlord's Right to terminate (Section 3.5):

If during the first five (5) years of the Term Landlord intends to demolish one or more of the Buildings, Landlord shall have the right to terminate the Lease with respect to such space (but not less than the entirety of a Building) by providing City with not less than 365 days advance written notice and payment the amortized cost (over sixty (60) months) of the Leasehold Improvements paid for by the City in excess of the Allowance, but in no event shall Landlord's obligation exceed \$200,000.00. After the fifth year, should Landlord exercise the termination right it shall pay to the City a sum equal to \$6.00 per sq. ft. of the Building or Buildings to be terminated.

Base Rent (Section 4.1):

Initial monthly payments: \$39,490.31
(approximately \$42.75 per sq. ft. annually)

Rent Adjustments (Section 4.2):

Commencing on July 1, 2016, and each following July 1 during the Initial Term and any Extended Term, monthly Base Rent shall increase by \$1.00 per sq. ft. annually.

Use (Section 5)

Public programs, general offices and any other uses permitted by applicable zoning, but excluding any general assistance distribution, drug rehabilitation, health clinic, drug clinic, day labor group or any other similar use that may reasonably cause an increase in Landlord costs and or negatively impact other tenants of Landlord adjacent to the Premises.

Leasehold Improvements (Section 6)

Landlord shall construct the Leasehold Improvements and provide an Allowance of \$144,105.00 (approximately \$13.00 PSF for the construction of Leasehold Improvements, as described in Section 6, in accordance with a budget approved in writing by the Director of Property. The City shall have no obligation to pay for amounts above the approved budget,

and Landlord shall have no obligation to construct improvements that cost more than the approved budget. If the Landlord discovers that the approved budget is not sufficient to complete the Leasehold Improvements described in Section 6, Landlord shall promptly notify the City and the parties agree in good faith to either (i) reach agreement on an increase in the budget, as needed to complete the work, or (ii) revise the work to that which can be completed within the approved budget.

Services (Section 9.2):

Gas, water and electricity are separately metered to the Building. City shall pay directly to the service provider for all such utility services, provided that Landlord shall maintain the existing utility connections to the Building.

Landlord shall maintain the Property and Building Systems including maintaining the heating, ventilation and air conditioning ("HVAC") system(s) at the Building, in accordance with the standards set forth in Exhibit C.

City shall provide, at its sole cost, recycling, refuse removal, pest control, janitorial and security services to the Premises, as needed by City.

If Landlord agrees to provide other additional lease services requested by City, such services shall be provided at City's cost, which cost shall be approved in advance in writing by City.

Notice Address of Landlord (Section 23.1):

KLW, Investments LLC
139 Mitchell Avenue, Suite 236
South San Francisco, CA 94080
Fax No.: (415) 643-7404

Key Contact for Landlord:

Brad Koch

Landlord Contact Telephone No.:

(415) 643-7400 x101

Notice Address for Tenant (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: John Updike,
Director of Property
Re: 3119 Mission Street
Fax No.: (415) 552-9216

with a copy to:

Human Services Agency
170 Otis Street
San Francisco CA 94102
Attn: Director
Fax No.: 415- 431-9270

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Special Projects Team
Re: 3119 Mission Street
Fax No.: (415) 554-4755

Key Contact for Tenant:

David Curto
HSA
170 Otis Street
San Francisco, CA
(415) 557-5581

Tenant Contact Telephone No.:

Alternate Contact for Tenant:

Tony Lugo

Alternate Contact Telephone No.:

415) 557-6309

Brokers (Section 23.8):

None

2. PREMISES

2.1 Lease Premises; License

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the Real Property, together with the Building and the parking area thereon, as further described in the Basic Lease Information and shown on the floor plans attached hereto as Exhibit A - 1 (the "Premises"), but excluding the portions of such parking lot marked as "NIC" on the attached Exhibit A - 2. The Parties hereby agree for the purposes of this Lease that the rentable area of the Premises specified in the Basic Lease Information shall be conclusive for all purposes hereof. The Real Property, including the Building and the parking area thereon, and all other improvements on or appurtenances to such land are referred to collectively as the "Property." City shall use reasonable good faith efforts to prevent employees, visitors, vendors and invitees of City from using the parking spaces reserved for Landlord's use as shown on the attached Exhibit A - 2.

Notwithstanding any other provision of this Lease Landlord reserves the right to relocate the Parking Area to another area either on the parcel or adjacent parcel of land. Landlord shall give City no less than sixty (60) days' notice of Landlord's intention to relocate the Parking Area.

2.2 Common Areas

City and Landlord shall each share the non-exclusive right of access to and from the Parking areas of Premises.

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. Further, Landlord has recommended that City obtain a CASp report prior to City's execution of this Lease.

Landlord shall be responsible for all disability access to and from the Buildings. City, as tenant, is solely responsible for path of travel and compliance with disability access laws with respect to the interior portions of the Buildings.

2.4 Energy Consumption

City acknowledges that City has made direct payment of utility charges for the Premises since 1998. City waives, to the extent permissible under applicable law, its right to receive a Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises from Landlord prior to City's execution of this Lease.

2.5 Premises As Is

SUBJECT TO LANDLORD'S OBLIGATION TO COMPLETE THE LEASEHOLD IMPROVEMENTS IN ACCORDANCE WITH SECTION 6, CITY AGREES AND ACKNOWLEDGES THAT CITY ACCEPTS THE PREMISES AND ALL PORTIONS OF THE PROPERTY IN ITS AS-IS CONDITION. CITY ACKNOWLEDGES THAT CITY HAS LEASED AND OCCUPIED THE PREMISES SINCE 1998, AND HAS SUBSTANTIALLY MORE INFORMATION ABOUT THE CONDITION OF THE PROPERTY THAN DOES LANDLORD. CITY, AT ITS SOLE COST IF IN EXCESS OF THE ALLOWANCE, SHALL BE RESPONSIBLE FOR COMPLIANCE WITH DISABILITY ACCESS LAWS AND ALL OTHER LAWS, RULES, CODES AND REGULATIONS GOVERNING THE CITY'S USE AND OCCUPANCY OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY DISABILITY UPGRADES THAT MAY BE TRIGGERED DUE TO THE COMPLETION OF THE LEASEHOLD IMPROVEMENTS AS SET FORTH IN SECTION 6. CITY HEREBY REPRESENTS AND WARRANTS THAT IT HAS PERFORMED ALL NECESSARY DUE DILIGENCE AND WILL RELY SOLELY THEREON.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the later of (1) the effective date of a resolution adopted by the City's Board of Supervisors approving this Lease in their respective sole and absolute discretion, as further provided in this Lease, and (2) Landlord's and City's full execution and delivery of this Lease, provided however, this Lease shall not Commence prior to July 1, 2015. The Initial Term 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." On or after the Commencement Date, the parties agree to execute a notice substantially in the form of Exhibit B attached hereto, confirming the Commencement Date, but either party's failure to do so shall not affect the commencement of the Term.

3.3 Extension Options

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, except that Base Rent for an Extended Term shall be adjusted as set forth in Section 4.4. City may exercise the Extension Options, if at all, by giving written notice to Landlord no later than two hundred ten (210) days prior to expiration of the Term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default within the applicable cure period as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension

Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date of City's notice to Landlord. In the event City fails to approve and authorize an Extension Option within such ninety (90) days (subject to any extension as may be agreed to by Landlord), then City's exercise of the applicable Extension Option shall be null and void.

3.4 Termination of 1998 Lease

Upon the Effective Date, Landlord and City agree that the lease between Landlord and City of the Premises, dated as of April 3, 1998, shall automatically terminate as of 11:59 p.m. of the day immediately preceding the Commencement Date, but all indemnity obligations shall survive such termination.

