

File No. 250872

Committee Item No. 6

Board Item No. 12

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date September 17, 2025

Board of Supervisors Meeting Date September 30, 2025

Cmte Board

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Completed by: Brent Jalipa Date September 11, 2025

Completed by: Brent Jalipa Date September 18, 2025

1 [Real Property Lease - Innes Group, LLC - 1908-1950 Innes Avenue - \$631,800 Initial Base
2 Year Rent - Up to \$349,092 in Tenant Improvements]

3 **Resolution approving and authorizing the Director of Property, on behalf of the Fleet**
4 **Management Department (“Central Shops”), to execute a Lease Agreement for 1908 -**
5 **1950 Innes Avenue for a term of six years to commence on October 1, 2025, through**
6 **September 30, 2031, with one five-year option to extend the term with Innes Group,**
7 **LLC, at a base annual rent of \$631,800 per year (approximately \$21.60 per square foot)**
8 **with three percent annual rent increases, and the City will contribute up to an**
9 **additional \$349,092 for tenant improvements; and authorizing the Director of Property**
10 **to execute any amendments or modifications to the Lease including exercising options**
11 **to extend the agreement term, make certain modifications and take certain actions that**
12 **do not materially increase the obligations or liabilities to the City, do not materially**
13 **decrease the benefits to the City, and are necessary to effectuate the purposes of the**
14 **Lease or this Resolution.**

15
16 WHEREAS, Central Shops provides fleet management services to over 70 City
17 departments with a combined municipal fleet of approximately 8,000 vehicles, and operates
18 six maintenance and repair facilities across the City responsible for asset management,
19 maintenance and repairs, motor pools, fueling services, writing equipment specifications,
20 vehicle acquisition and disposition; and

21 WHEREAS, The State Water Resources Control Board has mandated that by
22 December 31, 2025, single wall underground fuel storage tanks must be replaced statewide
23 and Central Shops currently have single wall fuel storage tanks at their facilities servicing the
24 City fleet of vehicles; and
25

1 WHEREAS, To meet the requirements of the State mandate Central Shops must
2 construct a temporary fuel station while the Department of Public Works completes the
3 required project which is scheduled to commence in December 2025, due to space and
4 logistics constraints at their six existing maintenance facilities an offsite location is needed to
5 construct the temporary fuel station large enough to allow vehicle ingress, egress, and
6 queuing; and

7 WHEREAS, After an extensive search of locations, both public and private, by Central
8 Shops and the Real Estate Division a privately owned site became available at 1908 - 1950
9 Innes Avenue; and

10 WHEREAS, Central Shops need a dedicated site to commission and decommission
11 the City vehicle fleet, not having a dedicated site to process City fleet vehicles is inefficient
12 and labor intensive and leads to confusion and delays; and

13 WHEREAS, 1908 - 1950 Innes Avenue will provide both a dedicated site for processing
14 the City vehicle fleet and a location for the construction of the temporary fuel station during the
15 Department of Public Works fuel tank replacement project, after the fuel tank replacement
16 project is completed and the temporary fuel station is removed 1908 - 1950 Innes Avenue will
17 accommodate future expansion of Central Shops fleet processing operation; and

18 WHEREAS, The Real Estate Division ("RED"), on behalf of Central Shops in
19 consultation with the City Attorney has negotiated a new Lease Agreement with a six-year
20 term to commence on October 1, 2025, through September 30, 2031, with one option to
21 extend the term for five-years at the then prevailing market rate applicable upon exercising the
22 extension; and

23 WHEREAS, The proposed annual rent of \$631,800 per year (approximately \$21.60 per
24 square foot) with three percent escalations was determined to be equal or below fair market
25

1 rent by the Director of Property and that no appraisal was required by Administrative Code,
2 Chapter 23; and

3 WHEREAS, Central Shops shall pay, in addition to the annual base rent, for its own
4 utilities and services in conjunction with its use of the property; and

5 WHEREAS, Landlord, at City's cost not to exceed \$349,092, will construct leasehold
6 improvements per City's specifications; and

7 WHEREAS, The Lease contains an option for the City to purchase the Property
8 pursuant to the terms and conditions of the Lease, with the City's acquisition of the Property
9 being subject to a future final approval by the Board of Supervisors and Mayor in their
10 absolute and sole discretion; and

11 WHEREAS, A copy of the proposed Lease Agreement is on file with the Clerk of the
12 Board in File No. 250872; now, therefore, be it

13 RESOLVED, That in accordance with the recommendation of the Director of Property,
14 on behalf of Central Shops, the Board of Supervisors approves the Lease Agreement and
15 authorizes the Director of Property to take all actions on behalf of the City necessary or
16 advisable to effectuate the Lease Agreement with Innes Group, LLC as the Landlord, for 1908
17 - 1950 Innes Avenue, San Francisco, substantially in the form on file with the Clerk of the
18 Board of Supervisors in File No. 250872; and, be it

19 FURTHER RESOLVED, That commencing upon the approval by the Board of
20 Supervisors and Mayor, the base rent shall be \$631,800 per year (approximately \$21.60 per
21 square foot) with tenant paying for utilities and services in conjunction with its use of the
22 property; and, be it

23 FURTHER RESOLVED, That upon execution of the Lease, City is authorized to
24 request Landlord to perform the Tenant Improvements on behalf of City with City's cost not
25 to exceed \$349,092 and pursuant to the terms and conditions of the Lease; and, be it

1 FURTHER RESOVLED, Authorizing the Director of Property to execute any
2 amendments to the Lease, options to extend to the Lease term, and make certain
3 modifications and take certain actions that do not materially increase the obligations or
4 liabilities to the City, do not materially decrease the benefits to the City and are necessary or
5 advisable to effectuate the purposes of the Lease Agreement or this Resolution; and, be it

6 FURTHER RESOLVED, That within 30 days of the Lease Agreement being fully
7 executed by all parties, the Director of Property shall provide the final Lease Agreement to the
8 Clerk of the Board for inclusion into the official file.

9
10 Available: \$291,000 (base rent for
11 period October 1st, 2025, through June
30th, 2026)

Fund ID:	27500
Department ID:	232178
Project ID:	10001625
Authority ID:	10000
Account ID:	530110
Activity ID:	0001

16 Available: \$349,092 (Leasehold
17 Improvements)

Fund ID:	15384
Department ID:	232178
Project ID:	10041430
Authority ID:	22224
Account ID:	567000
Activity ID:	0001

22 a
23 Available: \$182,850
24 (base rent for period October 1st, 2025,
25 through June 30th, 2026)

Fund ID:	14300
Department ID:	228875
Project ID:	10001302
Authority ID:	17375
Account ID:	530110
Activity ID:	0020

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

RECOMMENDED:

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Don Jones, Director
of Fleet Management

 $|S|$

Andrico Penick, Director of Property
Real Estate Division

Item 6 File 25-0872	Department: City Administrator's Office (ADM)
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would authorize the Director of Property, on behalf of the Fleet Management Department (Central Shops), to execute a lease with Innes Group, LLC for 1908-1950 Innes Avenue for a term of six years, from October 2025 through September 2031, with one five-year option to extend through September 2036, for initial annual base rent of \$631,800, with three percent annual increases, and authorizing the City to contribute up to \$349,092 for tenant improvements. Key Points - Central Shops operates six facilities and is responsible for fleet asset management, maintenance and repairs, motor pools, fueling, writing specifications, and vehicle acquisition and disposition. The California State Water Resources Control Board (SWRCB) requires the removal of all single-wall underground fuel storage tanks by December 31, 2025. Central Shops and the Real Estate Division (RED) searched for locations where Central Shops could construct a temporary fuel station while the Department of Public Works (DPW) replaces the existing fuel storage tanks and pursued the location at 1908-1950 Innes Avenue because it is adjacent to Central Shops' primary location at 555 Selby Street. The Innes location would also allow Central Shops to have a dedicated site to commission and decommission vehicles, which is currently being done at various client department sites. - The proposed lease's rental rate of \$21.60 per square foot was determined using comparisons of leases of five similar properties in the area. The City would have an option to purchase the property within three years for a price of \$12,000,000. The landlord would complete tenant improvements, including upgrading electrical utility connections and warehouse doors, at a cost to the City of up to \$349,092. Fiscal Impact - Under the proposed lease, the City would pay \$631,800 in initial annual rent, with three percent annual escalation. Over the initial six-year term of the lease, the City would pay \$4,086,741 in total rent. If the City were to exercise the five-year option, base rent for the extension term would be adjusted to the prevailing market rate. - The City would pay up to \$349,092 in tenant improvements and \$500,000 to install the temporary fuel tank. The City is also responsible for utilities and janitorial and security services. Rent will be funded by charges to City departments, and the tenant improvements and fuel replacement costs will be funded by Certificates of Participation. Recommendation - Approve the proposed resolution.	

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 City's Fleet Management Department (Central Shops) provides fleet services to over 70 City departments with a combined fleet of approximately 8,000 vehicles. Central Shops operates six facilities¹ across the City and is responsible for asset management, maintenance and repairs, motor pools, fueling, writing equipment specifications, and vehicle acquisition and disposition.

The California State Water Resources Control Board (SWRCB) requires the removal of all single-wall underground fuel storage tanks by December 31, 2025. To meet this requirement, Central Shops and the Real Estate Division (RED) searched for locations where Central Shops could construct a temporary fuel station while the Department of Public Works (DPW) replaces the existing fuel storage tanks. Existing maintenance facilities were not suitable because of space constraints and the needed ingress, egress, and queueing of vehicles for fueling. Central Shops and RED decided to pursue the location at 1908-1950 Innes Avenue because it is adjacent to Central Shops' primary location at 555 Selby Street. The Innes location would also allow Central Shops to have a dedicated site to commission and decommission vehicles, which is currently being done at various client department sites in an inefficient manner. RED negotiated a lease with the landlord, Innes Group, LLC.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property, on behalf of Central Shops, to execute a lease with Innes Group, LLC for 1908-1950 Innes Avenue for a term of six years, from October 2025 through September 2031, with one five-year option to extend through September 2036, for annual base rent of \$631,800, with three percent annual escalation, and authorizing the City to contribute up to \$349,042 in tenant improvements. The proposed resolution also authorizes the Director of Property to make further immaterial amendments to the lease.