3.5 Landlord's Right to Terminate

If during the first five (5) years of the Term Landlord intends to demolish one or more of the Buildings, and associated parking stalls, Landlord shall have the right to terminate the Lease as to the Building or Buildings to be demolished by providing City with at least 365 days advance written notice and payment, Landlord shall pay to City a sum equal to the unamortized cost of Leasehold Improvements (using a sixty (60) month amortization period) paid for by the City in excess of the Allowance. Landlord's obligation hereunder shall not exceed Two Hundred and no/100 Thousand and no/100 Dollars (\$200,000.00).

Commencing on the sixth (6th) year of the Term, and any extension thereof, if Landlord intends to demolish one or more of the Buildings, and associated parking stalls, Landlord shall have the right to terminate the Lease as to the Building or Buildings to be demolished by providing City with at least 365 days advance written notice and payment at the time of notice delivery, equal to \$6.00 times the square footage of the Building or Buildings (utilizing the square footage set forth in the Basic Lease Information). Upon such termination (i.e., at the end of the 365-day period), the Lease shall be automatically amended to reflect the recapture of space by Landlord and revising the rent and rent adjustment schedule for the remaining Buildings. The parties agree to execute a lease amendment (not subject to City approval) to reflect the changed space and rent. If Landlord does not obtain a demolition permit within one hundred eighty (180) days following the termination, or if Landlord decides not to demolish the building but instead to re-lease it at any point during the remaining term of this Lease, then Landlord shall offer the Building for City occupancy on the same terms and conditions of this Lease. If the City accepts such offer, then the parties will amend this Lease to include the applicable Building or Buildings (effectively nullifying the termination as it relates to the Building or Buildings).

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

(b) On July 1, 2016, and each July 1 thereafter (each, an "Adjustment Date"), the Base Rent payable under this Lease shall be increased by the amount shown in the Basic Lease Information.

4.3 Additional Charges

City shall pay to Landlord any charges or other amounts required under this Lease, if any, 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 Determination of Base Rent for an Extended Term

At the commencement of each Extended Term, the Base Rent shall be adjusted to equal the 95% of the then prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the Outer Mission District, area of San Francisco ("Reference Area").

As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into consideration all factors including (i) any property expenses, additional rental and all other payments (ii) any escalations payable, (iii) location and size of the premises covered by leases of such comparable space, (iv) the duration of the renewal term and the term of such comparable leases, (v) free rent given under such comparable leases and any other tenant concessions, and (vi) comparison of the Premises' existing condition to that after the use of any Owner provided tenant improvement given under such comparable leases, (v) Building quality, natural light, views, ceiling height and other aesthetics of such comparable space, and (vii) parking availability and rate. Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's good faith determination of the prevailing market rate for the Premises and provide written justification using a minimum of three (3) comparable lease transaction. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

(a) Within thirty (30) days following Landlord's notice to City of the prevailing market rate, Landlord and City shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

(b) If within this thirty (30)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall

immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

(d) Intentionally deleted.

(e) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Outer Mission District area. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

5. USE

5.1 Permitted Use

City may use the Premises for public programs general office uses and such other uses as may be specified in the Basic Lease Information, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

The following uses are not permitted: general assistance distribution, drug rehabilitation, health clinic, drug clinic, day labor group or any similar use that may reasonably cause an increase in Landlord costs and or negatively impact other tenants of Landlord adjacent to 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 D (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 do not conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, in its reasonable judgment, interrupt City's access to the Premises in the event of an immediate threat of the Premises 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 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 and reasonable steps to correct such condition. In the event such condition is within the direct control of Landlord and such condition continues for two (2) 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

As set forth in Section 2.5 of this Lease, City accepts the Premises in As-Is condition subject to Landlord's obligations as hereinafter set forth to provide Leasehold Improvements. Landlord, through its general contractor approved by City, shall construct the Leasehold Improvements at City's sole cost pursuant to the Construction Plans (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."

Landlord, through its general contractor approved by City, shall construct the Leasehold Improvements at City's sole cost pursuant to the Construction Plans (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."

(a) Plans and Specifications

Promptly following the date of Board Of Supervisors and Mayor's approval of a Resolution authorizing this Lease, Landlord shall cause its architect ("Architect") and, if required, a Leadership in Energy and Environmental Design ("LEED") consultant, both approved by City, to prepare and submit to City for its approval an architectural space plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, and designed to meet City's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code, and in form and detail sufficient for purposes of contractor pricing (the "Pricing Plans"). City shall have fifteen (15) days to review and either approve of the Pricing Plans or provide Landlord with City's adjustments to the Pricing Plans.

Immediately following City's approval of the Pricing Plans, 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 in sufficient detail to define the work (the "Construction Drawings") to City within sixty (60) days after the City's approval of such Pricing Plans. The Construction Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves of the Construction Drawings, 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 thirty (30) days after City's notice, Landlord shall submit to City revised Construction Drawings that incorporate the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The

final Construction Drawings approved by City shall be referred to as the "Construction Documents." If the proposed Leasehold Improvement Work requires construction, promptly following City's approval of the Construction Drawings, based on the approved Construction Drawings and any adjustments authorized by City, Landlord shall cause Permit Documents to be prepared.

(b) HVAC Improvements.

Landlord and City hereby agree to include in the Leasehold Improvements any and all HVAC improvements necessary to the Building's HVAC systems so that the HVAC can be maintained in accordance with the requirements of Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation. Such HVAC improvements shall be designed by a licensed mechanical engineer and shall be subject to City's review and approval.

(c) Mayor's Office of Disability Review; Permits

In the event the Leasehold Improvement Work requires Construction Permits, Landlord acknowledges that City requires that the Permit Documents be reviewed by the San Francisco Mayor's Office of Disability ("MOD") for compliance with the Americans With Disabilities Act of 1990 ("ADA") and other related laws before Landlord submits them to the San Francisco Department of Building Inspection ("DBI") for construction permits. Landlord shall cause the Architect to submit the Construction Documents to MOD for review promptly following City's approval of the final Construction Drawings. If MOD requires revisions to the Construction Documents or modifications or additional improvements to the Building, Landlord shall cause Architect to revise the Construction Documents and/or design and prepare all additional plans and specifications as required by such MOD review, in conformity with ADA and other legal requirements. Such revised Construction Documents and additional plans shall thereafter to be referred to as the "Construction Plans." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to notify Landlord and City that the Construction Plans have been approved and to identify the additional work, if any, specified therein as a result of the MOD review.

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. Promptly following MOD's approval of the Construction Plans and City's approval of the Construction Budget, as defined in the following subsection, Landlord shall apply for any permits, approvals or licenses necessary to complete the construction shown on the Construction Plans and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by DBI.

(d) City's Approval of Costs

As soon as practicable and prior to submitting permit applications for the Leasehold Improvement Work, Landlord shall provide to City, for City's approval, a good faith initial construction budget ("ROM") based on the Pricing Plans which includes all project hard and soft costs and Landlord's five percent (5%) administrative fee. City shall have five (5) business days to review and approve or disapprove the ROM. If City desires to reduce the ROM, Landlord and City shall work in good faith to promptly reduce the scope of work and the ROM, and the Construction Plans shall be revised as required to reflect such changes.