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

¹ The six facilities are City-owned locations at 555 Selby Street, 2323 Cesar Chavez Street, 1 Martin Luther King Drive, Pier 50 Shed D, and 950 Bryant Street, as well as a leased location at 450 Toland Street.

Exhibit 1: Key Lease Terms

Premises	An approximately 46,724 square foot lot, including two warehouse buildings, totaling approximately 29,250 square feet
Term	6 years, from October 2025 through September 2031
Options to Extend	One 5-year option to extend through September 2036 (with base rent adjusted to the prevailing market value)
Initial Base Rent	\$631,800 (\$21.60 per square foot)
Rent Escalation	3% annual escalation
Tenant Improvements	Provided by landlord at a cost to the City not to exceed \$349,092
Maintenance	City is responsible for maintaining the interior of the buildings
Utilities	Paid by City
Janitorial/Security Services	Paid by City
Option to Purchase	City has 3-year option to purchase the property for \$12,000,000

Source: Proposed lease

The rental rate of \$21.60 per square foot was determined using comparisons of leases of five similar properties in the area. An appraisal is not required under Administrative Code Section 23.27 because the proposed rent is below \$45 per square foot. The City would have an option to purchase the property within three years for a price of \$12,000,000. This purchase price was negotiated between the City and the landlord and is subject to future appraisal.

The landlord would be required to complete tenant improvements, including upgrading electrical utility connections to support future electric vehicle charging stations, installing a small pedestrian door in the larger warehouse building, and installing two large roll-up doors on the smaller warehouse building. The City would pay up to \$349,092 for these improvements, which are expected to take four to six weeks to complete.

Temporary Fuel Tank and Fuel Tank Replacement

To meet SWRCB requirements, the Department of Public Works (DPW) will be installing a temporary fuel tank at 1908 Innes Street, as well as two replacement tanks at 950 Bryant Street and three replacement tanks at 2323 Cesar Chavez Street. The estimated cost of the temporary tank is \$500,000, and the estimated cost of the replacement tanks is approximately \$20 million.

Construction of the temporary tank will start after the lease is executed and is expected to take about seven months. Public Works plans to begin to remove the single-wall tanks at 950 Bryant and 2323 Cesar Chavez once the temporary station is operational. Removal and replacement of the Cesar Chavez underground tanks is estimated to take 18 to 24 months, with an estimated completion date between June 2027 and December 2027. After this is completed, Central Shops will replace the Bryant tanks.²

² The 950 Bryant Street location has one single-walled tank and one double-walled tank. According to Don Jones, Director of Fleet Management, Central Shops will keep the double-walled tank operational while the single-walled tank is removed. Upon completion of the Cesar Chavez tanks, Central Shops will replace both Bryant tanks.

FISCAL IMPACT

Under the proposed lease, the City would pay \$631,800 in initial annual rent, with three percent annual escalation. Over the initial six-year term of the lease, the City would pay \$4,086,741 in total rent, as shown in Exhibit 2 below.

Exhibit 2: Annual Rent Paid by City under Proposed Lease

Year	Rent
1	\$631,800
2	650,754
3	670,277
4	690,385
5	711,096
6	732,429
Total	\$4,086,741

Source: BLA estimates of proposed lease

If the City were to exercise the five-year option, base rent for the extension term would be adjusted to the prevailing market rate.

In addition to the rent, the City would pay up to \$349,092 in tenant improvement costs. The City would also pay \$500,000 to install the temporary fuel tank. The City is responsible for utilities and janitorial and security services, for which the cost is unknown at this time.

Funding Source

According to Central Shops staff, the rent in FY 2025-26 will be paid for by the Central Shops fund and the Real Estate fund, which are funded by charges to City Departments. In FY 2026-27, rent will be paid for by the Central Shops Fund.

The \$349,092 in tenant improvements and the fuel tank replacements at 950 Bryant and Cesar Chavez will be funded by Certificates of Participation.

RECOMMENDATION

Approve the proposed resolution.

EXECUTION VERSION

LEASE

between

INNES GROUP LLC,
a California limited liability company,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,
as Tenant

For the lease of
1908 – 1950 Innes Avenue
San Francisco, California

June 30, 2025

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EXHIBIT B — Notice of Commencement Date

EXHIBIT C — Pricing Plans and Construction Specifications

EXHIBIT D — Form of Memorandum of Lease

LEASE

THIS LEASE (this “**Lease**”), dated for reference purposes only as of June 30, 2025, is by and between INNES GROUP LLC, a California limited liability company (“**Landlord**”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**City**” or “**Tenant**”).