Prior to commencing construction of the Leasehold Improvement Work, Landlord shall prepare and submit to City, based on the Construction Plans, a good faith cost for the Leasehold Improvement Work, showing all costs to be paid by City, including a Contractor contingency of five percent (5%) (the "Construction Budget"). City shall have five (5) business days to review and approve or disapprove the Construction Budget. As of the Effective Date, the parties agree that the Construction Budget shall not exceed Allowance (as defined below), and the parties shall work in good faith to prepare plans and Construction Documents that can be implemented within this approved amount. If during the course of construction, the Leasehold Improvements cannot be completed in strict conformity with the most recently City approved Construction Budget, Landlord shall immediately submit to City for its approval a revised Construction Budget and shall identify to City changes in line items and the reasons for the changes. City acknowledges that renovation or improvement of existing facilities inherently involves risk of unanticipated costs necessary to obtain a Final Certificate of Occupancy. If further changes are required, Landlord shall seek City's approval, following the same procedures. City shall not be obligated to pay costs, if any, in excess of the last City approved Construction Budget, provided Landlord shall not be required to incur any costs above the last City approved Construction Budget. If costs exceed the approved Construction Budget, the parties agree to meet and confer in good faith to either (i) obtain City approval of any increased costs, with an appropriation for such amount or (ii) revise the Leasehold Improvements Work so that it does not exceed the approved Construction Budget. City shall have the right to reasonably approve or disapprove any Construction Budget or revised Construction Budgets in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed. The most recent City approved Construction Budget shall supersede all previous City approved Construction Budgets. Whenever City approval of the ROM or Construction Budget is required, in the event Landlord and City cannot agree regarding such approval, City shall reimburse Landlord for all of Landlord's reasonable and necessary costs incurred to produce such ROM or Construction Budget to such date

(e) Construction

Immediately upon City's approval of the Construction Plans and the Construction Budget and Landlord's procurement of all necessary permits and approvals for the Leasehold Improvements, Landlord shall commence, using a contractor reasonably acceptable to City budget ("Contractor") the construction of the Leasehold Improvements and cause them 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 ADA, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall require in any contract issued in connection with the Leasehold Improvement Work that Contractor shall pay prevailing wages in connection with the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages), 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. Landlord shall use commercially reasonable efforts to ensure that Contractor complies with such requirements.

(f) 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 portion of the Premises that City must reasonably and temporarily vacate for the performance of the Leasehold Improvement Work at reasonable times to inspect the Leasehold Improvement Work (the "Affected Areas"),

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 Affected Areas are ready for resumed 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 Affected Areas and any other portion of the Premises modified by the Leasehold Improvement Work.

"Substantial Completion" shall be when the Leasehold Improvements are sufficiently completed in accordance with the approved Construction Documents so that City can occupy the Affected Areas and conduct its business for its intended uses and City, through its Director of Property, has 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 Affected Areas, 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 shall make a good faith effort to 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 Plans, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents of the Space Plans, Pricing Plans, Construction Drawings, Construction Documents, Construction Plans, 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.

(g) Appointment of Representatives

City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to the Leasehold Improvement Work. Landlord and City shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party. The initial Representatives and Alternates shall be:

City: Representative – David Curto
Alternate -- TBD

Landlord: Representative – Bradley Koch
Alternate -- TBD

Each party may at any time and from time to time change its Representative or Alternate by written notice to the other party. Each party's Representative or Alternate shall be available during ordinary business hours so that questions and problems may be quickly resolved and so that the Leasehold Improvements may be completed economically and in accordance with

the Construction Schedule. All approvals made by City's Representative or Alternate shall be made in writing.

(h) Changes to Construction Plans; Tenant Delay

If City inquires in writing about any change, addition or alteration relating to the design or specifications of the Leasehold Improvement Work (a "Change Order"), Landlord shall cause its Architect and Contractor to promptly supply a good faith not to exceed change order cost estimate. In the event that a Change Order would delay Substantial Completion, Landlord shall also provide its good faith estimate of such a delay. Within five (5) business days of receipt of such cost and delay estimates, City shall notify Landlord in writing whether City approves the proposed Change Order and an increase in the Construction Budget (if required). If City timely approves the proposed Change Order, then Contractor shall proceed with such Change Order as soon as reasonably practical thereafter

(i) Costs

Landlord shall pay for the cost of constructing and installing the Leasehold Improvements (as defined below) up to a total sum of One hundred Forty Two thousand Eight hundred Eighteen Dollars (\$142,818.00) (or approximately \$13.00 per rentable square foot) in the Premises (the "Allowance"), and the City shall pay amounts above the Allowance, if any, as set forth in the approved Construction Budget. The phrase "cost of constructing" shall include, but not be limited to, architects fees, consultant fees, contractors' fees, permits, materials, and insurance. To the extent that any portion of the Allowance is not used by City such portion shall be credited against Base Rent next due or payable under the Lease. In the event that the City approved Construction Budget pursuant to (d) above, exceeds the Allowance, City shall, from the date of actual commencement of construction of the Leasehold Improvements, pay to Landlord monthly for so long as the work continues in accordance with the Construction Documents, throughout the course of construction to the date of Substantial Completion, the sum of one third of the excess amount monthly, provided, the final ten percent (10%) of City's contribution will not be paid until the Final Payment Date as set forth below. By way of example, if the excess Construction Budget amount over the Allowance is Sixty Thousand Dollars (\$60,000), City shall make the following payments: Twenty Thousand Dollars (\$20,000) on the date of commencement of construction, Twenty Thousand Dollars (\$20,000) on the same day of the next calendar month, Fourteen Thousand Dollars (\$14,000) on the same day of the third calendar month, and the final Six Thousand Dollars (\$6,000, i.e., the final ten percent) on the Final Payment Date. Landlord agrees to use such payments to promptly pay contractors for the Leasehold Improvements, and if amounts needed to pay such contractors is less than the cumulative amount Landlord has collected from City under this Section 6.1(i) from time to time, the parties agree to adjust the payment schedule so that City makes payments only when needed by Landlord to pay contractors for the Leasehold Improvements. City's payments shall be due as additional rent, and payment shall be made monthly together with payment of Base Rent hereunder. In no event shall the cumulative amount of such additional payments exceed ninety percent (90%) of the amount owed by City under the most recently approved Construction Budget (including 100% of any City Change Orders as established in Section 6.1). City shall pay the remaining ten (10%) upon the later of (i) proper invoicing, (ii) Substantial Completion of the Leasehold Improvements and (iii) acceptance of the Leasehold Improvements by the Director of Property (the "Final Payment Date").

(j) Required Documentation of Costs

Landlord shall provide City with copies of a final cost reconciliation including (i) all invoices received by Landlord from the Architect, the Contractor, or Consultants in

connection with the preparation of the Construction Plans or the Change Order or performance of the Leasehold Improvement Work, (ii) satisfactory evidence of payment by Landlord of such invoices, and (iii) upon City's request, such documentation as the Architect, the Contractor, or Consultant may have provided to Landlord pursuant to its contract for the Leasehold Improvement Work. If the costs set forth in such final reconciliation are within the most recently approved Construction Budget, but exceed the amounts paid to Landlord pursuant to Section 6.1(h), City shall reimburse Landlord for such additional cost within thirty (30) days of City's approval of such invoice. If the costs in the final reconciliation show that the amounts paid by the City under Section 6.1(h) exceed the amounts reimbursable by City for the Leasehold Improvements, then Landlord shall pay such excess amount to the City within thirty (30) days following the final reconciliation. The City and Landlord agree to meet and confer in good faith as and when requested by either party to ensure that City's payment schedule meets the cash flow requirements of the Leasehold Improvement Work, and to review budgets, invoices and progress payments throughout the construction period.

(k) Restoration of the Premises

City shall not be required to remove the Leasehold Improvements upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time the Construction Drawings are submitted to City for approval that such Leasehold Improvements must be removed on the expiration or sooner termination of this Lease.

(l) Use of Allowance

In the event, Landlord and City working in good faith (i) can not agree on the scope of work (ii) the ROM cost of the work is expected to exceed the Allowance and City has not agreed to provide the additional funding, or (iii) the Leasehold Improvement Work has not started within 12 months of the Commencement Date, then Landlord shall not be obligated to complete the Leasehold Improvement Work and the City may use the Allowance (after deduction of Landlord's actual pre construction costs, if any) to abate Base Rent.