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the “**Basic Lease Information**”). Each item below is deemed to incorporate all of the terms in this Lease pertaining to that item. If there is any conflict between the information in this Section and any more specific provision of this Lease, the more specific provision will control.

Lease Reference Date:	June 30, 2025
Landlord:	Innes Group LLC, a California limited liability company
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation
Buildings (<u>Section 2.1</u>):	Two warehouse buildings comprising approximately 29,250 rentable square feet.
Premises (<u>Section 2.1</u>):	1908-1950 Innes Avenue, San Francisco, CA
Rentable Area of Premises (<u>Section 2.1</u>):	Buildings on an approximately 46,724 square foot lot.
Term (<u>Section 3</u>):	Estimated commencement date: October 1, 2025 Expiration date: September 30, 2031
Extension Option (<u>Section 3.3</u>):	One additional term of 5 years, exercisable by City by notice to Landlord given not less than 180 days in advance, with rent determined by Fair Market Value at the time the Option is exercised.
Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$631,800.00 (\$21.60 per sq. ft.) Monthly payments: \$52,650.00 (\$1.80 per sq. ft.)
Base Rent Adjustment; Adjustment Dates (<u>Section 4.2</u>):	Three percent (3%) annual increases on each anniversary of the lease commencement date.
Permitted Use (<u>Section 5.1</u>):	All activities pertinent to City’s vehicle fleet management, including a temporary fueling station and the commissioning and

Leasehold Improvements (<u>Section 6</u>)	decommissioning of the City's vehicle fleet. Lessor will complete, at City's cost, the following improvements to the Premises: (i) distribute utilities in both warehouse Buildings per City plan; (ii) for larger warehouse Building: one "man" door according to City plan (City to verify code compliance); and (iii) for smaller warehouse Building: two roll up doors according to City plan.
Utilities (<u>Section 9.1</u>):	Tenant pays utility costs.
Services (<u>Section 9.2</u>):	Tenant pays for janitorial and security services.
Notice Address of Landlord (<u>Section 24.1</u>):	Innes Group LLC 611 Gateway Blvd. Suite 120 South San Francisco, CA 94080
Landlord's Key Contact:	Harry Hung
Landlord Contact Telephone No.:	
Tenant's Notice Address (<u>Section 24.1</u>):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, California 94102 Attn: Director of Property Re: 1908 - 1950 Innes Avenue
with a copy to:	Director of Fleet Management Fleet Management - Central Shops 555 Selby Street San Francisco, CA 94124 Attn: Don Jones Email: Don.Jones@sfgov.org
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: Real Estate & Finance Team Re: 1908 - 1950 Innes Avenue Fax No.: (415) 554-4757
Tenant's Key Contact:	Don Jones
Tenant Contact Telephone No.:	(628) 652-5621
Brokers (<u>Section 24.8</u>):	Colliers International and Fortress Real Estate Advisors Inc.
Option to Purchase: (<u>Section 22</u>):	Tenant has an option to purchase the Property during the initial three (3) years of the Term.

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the warehouse buildings identified in the Basic Lease Information (the “**Buildings**”) and the land on which the Buildings are located, which are shown on the plan(s) attached as **Exhibit A** (collectively, the “**Premises**”). The Premises and all other improvements on or appurtenances to the land are referred to collectively as the “**Property**”.

2.2 Condition of the Premises on Delivery

Landlord will deliver the Property to City in good, broom clean condition, fully demised, water tight, with all Building Systems (as defined in Section 8.1) in good working order, condition, and repair, and all other systems in and serving the Property in good working order, condition, and repair, and the Property, in compliance with all applicable Laws, as provided in Section 10.1 with the Leasehold Improvements (as defined below) substantially completed by Landlord and confirmed by City under Section 6.1.

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.

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 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, the payment of the CASp inspection fee, and the cost of any repairs necessary to correct violations of construction-related accessibility standards.

3. TERM

3.1 Term of Lease

The Premises are leased for a term (the “**Term**”) commencing on the date that Landlord has delivered and City has accepted the Property in the condition required under this Lease with the Leasehold Improvements substantially completed by Landlord and confirmed by City under Section 6.1, which may not be before the Effective Date, as provided in Section 24.22. The Term will end on the expiration date specified in the Basic Lease Information, or the date that this Lease is earlier terminated under the provisions of this Lease, unless City extends the Term pursuant to Section 3.3 below.

3.2 Commencement Date and Expiration Date

The dates that the Term commences and expires under this Lease are the “**Commencement Date**” and the “**Expiration Date**.” If the Commencement Date occurs on a date other than the Estimated Commencement Date provided in the Basic Lease Information, then Landlord will promptly deliver to City a notice substantially in the form of the attached Exhibit B confirming the actual Commencement Date, but Landlord’s failure to do so will not affect the dates of commencement or expiration of the Term.

3.3 Extension Option

Landlord grants City the right to extend the Term (the “**Extension Option**”) for the additional term specified in the Basic Lease Information (the “**Extended Term**”). The Extended Term will be on all of the terms and conditions contained in this Lease. Landlord acknowledges and agrees that City’s exercise of the Extension Option will be conditioned on and subject to the Board of Supervisors and the Mayor enacting a resolution, at their respective sole and absolute discretion, approving and authorizing the extension (the “**Exercise Approval**”). Accordingly, City’s exercise of the Extension Option will occur, if at all, in two steps. City may exercise the Extension Option, if at all, by giving first written notice to Landlord of City’s intent to extend the Lease (the “**Exercise Notice**”) no later than ninety (90) days before expiration of the Term; provided, however, if there is an uncured Event of Default on the date City gives the Exercise Notice, then Landlord may reject the Exercise Notice if City fails to cure the Event of Default within ten (10) days after Landlord’s written demand for City to cure the Event of Default. City will have sixty (60) days after the date City delivers the Exercise Notice to Landlord to obtain the Exercise Approval (unless the parties are proceeding under Section 4.3, in which event within sixty (60) days after the date the Director of Property approves the Base Rent under Section 4.3(b) to obtain the Exercise Approval). City makes no representation or warranty at the time of giving the Exercise Notice that City will receive the Exercise Approval, and Landlord agrees that the Lease will not be extended if City does not receive the Exercise Approval for any reason or cause, including any alleged failure of advocacy. If the Exercise Approval is not received within the sixty (60)-day period, then Landlord may reject City’s exercise upon written notice to City at any time before City receives the Exercise Approval. On receipt of the Exercise Approval, Tenant shall notify Landlord and the Extension Option will be deemed exercised and binding on the parties. If City extends the Term as provided in this Section, then the word “Term” will mean and include the Extended Term.

4. RENT

4.1 Base Rent

Beginning on the Commencement Date, City will pay to Landlord the annual Base Rent specified in the Basic Lease Information (the “**Base Rent**”). The Base Rent is payable in equal monthly payments at the address specified for Landlord in the Basic Lease Information, or other

place as Landlord may designate in writing on not less than thirty (30) days' advance notice. City will pay the Base Rent monthly within thirty (30) days after invoice from Landlord 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 the fractional month will be prorated based on a thirty (30)-day month.

4.2 Adjustments in Base Rent

On each date specified in the Basic Lease Information for the adjustment of Base Rent (an "**Adjustment Date**"), the Base Rent payable under Section 4.1 will be adjusted as follows:

On each Adjustment Date, the Base Rent for the following twelve-month period will be adjusted to equal three percent (3%) of the Base Rent for the lease year preceding the Adjustment Date.

4.3 Determination of Base Rent for the Extended Term

(a) At the commencement of the Extended Term, the Base Rent will be adjusted to equal the 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 Building ("**Comparable Space**") situated within the Bayview-Hunters Point area of San Francisco (the "**Reference Area**"); provided, however, in no event will the Base Rent be reduced below the Base Rent for the twelve (12)-month period before the Extended Term. As used in this Section, "**prevailing market rate**" means the base rent for Comparable Space, taking into account (i) any additional rent and all other payments and escalations payable under this Lease, (ii) floor location and size of the premises covered by leases of the Comparable Space, (iii) the duration of Extended Term under this Lease and the term of the leases for Comparable Space, (iv) free rent and any other tenant concessions given under the leases for Comparable Space, and (v) tenant improvement allowances and other allowances given under the leases for Comparable Space.

(b) Within thirty (30) days after City's exercise of the Extension Option, Landlord will notify City of Landlord's determination of the prevailing market rate for the Premises, together with reasonable supporting documentation. If City disputes Landlord's determination of the prevailing market rate, City will notify Landlord within fourteen (14) days after Landlord's notice to City of the prevailing market rate and the dispute will be resolved as follows:

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

(ii) If within that thirty (30)-day period Landlord and City cannot agree on the prevailing market rate, then each will select one appraiser to determine the prevailing market rate. Within thirty (30) days after the expiration of the thirty (30)-day consultation period, each party will cause its appraiser to prepare and complete an appraisal report determining the prevailing market rate and submit the report to Landlord and City.

(iii) If only one appraisal report is submitted within that thirty (30)-day period, then the prevailing market rate determined in that appraisal report will be used to establish the Base Rent for the Extended Term. If both appraisal reports are submitted within the thirty (30)-day period, and if the

prevailing market rates determined in the two appraisal reports differ by less than ten percent (10%) of the higher of the two, then the average of the two will be the prevailing market rate. If the prevailing market rates in the two appraisal reports differ by more than ten percent (10%) of the higher of the two, then the two appraisers will immediately select a third appraiser. Within thirty (30) days after the third appraiser is selected, the third appraiser will prepare an appraisal report determining the prevailing market rate and submit the report to Landlord and City. The prevailing market rate determined in the third appraisal report will then be averaged with the closer of the prevailing market rates from the two previous appraisals and the result will be the prevailing market rate. The determination of the third appraiser will be final and binding on the parties.