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 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 Affected Areas and any other portion of the Premises being used for the performance of the Leasehold Improvement Work 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. City shall perform all work with applicable permits and at the times and in a manner specified by Landlord's Contractor. City shall be responsible for all damage, costs and delays caused by such installation by City (a City Delay).

Up to twenty five percent (25%) of the Allowance may be used to design, purchase and install furniture workstations ("FF&E"). To the extent the Allowance is used for FF&E, Landlord retains the right to claim ownership of the such FF&E, or any part thereof, upon the expiration or earlier termination of the Lease.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

A part of the Leasehold Improvement costs, Landlord and City, 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.

6.4 Improvements at the beginning of the 2nd Extension Term.

(a) If City has duly extended the Term and exercises the 2nd Extension Option, then Landlord shall provide an allowance of \$8.00 psf, increased by the proportional increase in the Consumers Price Index as provided below (the "2nd Extension Allowance"), for improvements to be made by Landlord to the Premises within 180 days following the City's delivery of approved legislation authorizing the second Extended Term. The parties anticipate that the 2nd Extension Allowance will be used to repaint and re-carpet the Premises, although the City may specify other work to be completed instead, subject to Landlord's approval. For any such repainting and recarpeting, City's only responsibility shall be to clear desktops, disconnect and remove computers and remove other loose materials. Neither Landlord or its contractor(s) shall be liable to City and/or its employees for any damage to any furniture, fixtures or equipment (FF&E), or personal property occurring during such work of improvement unless such damage results for Landlord and/or its contractor(s) gross negligence or willful misconduct. The above notwithstanding, at City's option, Landlord's contractors shall insure against such damage and the cost of such insurance shall be paid from the 2nd Extension Allowance. Work shall be done after hours and in such a way as to minimize noise, fumes, and disruption to City's operations.

(b) Calculation of the 2nd Extension Allowance

The actual 2nd Extension Allowance shall be calculated as follows:

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 reasonably acceptable document to Landlord required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the 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 by Landlord pursuant to its obligations under this Lease. 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 the Property and the Building Systems in good condition and operation, consistent with similar facilities/office properties of comparable rent, age, and size in the vicinity including the exterior walls and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, exterior lighting, the electrical and plumbing to and from the Buildings and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems"), and including graffiti removal and parking lot maintenance. Tenant shall immediately give Landlord written notice of any defect or need of repairs in such components of the Building for which Landlord is responsible, after which Landlord shall have a reasonable opportunity and the right to enter the Premises at all reasonable times to repair same. Landlord's liability with respect to any defects, repairs, or maintenance for which Landlord is responsible under any of the provisions of this Lease shall be limited to the cost of such repairs or maintenance, and so long as Landlord uses commercially reasonable efforts to limit interference or disruption of Tenant's use there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of repairs, alterations or improvements in or to any portion of the Premises, the Building or the Project or to fixtures, appurtenances or equipment in the Building. The Building Systems shall exclude the City's communications system. Landlord shall maintain the HVAC Systems in good repair pursuant to the standards set in Section 9.2 (d) (HVAC).

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 maintain the Property in a clean, safe and attractive manner and shall repair and maintain at

(d) HVAC

Landlord, at Landlord's cost, shall maintain, throughout the term of the Lease, a service contract with a licensed and qualified contractor for maintenance of heating, ventilation and air conditioning ("HVAC"). The scope of such services shall be in accordance with the requirements of Exhibit C and Title 8 California Code of Regulations, Chapter 4, Division of Industrial Safety, Subchapter 7, General Industry Safety Orders, Group 16, Control of Hazardous Substances, Article 107, Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation.

9.3 Additional Services

City reserves the right to request that the Landlord, at City's cost, perform minor Lease related services or incur additional expenses not covered under this Lease from time to time, as reasonably requested by the City and approved by the Real Estate Division, acting through the Director of Property or his or her designee. If Landlord, in its sole discretion, agrees to perform such services or incur such additional expenses, City shall reimburse Landlord for the pre-approved cost for such expenses as Additional Rent within thirty (30) days after receipt of Landlord's invoice for such service or expense, including reasonable backup documentation.

9.4 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.

9.5 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished hereunder, City shall immediately notify Landlord of such failure, stoppage or interruption, and Landlord shall diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for (i) a period of five (5) or more business days if such failure is in the reasonable control of Landlord or (ii) a period of one hundred eighty (180) 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. At City's election but only with Landlord's written approval, not to be unreasonably withheld, 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 commercially reasonable efforts to restore disrupted Essential Services as soon as possible.

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 to the best of Landlord's knowledge: (a) the Building is not an unreinforced masonry building; (b) Landlord has received no notices that the Property is out of compliance with any applicable

federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) Landlord has received no notices that the Property is out of compliance with any 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"); and (d) Landlord has received no notices that the Property is out of compliance with any other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall indemnify City against any and all Claims arising out of Landlord's failure to perform its obligations under Section 8.1 (Landlord's Repairs) or any misrepresentation by Landlord under this Section.

Landlord shall at all times maintain, at its cost, the physical structure, the parking areas, the path of travel to the Buildings (including, but not limited to, the Building entrances and parking areas) in compliance with the requirements of the ADA 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 and applicable to City's activities at the Premises (collectively, "Disabilities Laws").

10.2 City's Compliance with Laws; Indemnity

City shall at all times maintain, at its cost, the interior fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all interior portions of the Premises in compliance with the requirements of the ADA 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 and applicable to City's activities at the Premises (collectively, "Disabilities Laws").

City agrees and acknowledges that City accepts the Premises and all portions of the Property in its as-is condition. City, at its sole cost, shall be responsible for compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws") specifically relating to City's use of the Building.

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 Leasehold Improvements made by Landlord on behalf of City pursuant to Section 6 hereof, or Alterations to the Premises made by City pursuant to Section 7 hereof. 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 Compliance with Future Laws.

In the event of a Law, which is effective after the Lease Commencement Date, calls for upgrading to the property as a whole (eg seismic upgrading), as opposed to the interior envelope of the subject space (which would be City's responsibility) such work shall be undertaken by Landlord, and Landlord and City shall allocate the cost of such work as follows:

(a) If the requirement for such Capital Expenditure is not triggered by City's specific and unique use of the Premises, or alterations or improvements installed by or on behalf of City, then Landlord shall pay the cost thereof, and City shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Rent is due, an amount equal to the product of multiplying the cost of such Capital Expenditure by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such Capital

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, and City has not exercised an Extension Option for an Extended Term that would commence on the termination of such 6-month period, 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 Premises, 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 Premises taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. If Landlord consents to such any assignment or sublease of City's interest in the Premises to a third party, fifty percent (50%) of any rent that City receives under such assignment or sublease in excess of the Base Rent and Additional Charges payable hereunder (or the amount thereof proportionate to the portion of the Premises subject to such assignment or

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 gross 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 the Building, Building Systems or the Property caused by the City or its Agents or Invitees, and any of City's Personal Property, except for damage caused directly by Landlord or its Agents and except for any damage covered by Landlord's insurance.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Premises (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 (but expressly excluding losses due to earthquake or flood) in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. Landlord 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, 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 Two Million Dollars (\$2,000,000) 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 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 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), (d) that there are no unfulfilled obligations of Landlord in relation to the Leasehold Improvements, (e) that there is no security deposit, and (f) the date to which Rent has been paid.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Leasehold Improvements or Alterations City is required to remove from the Premises pursuant to the provisions of Section 6.1(i) (Leasehold Improvements) or Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises resulting from such removal. Any personal property of City not removed or or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by City and may be disposed of or retained by Landlord as Landlord may desire. 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 without the duty of investigation, the following statements are true and correct as of the date this Lease is signed by Landlord: (a) Landlord has received no notices that the Property is in violation of any Environmental Laws; (b) Landlord has no direct knowledge that the Property has been used for the manufacture, storage, discharge, deposit, transportation or disposal of any Hazardous Material, (c) Landlord has received no notices that the Property consists of landfill atypical for the general area in which the Property is located or contains any underground storage tanks; and (d) 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 due to the acts of Landlord or its Agents.