(iv) If City's Director of Property does not approve the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may revoke City's exercise of the Extension Option.

(v) All appraisers must be "MAI" designated members of the Appraisal Institute with not less than five (5) years' recent experience appraising leases of commercial properties similar to the Premises in the Reference Area. Landlord and City will pay the cost of the appraiser it selects and one-half of the cost of the third appraiser.

4.4 Additional Charges

City will pay to Landlord any charges or other amounts required under this Lease as additional rent ("**Additional Charges**"), including the charges for Operating Costs, as provided below. All Additional Charges are payable to Landlord at the place where the Base Rent is payable. The Base Rent and Additional Charges are sometimes collectively referred to "**Rent.**"

4.5 Definitions

"**Real Estate Taxes**" means all taxes, assessments, and charges levied assessed or imposed on or with respect to the Property. Real Estate Taxes include all general or special real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services, service payments in lieu of taxes that are now or later levied or assessed against Landlord by the federal, state, or local government, district or public corporation, and will also include any other tax, fee, or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes, franchise, real property transfer, other transfer, inheritance, gross receipts, business registration, payroll expense, or capital stock taxes, or income taxes of Landlord from all sources, and any penalties, fines, interest, or charges attributable to the late payment of any taxes.

4.6 Records and Audits

Landlord will maintain at its offices in a safe, complete, and organized manner all of its records related to this Lease and any other charges paid by City under this Lease, for at least three (3) years after the Expiration Date or earlier termination of the Term. Landlord will maintain the records on a current basis and in sufficient detail to facilitate adequate review and audit. All books and records related to this Lease will be available for inspection, copying, and audit by City and its representatives, at City's expense.

Any inspection, copying, or audit conducted by City under this Section shall (i) occur no more than once during any twelve (12)-month period, (ii) be conducted during Landlord's regular business hours upon not less than thirty (30) days' prior written notice, (iii) be limited to financial records directly related to charges or payments under this Lease, and (iv) be subject to a commercially reasonable confidentiality agreement protecting proprietary information and trade secrets of Landlord.

4.7 Payments by City

Landlord acknowledges that City cannot make any payments to Landlord unless Landlord is qualified as an approved vendor in City's financial and payment system. Therefore, City will not be in default of any monetary obligation under this Lease and no interest or late charge will apply, if Landlord is not an approved vendor. More information about being an approved vendor is available at <https://sfcitypartner.sfgov.org/Vendor/BecomeSupplier>. All Rent that has accrued while Landlord was not an approved vendor will be payable within twenty (20) after City receives Landlord's written notice and the Contract Monitoring Division confirms that Landlord has been approved as a City vendor.

4.8 Landlord's Compliance with City Business and Tax 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 this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

4.9 Additional Services

City may request that Landlord provide or arrange for additional services for the Premises, which Landlord may provide or arrange in its reasonable discretion. If Landlord elects to provide the requested additional services and City has approved the cost and scope of those services in advance, then City will pay Landlord as Additional Charges the cost of those services. Landlord may not contract for or provide any services (and City will not be obligated to pay for such services) without City's prior written approval of the cost of the additional services (which may be the known costs, or an hourly rate and maximum number of hours, or a cost estimate with a not-to-exceed maximum amount) in writing before Landlord incurs any costs. City will pay for the cost of the additional services within thirty (30) days after receipt of an invoice; provided, however, that City may elect to provide any deposit or other prepayment that City determines is appropriate given the nature of the requested services. Any additional terms for the additional services will be memorialized by a written agreement, which, upon execution by Landlord and City, will be considered a part of this Lease.

4.10 Security Deposit

Notwithstanding anything to the contrary, Landlord reserves the right to require a refundable security deposit not to exceed one (1) month of Base Rent if City is more than sixty (60) days late with Rent more than two (2) times in any twelve (12)-month period. If required, the deposit shall be paid within thirty (30) days of written notice and shall be returned, less any outstanding obligations, within thirty (30) days after Lease termination.

5. USE

5.1 Permitted Use

City may use the Premises for all activities pertinent to vehicle fleet management which will include a temporary fuel station and any other uses specified in the Basic Lease Information, provided that such uses do not materially increase wear and tear, environmental risk, or insurance cost to Landlord beyond those associated with typical vehicle fleet operations, and for no other use without Landlord's prior written consent, which may not be unreasonably withheld, conditioned, or delayed.

5.2 Interference with Access

Landlord will provide to City uninterrupted access to the Property twenty-four (24) hours per day, seven (7) days per week, including during any power outages affecting the Property; but Landlord may, after consultation with City's Administrator, interrupt City's access to the Property if there is an immediate threat that will render the Property unsafe for human occupancy. If City's use of any of the Property or access to the Property is interrupted because Property is unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than an Event of Default, then Landlord will immediately undertake all necessary steps to correct the condition. If the condition continues for two (2) business days and impairs City's ability to carry on its business at the Property then, subject to Landlord's reasonable efforts to cure such condition, Base Rent shall be equitably abated only to the extent and for the period that City is unable to use a material portion of the Premises for its Permitted Use, and provided such interference was not caused by City or its Agents. In no event shall City have the right to terminate this Lease unless the interruption materially and substantially prevents use of the Premises for more than sixty (60) consecutive days, and Landlord fails to provide a reasonable plan to restore access within an additional thirty (30) days with City's ability to normally and safely carry on its business at the Property. If the condition continues for thirty (30) days or more after City's use is interrupted or impaired then, without limiting any of its other rights under this Lease, City may 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 after the date City's use was interrupted or impaired, and City's full use is actually restored within that sixty (60)-day period. Nothing in this Section will limit City's rights with respect to any disruption due to casualty under Section 12.

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord, through its general contractor reasonably approved by City (the "**Contractor**"), will perform work, and make installations in the Premises as provided in the Pricing Plans and Construction Specifications (as defined in this Section below) approved by City, at City's sole cost and expense. The work and installations are referred to as the "**Leasehold Improvement Work**" and "**Leasehold Improvements.**"

(a) Plans and Specifications

Landlord has caused its architect or space planner approved by City to prepare and submit to City for its approval an architectural plan for a "man" door in the large warehouse, two roll up doors in the small warehouse, and an electrical distribution plan for both the small and large warehouse, based on City's program requirements for use of the Property, and in form and detail sufficient for purposes of Contractor pricing (including all costs to be paid by City in line items in cost categories). City hereby approves the plans and specifications dated June 4th, 2025 (the "**Pricing Plans and**

Construction Specifications”), prepared by Commercial Construction & Improvements, Inc., copies of which are attached as **Exhibit C**.

(b) Permits

Landlord will secure any building permits and other permits and approvals, government fees, licenses, and inspections necessary for the proper performance and completion of the Leasehold Improvement Work shown on the Pricing Plans and Construction Specifications. Promptly after execution of this Lease, Landlord will apply for any permits, approvals, or licenses necessary to complete the Leasehold Improvement Work and will provide copies to City promptly following receipt.

(c) Construction

Promptly after execution of this Lease and receipt of all necessary permits and approvals, Landlord will commence construction and cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practices. Landlord will comply with and give notices required by all Laws (defined in Section 10.1), related to construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements must comply with all applicable disabled access laws, including the most stringent requirements of the Americans with Disabilities Act of 1990, California Code of Regulations Title 24 (or its successor) and City’s requirements for program accessibility. Landlord will pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.3, and may not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.5.

(d) Construction Schedule; Substantial Completion

(i) Landlord will keep City apprised on a regular basis of the status of plan preparation, permit issuance, and the progress of construction. When construction progress permits, but not less than fifteen (15) days before completion, Landlord will notify City of the approximate date that the Leasehold Improvement Work will be substantially completed in accordance with the Pricing Plans and Construction Specifications. Landlord will revise the notice of the approximate substantial completion date as appropriate from time to time and will immediately notify City when the Leasehold Improvement Work is substantially completed. On a mutually agreeable date as soon as practicable after Landlord’s notice to City that the Leasehold Improvements have been substantially completed, City and its authorized representatives will accompany Landlord or its architect on an inspection of the Premises.

(ii) The Leasehold Improvement Work will be deemed to be **“substantially completed”** for purposes of this Lease when the Leasehold Improvements have been sufficiently completed in accordance with the approved Pricing Plans and Construction Specifications so that City can conduct its business for its intended uses. At its option, City may approve the Leasehold Improvements even though there may remain incomplete minor details that would not interfere with City’s use. Landlord will promptly and diligently cause all incomplete details to be completed. Within thirty (30) days after acceptance of the Premises or as soon after acceptance as practicable, City may present to Landlord a written punchlist of any items that have not been finished in accordance with the Pricing Plans and Construction Specifications. Within thirty (30) days

after the delivery of the punchlist, Landlord will promptly complete all defective or incomplete items identified in the punchlist. City's failure to include any item on the punchlist will not alter Landlord's obligation under this Lease to complete all Leasehold Improvement Work in accordance with the approved Pricing Plans and Construction Specifications, or constitute a waiver of any latent defects.

(iii) No approval by City or any of its Agents of the Pricing Plans and Construction Specifications, or completion of the Leasehold Improvement Work for purposes of this Lease will be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing in this Lease will limit Landlord's obligations to obtain all necessary or required approvals.

6.2 Reimbursement for Leasehold Improvement Work

(a) Leasehold Improvement Work

Landlord shall notify City once the Leasehold Improvement Work has been substantially completed, and shall include with such notice an invoice ("**Reimbursement Invoice**"), which shall be accompanied by an itemized application for payment for work completed in accordance with the Pricing Plans and Construction Specifications. The Reimbursement Invoice may not include a request for payment of amounts Landlord does not intend to pay to Contractor because of a dispute or otherwise. City shall pay the Reimbursement Invoice within thirty (30) days of City's receipt of required documentation in accordance with subparagraph (b) below.