21.4 City's Representations and Covenants

Neither City nor its Agents shall cause (i) 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, or (ii) any Release of Hazardous Material at the Premises. City further represents and warrants to Landlord

that during the term of the 1998 Lease, neither City nor its Agents caused a Release of any Hazardous Material in the Building or otherwise in, on, under, or about the Premises.

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease and the 1998 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. GENERAL PROVISIONS

22.1 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.

22.2 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.

22.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the

enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

22.4 Authority

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

22.5 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.

22.6 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.

22.7 Successors and Assigns

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

22.8 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.

22.9 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.

22.10 Governing Law

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

22.11 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.

22.12 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.

22.13 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 twenty five percent (125%) of the monthly Base Rent in effect during the last month of the Term of this Lease for the first sixty (60) days and then thereafter shall be two hundred percent (200%) 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.

22.14 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.

22.15 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.

22.16 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.

22.17 Signs

City may not erect or post signs on or about the exterior of the Premises without Landlord's prior approval. Landlord reserves the right to reject 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.

22.18 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.

22.19 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.

22.20 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.

22.21 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.

22.22 MacBride Principles - Northern Ireland

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq.

The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Landlord acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

22.23 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. Nothing in this Section shall eliminate or reduce Landlord's rights against City for any holdover tenancy or any failure by City to vacate the Premises upon the date of Lease expiration.

22.24 Prevailing Wages

Landlord agrees that any person performing labor for the Leasehold Improvements, and performing labor for any Alterations or other services that Landlord provides under this Lease that is a public work (as determined in accordance with State law), shall be (i) paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and (ii) subject to the same hours and working conditions, and receive the same benefits, as in each case are provided for similar work performed in San Francisco County. The terms "public work" and "paid for in whole or part out of public funds" as used in this Section are defined in California Labor Code Section 1720 *et seq.*, as may be amended. Landlord shall include in any contract for such labor a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and to deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

22.25 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 Contracts 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.

22.26 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.

22.27 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, or if such locations are not acceptable to Landlord, in any alternative locations acceptable to Landlord and approved by City's Zoning Administrator.

22.28 Resource-Efficient City Buildings

City, at its sole cost, shall be responsible for complying with or obtaining a waiver of San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of buildings owned or leased by City. Landlord, at City's sole cost, shall cause the Leasehold Improvement Work to comply with all applicable provisions of such code sections; provided, however, that the City Representative shall use diligent efforts to notify Landlord of such requirements at the time that City reviews the Construction Plans and the Construction Drawings.

22.29 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.

22.30 Effective Date

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

22.31 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.

22.32 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.

22.33 Conflicts of Interest

Through its execution of this Lease, Landlord acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, 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.

22.34 Notification of Limitations on Contributions

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Landlord acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Landlord further acknowledges that the prohibition on contributions applies to each Landlord; each member of Landlord's board of directors, and Landlord's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Landlord. Additionally, Landlord acknowledges that Landlord must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Landlord further agrees to provide to City the name of each person, entity or committee described above.

22.35 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.

22.36 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.

22.37 Consideration of Criminal History in Hiring and Employment Decisions

Landlord agrees to comply fully with and be bound by all of the provisions of Chapter 12T of the San Francisco Administrative Code (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions) ("Chapter 12T"), including the remedies and implementing regulations of Chapter 12T, as may be amended from time to time, in the hiring or employment any person with respect to the Leasehold Improvements Work and any additional construction work performed by Landlord and paid for by City during the Term. Landlord agrees to incorporate the requirements of this Section in any contracts it enters into for the Leasehold Improvements. The provisions of Chapter 12T are incorporated by reference and made a part of this Lease as though fully set forth herein. The text of the Chapter 12T is available on the web at <http://sfgov.org>.

Landlord shall incorporate by reference in all contracts for the Leasehold Improvements (and other construction work paid for by the City at the Premises) the provisions of Chapter 12T, and shall require all its contractors to comply with such provisions. Landlord's failure to comply with the obligations in this Section shall constitute a material breach of this Lease. City shall have the right to pursue any rights or remedies available under Chapter 12T against Landlord's contractors that violate Chapter 12T with respect to work at the Premises, including but not limited to, a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease. Landlord shall not be responsible for violations by its contractors of Chapter 12T, but shall cooperate with the City in enforcing Chapter 12T upon the City's request.

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.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

LANDLORD:

K.L.W. Investments, LLC, a California limited liability company

By: _____

Its _____

By: _____

Its *Managing Partner* _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____

JOHN UPDIKE
Director of Property

RECOMMENDED:

Director
Human Services Agency

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Heidi J. Gewertz

Deputy City Attorney

EXHIBIT A-1

(Floor Plans of Premises)

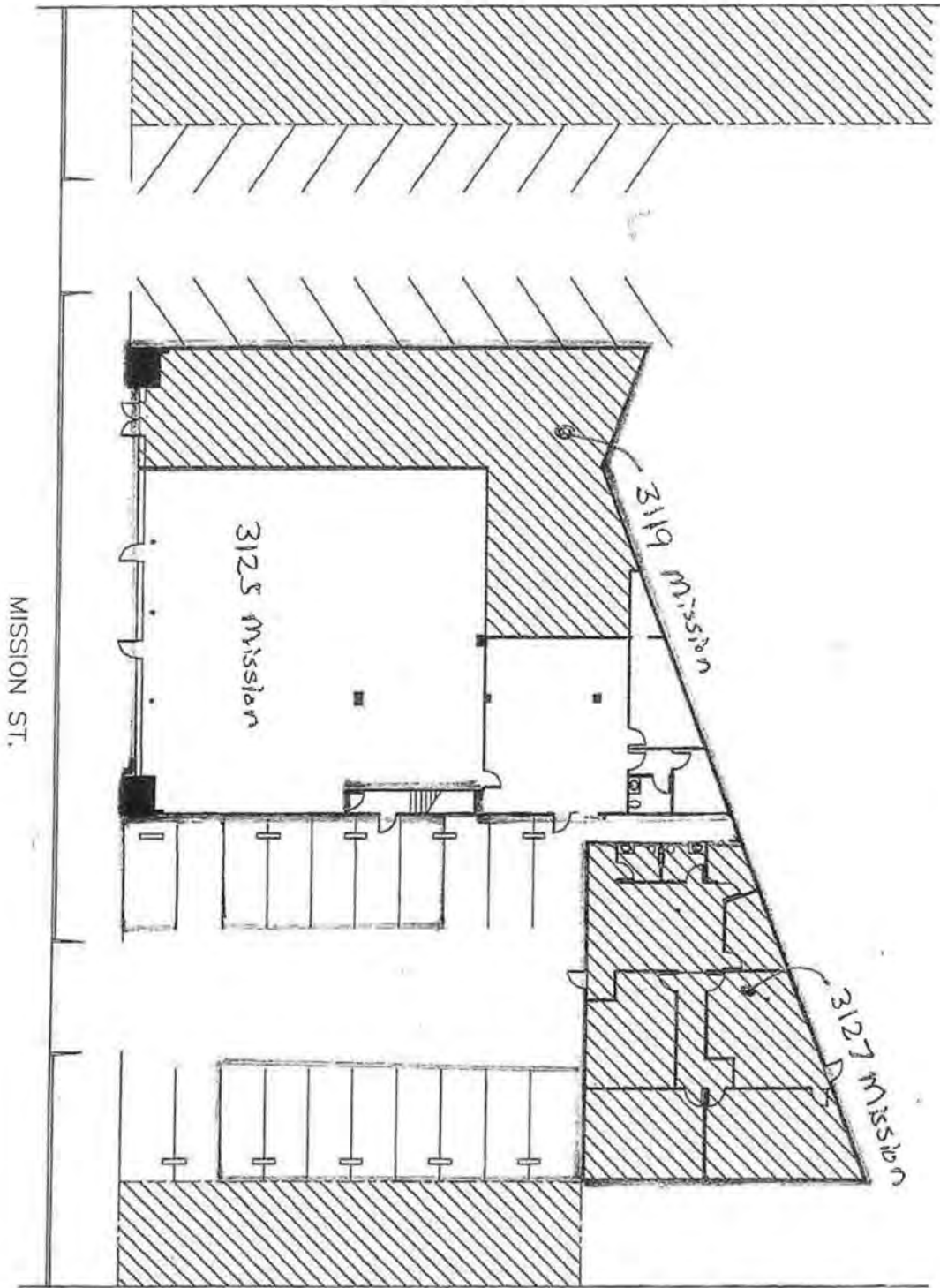
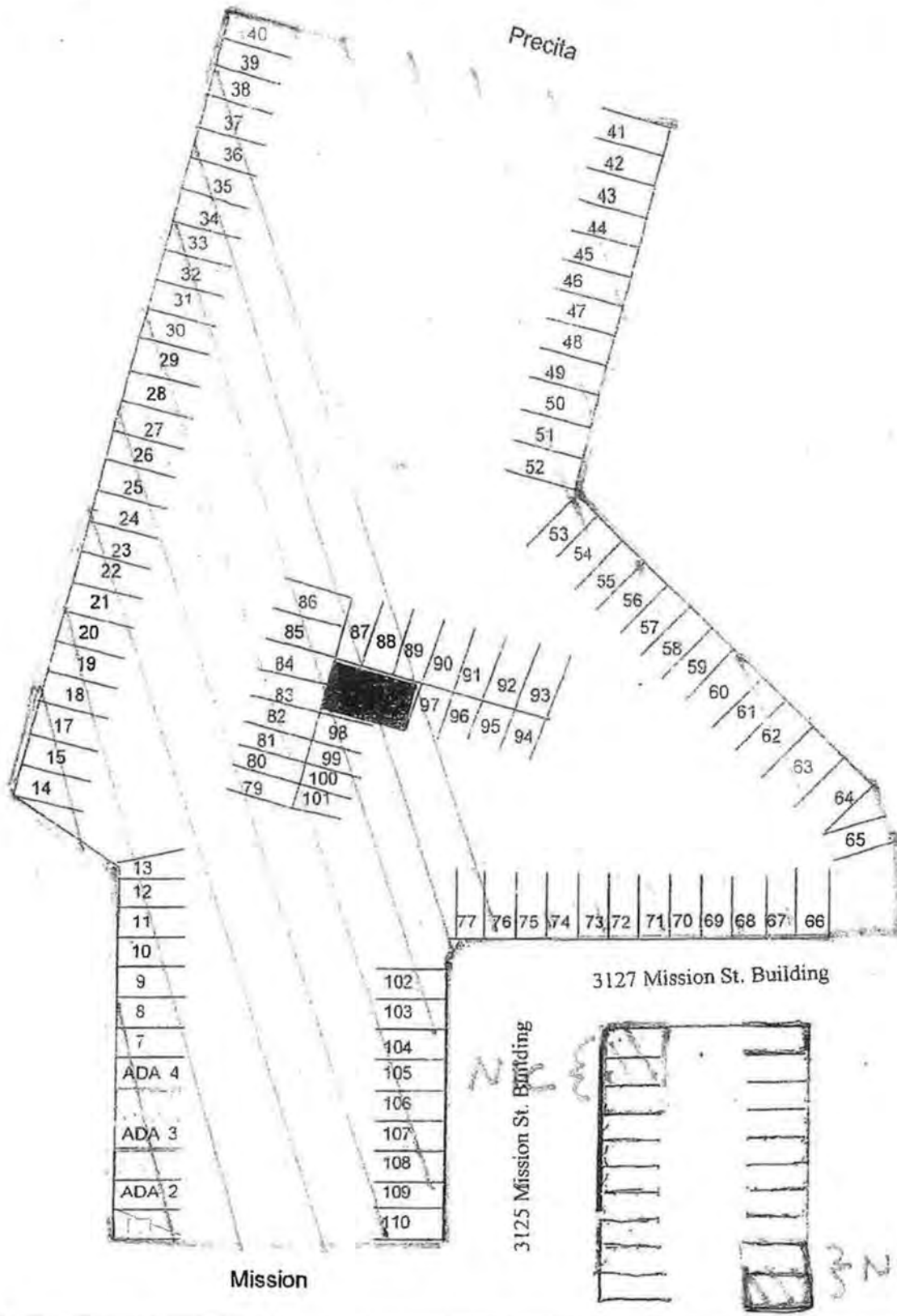


EXHIBIT A-2

EXHIBIT A



 = NIC

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

Mr. John Updike
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 _____
(Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises
known as _____ located at _____

Dear Mr. Updike:

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: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

Landlord shall maintain and monitor the HVAC systems in accordance with the requirements of Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation."

<http://www.dir.ca.gov/title8/5142.html>

EXHIBIT D

RULES AND REGULATIONS

1. The sidewalks, halls, passages, exits, entrances, and stairways of the Building shall not be obstructed by City or used by it for any purpose other than for ingress to and egress from the Premises. City shall not go upon the roof of the Building without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.
2. No sign, placard, picture, name, advertisement or notice visible from the exterior of the Premises shall be installed or displayed by City on any part of the outside or inside of the Building without the prior written consent of Landlord which shall not be unreasonably withheld or delayed. Landlord shall have the right to remove, at City's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of City by a person approved by Landlord, which approval will not be unreasonably withheld.
3. The Premises shall not be used for the storage of merchandise held for sale to the general public or for lodging. No cooking shall be done or permitted by City on the Premises, except that use by City of Underwriters' Laboratory-approved microwave oven and portable equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, provided that such use is in accordance with all applicable federal, state and local laws, codes, ordinances, rules and regulations.
4. City shall not alter any lock or install any new or additional locking devices without the prior written consent of Landlord. All locks installed in the Premises, excluding City's vaults and safes, or special security areas (which shall be designated by City in a written notice to Landlord), shall be keyed to the Building master key system and Landlord shall be provided two (2) master keys. City, upon the termination of its tenancy, shall deliver to Landlord all keys to doors in the Premises.
5. City shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable, combustible or noxious fluid or materials or use any method of heating or air conditioning other than those limited quantities necessary for the operation and maintenance of normal office equipment.
6. In the case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of same by such action as Landlord may deem appropriate, including closing any doors in the Building.
7. City shall reasonably see that the doors of the Premises are closed and locked and that all water faucets, water apparatus and utilities are shut off before City or City's employees leave the Premises, so as to prevent waste or damage and shall at all times comply with any rules or orders of the fire department with respect to ingress and egress.

8. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, no foreign substance of any kind whatsoever shall be deposited therein. The reasonable and necessary expense of any breakage, stoppage or damage resulting in any violation of this rule shall be borne by City. City shall comply with all water conservation laws and measures.
9. City shall not sell, or permit the sale from the Premises of, or use or permit the use of any sidewalk or mall area adjacent to the Premises for the sale of, newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, nor shall City carry on, or permit or allow any employee or other person to carry on, business in or from the Premises for the service or accommodation of occupants or any other portion of the Building, nor shall the Premises be used for manufacturing of any kind, or for any business or activity other than that specifically provided for in City's lease.
10. City shall not install any radio or television antenna, loudspeaker, or other device on or about the roof area or exterior walls of the Building without landlord's prior written consent, which shall not be unreasonably withheld or delayed..
11. City shall store all its trash and garbage within the Premises until removal of the same to such location in the Building as may be designated from time to time by Landlord. No material shall be placed in the Building trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City of San Francisco without being in violation of any law or ordinance governing such disposal.
12. City shall immediately, upon request from Landlord (which request need not be in writing), reduce its lighting and HVAC in the Premises for temporary periods designated by Landlord, when required in Landlord's judgment to prevent overloads of the mechanical or electrical systems of the Building.
13. Landlord reserves the right to select the name of the Building and to make such change or changes of name as it may deem appropriate from time to time. City shall refer to the Building only by the postal address approved by the United States Post Office.
14. City assumes all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry closed.
15. No vending machine shall be maintained or operated within the Premises or the Building without Landlord's prior written consent which shall not be unreasonably withheld or delayed.
16. No animal or bird shall be permitted in the Premises or the Building, except for serviced animals.
17. Wherever the word "City" occurs in these Rules and Regulations, it is understood and agreed that it shall mean City's associates, agents, clerks, officers, employees, visitors and City's assigns.

18. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or part, the terms, covenants, agreements and conditions of any lease of premises in the Building.
19. Landlord reserves the right to make such other and reasonable rules and regulations as in its judgment may from time to time be needed for the safety, care and cleanliness of the Building, and for the preservation of good order therein.
20. City shall be responsible for the observance of all the foregoing Rules and Regulations by City's employees, agents, clients, customers, invitees and guests.

1 [Real Property Lease - K.L.W. Investments, LLC - 3119 Mission Street - \$473,884 Base Rent
2 in Initial Year]

3 **Resolution authorizing the lease with K.L.W. Investments, LLC, as Landlord, for the**
4 **entire property, commonly known as 3119 Mission Street, consisting of approximately**
5 **11,085 square feet at \$39,490.31 monthly for \$473,884 base rent in the initial year for**
6 **use by the Human Service Agency for a five-year term from July 1, 2015, through June**
7 **30, 2020.**

8
9 WHEREAS, The City has leased 3119 Mission Street for use the Human Services
10 Agency (the "HSA") since 1998; and

11 WHEREAS, HSA utilizes this leasehold to provide public benefits in the South of
12 Market-Mission corridor serving families engaged in CalWORKS, MediCAL, CalFRESH
13 benefits and a number of child welfare services; and

14 WHEREAS, 3119 Mission Street and its companion property 3120 Mission Street
15 operate as HSA's main workforce development center and the home of the JOBS NOW wage
16 subsidy program serving over 500 clients weekly; and

17 WHEREAS, The existing Lease for 3119 Mission Street expires on June 30, 2015; and

18 WHEREAS, HSA desires to continue to provide these valuable services to the
19 community; and

20 WHEREAS, The Real Estate Division on behalf of HSA has negotiated a new five year
21 Lease; now, therefore, be it

22 RESOLVED, That in accordance with the recommendation of the Director of the
23 Human Services Agency and the Director of Property, the Director of Property is hereby
24 authorized to take all actions, on behalf of the City and County of San Francisco, as Tenant,
25 to enter into the Lease for the Property located at 3120 Mission Street, San Francisco,

1 California, comprising approximately 11,085 square feet on substantially the terms of the
2 Lease on file with the Clerk of the Board of Supervisors in File No. 150426, which is hereby
3 declared to be a part of this resolution as if set forth fully herein; and, be it

4 FURTHER RESOLVED, The monthly base rent shall be \$39,490.31 (approximately
5 \$42.75 per square foot annually) commencing July 1, 2015, net of utilities but including
6 janitorial services, subject to annual rent adjustments of \$1 per square foot (approximately
7 2.3%) beginning July 1, 2016; and, be it

8 FURTHER RESOLVED, The Landlord shall provide an allowance of \$144,105
9 (approximately \$13 per square foot) for the construction of improvements and the City shall
10 pay for the costs above the allowance up to a maximum additional cost of \$200,000; and, be it

11 FURTHER RESOLVED, The City agrees to indemnify, defend, and hold harmless
12 Landlord and its agents from and against any and all claims, costs, and expenses, including
13 without limitation, reasonable attorney fees, incurred as a result of (a) City's use of the
14 Property, (b) any default by the City in the performance of any of its obligations under the
15 Lease, or (c) any acts or omissions of City or its agents, in, on or about the Property, provided
16 however City shall not be obligated to indemnify Landlord or its agents to the extent any claim,
17 cost and expense arises out of active gross negligence or willful misconduct of Landlord or its
18 agents; and, be it

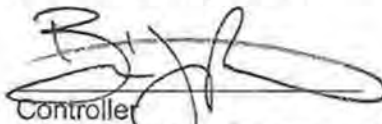
19 FURTHER RESOLVED, The Board of Supervisors approves the Lease in substantially
20 the form in the Board's File and authorizes the Director of Property to take all actions, on
21 behalf of City, to enter into any amendments or modifications (including without limitation, the
22 exhibits) to the Lease on the terms and conditions herein and form approved by the City
23 Attorney that the Director of Property determines, in consultation with the City Attorney, are in
24 the best interest of the City, do not increase the rent or otherwise materially increase the
25

1 obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of
2 the Lease and are in compliance with all applicable laws, including City's Charter; and, be it

3 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
4 Controller pursuant to of the Charter, Section 3.105; and, be it

5 FURTHER RESOLVED, That within thirty (30) days of the agreement being fully
6 executed by all parties the Director of Property shall provide the Lease agreement to the Clerk
7 of the Board to include into the official file.

8 \$673,844.00 Available
9 (\$473,884 Base Rent
10 plus \$200,000 improvements)
11 Index Code No. 45ADOH

12 

13 Controller
14 Subject to the enactment of the FY 2015-2016
15 annual appropriation ordinance.

16 RECOMMENDED:

17 
18 Trent Rhorer, Director
19 Human Services Agency

20 RECOMMENDED:

21 
22 John Updike, Director
23 Real Estate Division



City and County of San Francisco

Tails
Resolution

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

File Number: 150426

Date Passed: June 09, 2015

Resolution authorizing the lease with K.L.W. Investments, LLC, as Landlord, for the entire property, commonly known as 3119 Mission Street, consisting of approximately 11,085 square feet at \$39,490.31 monthly, for \$473,884 base rent in the initial year, for use by the Human Service Agency for a five-year term from July 1, 2015, through June 30, 2020.

June 03, 2015 Budget and Finance Sub-Committee - RECOMMENDED

June 09, 2015 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

File No. 150426

I hereby certify that the foregoing Resolution was ADOPTED on 6/9/2015 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

6/18/2015
Date Approved

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "**First Amendment**"), dated for reference purposes only as of May 3, 2020, is by and among K LW Investments, LLC, a California limited liability company ("**Landlord**"), and the City and County of San Francisco, a municipal corporation ("**City**" or "**Tenant**").

RECITALS

A. Landlord and City are parties to that certain Lease dated June 19, 2015, for the Premises located at 3119-3127 Mission Street (the "**Original Lease**").

B. City timely exercised its First option to extend the term of the Lease through June 30, 2025 ("**First Extended Term**"), and Landlord and City wish to amend the Lease to set forth their agreement with respect to the extension term as more fully described in this First Amendment.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the mutual covenants and agreements contained in this First Amendment, the receipt and sufficiency of which are mutually acknowledged, Landlord and City agree as follows as of the date this First Amendment is fully executed (the "**Effective Date**"):

1. Definitions. (a) The Original Lease, as amended by this First Amendment, is referred to in this First Amendment as the "**Lease.**" (b) All initially capitalized, undefined terms used in this First Amendment have the same meanings given to them in the Original Lease.

2. Expiration of Initial Term; duration of First Extended Term. The First Extended Term shall commence on July 1, 2020 and shall terminate on June 30, 2025, subject to City exercising any of its additional options under the Original Lease.

3. Base Rent. Annual Base Rent beginning on July 1, 2020 will be \$456,480.30 (\$38,040.03 per month or \$41.18 per square foot per year). Base Rent will escalate pursuant to Section 4 of this First Amendment.

4. Adjustments in Base Rent. Section 4.2 of the Original Lease is deleted in its entirety and replaced with the following language:

"Base Rent under the Lease will increase on the anniversary of the Lease by three percent (3%) per annum, beginning on July 1, 2021."

5. Use. Section 5.1 of the Original Lease is deleted in its entirety and replaced with the following language:

"City may use the Premises for distribution of public benefits, general offices and other uses permitted by applicable zoning, but excluding any drug rehabilitation, health clinic, drug clinic, or any other similar use that may reasonably cause an increase in Landlord costs and or adversely affect any other tenants of Landlord adjacent to the Premises."

6. Energy Benchmarking. City pays for all utility costs for the Premises under the Original Lease. Accordingly, if Landlord receives a notice requiring energy benchmarking or similar utility usage reporting for the Premises during the Term and delivers such notice to City, City will promptly deliver the applicable information to the requesting party to the extent City has such information.

7. Prevailing Wages and Working Conditions. Section 22.24 of the Original Lease is deleted in its entirety and replaced with the following language:

“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.”

8. Prohibition on Campaign Contributions. Section 22.34 of the Original Lease is deleted in its entirety and replaced with the following language:

“For the purposes of this Section, a “**City Contractor**” is a party that contracts with, or seeks to contract with, the City for the sale or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves. Through its execution of this First Amendment, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits a City Contractor from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for that contract or twelve (12) months after the date that contract is approved. Landlord acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$100,000 or more. Landlord further acknowledges that within thirty (30) days of the submission of a proposal for the contract, the City’s Real Estate Division must notify the Ethics Commission of the parties and any subcontractor to the contract. Additionally, Landlord acknowledges the City’s Real Estate Division was required to notify the Ethics Commission of those persons.”

9. No Broker. Neither party has had any contact or dealings regarding this First Amendment, 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 this First Amendment. If any 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 its claim shall be responsible for such commission or fee and shall indemnify the

other party from any and all claims or losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination or nullification of this First Amendment.

10. **Attorneys Fees.** If a dispute arises concerning this First Amendment, the party not prevailing in such dispute shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights under this First Amendment, reasonable fees of attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

11. **Miscellaneous.** (a) Except as expressly modified by this First Amendment, the terms, covenants and conditions of the Original Lease shall remain unmodified and in full force and effect and in accordance with all of its terms. (b) This First Amendment constitutes the entire agreement of the parties concerning the subject matter hereof, and supersedes and conceals any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein. (c) The execution of this First Amendment shall not constitute a waiver of relinquishment of any rights which City or Landlord may have relating to the Original Lease. (d) City and Landlord hereby ratify and confirm all of the provisions of the Original Lease. (e) If there is any conflict between this First Amendment and the Original Lease, this First Amendment shall control. If any one or more of the provisions in this First Amendment is invalid, illegal or unenforceable in any respect, the remaining provisions contained herein shall not be affected in any way thereby. (f) This First Amendment 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. (g) This First Amendment shall be governed by, construed and enforced in accordance with the laws of the State of California and the City's Charter. (h) Time is of the essence with respect to all provisions of this First Amendment in which a definite time for performance is specified. (i) This First Amendment shall be effective as of the Effective Date. (j) Each party represents and certifies that the individual signing on behalf of such party is duly authorized to do so.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Landlord and City hereby execute this First Amendment as of the date first written above.

LANDLORD:

KLW INVESTMENTS, LLC,
a California limited liability company

By:

Date:

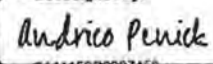

3/20/20

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By:

Date:

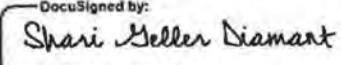
DocuSigned by:

3441150C0287459
Andrico Q. Penick, Director of Property

5/28/2020

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By:

DocuSigned by:

ATB27NS4BQC3775
Shari Geller Diamant
Deputy City Attorney



San Francisco Ethics Commission

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

Phone: 415.252.3100 · Fax: 415.252.3112

Filing Information

Record Number

SFEC126F0001115

Status

BOS Legislative Clerk Acceptance

SFEC126f Form Type

126f4 BOS

File Number (BOS)

260172

Type of Filing

Original

Contractor Information

Contractor Name

Richard Hyde; K LW Investments, LLC

Contractor Email

rh@hyderanches.com

Contractor Phone #

(415) 602-0813

International Address?

No

Contractor Address (US)

139 Mitchell Avenue, Suite 236

Contractor City and State

South San Francisco - CA

Contractor Zip Code

94080

Country

United States of America

Contract Information

Contract Amount

\$1,950,994.29

Description of Amount of Contract

Amendment extending lease with K LW Investments, LLC, for 11,085 SF at 3119-3127 Mission Street, at annual base rent for of \$410,145, and total term obligation of \$ 1,950,994.29

Contract Description

Lease extension

City Agency - Departmental Contact Information

Departmental Contact

Zerlina Wong Liberatore

Departmental Contact Phone #

(415) 554-9850

Full Department Name

ADM - Office of the City Administrator

Agency Contact Email

realestateadmin@sfgov.org

Contract Approval

Mayoral Approval Not Required

false

Affiliates and subcontractors

Entity Type	First Name	Last Name	Entity or Sub/Contractor Name
Other Principal Officer	Richard E. Hyde Jr.	1981 IRR Turst	Richard E. Hyde Jr.
Other Principal Officer	Culebra	Ventures	Culebra Ventures

City & County of San Francisco
Daniel Lurie, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Sally Oerth, Director of Real Estate

February 19, 2026

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

RE: Extension of the Human Services Agency Lease at 3119-27 Mission Street

Dear Board Members:

Attached for your consideration is an amendment to extend the 11,085 square foot Human Services Agency ("HSA") lease at 3119, 3125 and 3127 (3119-27) Mission Street, by four years and six months.

HSA has been an established presence in the Mission District since 2015, where it provides supportive services and programs, including Workforce Development, CalWORKs, MediCal and CalFresh eligibility, and Family and Children's Services.

The annual base rent in the proposed amendment is \$410,154, or \$37.00 per square foot, which is the appraised fair market rent for the premises, and 20.2% below the base rent in the last year of the expired term. The terms of the proposed amendment include:

- confirmed payment of rent from July 1, 2025, to the effective date of the extension term, on or about March 1, 2025, at the same rate paid during the last year of the expired term, effectively waiving the 200% holdover rent provided for by the Lease;
- retroactive commencement of the fair market rent to September 15, 2025;
- establishment of a \$56,131.60 rent credit, the difference between the payments made and the fair market rent, between September 15, 2025, and April 1, 2026;
- application of the rent credit to a tenant improvement project at 3120 Mission Street, leased from the same landlord.
- One option to extend the lease for 5 years at 95% of fair market rent.

Approval of this amendment ensures continuity of essential services at a favorable market rate.

Should you have any questions regarding this matter, please contact Burt Hirschfeld, Senior Real Property Officer in the Real Estate Division, at (415) 554-9862.

Respectfully,

A handwritten signature in blue ink that reads "Sally Oertli". The signature is written in a cursive style with a horizontal line underneath the name.

Sally Oertli
Director of Real Estate