(b) Required Documentation of Costs

Landlord will provide City with copies of (i) all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, (ii) satisfactory evidence of payment of the invoices, including unconditional lien waivers, or if the invoices have not been paid, conditional lien waivers; all lien waivers must meet the requirements of California Civil Code Sections 8132, 8134, 8136, and 8138, as applicable, and be executed by each subcontractor and material supplier, since the last previous disbursement, and (iii) any additional supporting documentation substantiating the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

(c) No Waiver of Conditions

Any waiver by City of a condition of payment must be expressly made by City in writing. If City makes a payment before fulfillment of one or more required conditions, that payment alone will not be a waiver of the conditions, and City reserves the right to require their fulfillment before making any subsequent payments. If all conditions are not satisfied, City, acting in its reasonable judgment, may make payment as to certain items or categories of costs and not others.

(d) City's Cure Right

If Landlord does not make timely payment to Contractor or any of its subcontractors or material suppliers, City may, but will not be obligated to, advance City's funds directly to the Contractor or its subcontractors or material suppliers to pay the cost of the Leasehold Improvements, and Landlord shall reimburse City for such payment(s).

6.3 Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that the Leasehold Improvement Work will not include the installation of telecommunications, data, and computer cabling facilities and equipment. City is responsible for installing those facilities and equipment.

6.4 Construction of Improvements that Disturb or Remove Exterior Paint

Landlord, on behalf of itself and its successors, assigns, and Agents, will comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and federal laws, including the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work or alteration disturbs or removes exterior or interior lead-based or “presumed” lead-based paint (as defined below). Landlord and its Agents must 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 under San Francisco Building Code Chapter 34 does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under San Francisco Building Code Chapter 34. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, will 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 will comply with the requirements of California Code of Regulations Title 17 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 San Francisco Building Code Chapter 34, demonstrates an absence of lead-based paint on the interior or exterior surfaces of the buildings. Under this Section, lead-based paint is “disturbed or removed” if the work or alteration involves any action that creates friction, pressure, heat, or a chemical reaction on any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through, or eliminate paint from that surface.

7. ALTERATIONS

7.1 Alterations by City

City may not make or permit any alterations, installations, additions, or improvements (collectively, “**Alterations**”) to the Premises without first obtaining Landlord’s written consent, which Landlord will not unreasonably withhold, condition, or delay. Installation of furnishings, fixtures, equipment, or decorative improvements that do not affect the Building Systems or structural integrity of the Buildings, and the repainting and recarpeting of the Premises do not constitute Alterations and do not require Landlord’s consent. Any Alterations permitted under this Lease will be made at City’s cost in compliance with applicable Laws. Without cost to itself, Landlord will cooperate with City in securing building and other permits and authorizations needed for any permitted Alterations. Landlord will not be entitled to any construction or other administrative fee in connection with any Alteration. City will not be required to remove any Alterations on the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves the Alterations that they must be removed. City is not required to remove any improvements not requiring Landlord’s consent.

7.2 Title to Improvements

Except for City's Personal Property (as defined in the next Section) all appurtenances, fixtures, improvements, equipment, additions, and other property permanently installed in the Premises as of the Commencement Date or during the Term will be and will remain Landlord's property. City may not remove Landlord's property without Landlord's written approval.

7.3 City's Personal Property

(a) All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Premises by or for City and that can be removed without structural damage to the Premises (collectively, "**City's Personal Property**") are and will remain City's property. If City requests, Landlord may assist City by ordering and installing City's Personal Property and City will reimburse Landlord for all fees, costs, and expenses approved by City in advance within thirty (30) days after receipt of an invoice; provided, however, that City may elect to provide any deposit or other expense required at the time of ordering City's Personal Property. To the extent possible, any maintenance contract or warranty in connection with the purchase or lease of tangible personal property will be optional (namely, City may, but is not required to, purchase a maintenance contract or warranty). To the extent feasible, Landlord and any vendors of Landlord will separately itemize any shipping charges. Although Landlord may order and install City's Personal Property, all items will remain City's Personal Property and not be considered Leasehold Improvements or constitute any component of the Leasehold Improvements. With regard to any personal property purchased by Landlord on behalf of City or leased by City under this Lease, (a) Landlord represents that it is fully compliant with the California Sales and Use Tax Law and warrants to City that it will fulfill its use tax obligations under that law with respect to the subject transaction; (b) Landlord will accept a Use Tax Direct Payment Exemption Certificate in lieu of any use tax payment if City, in its sole discretion, elects to provide such Certificate to Landlord; (c) If City pays use tax to Landlord, Landlord will remit the entire amount of the use tax payment to the state and provide City with a receipt in accordance with the California Sales and Use Tax Law; and (d) Landlord will be liable to City for all amounts of use tax paid to Landlord that Landlord fails to remit to the State. The obligations of Landlord under the foregoing sentence will survive any termination or expiration of this Lease.

(b) At any time during the Term, City may remove any of City's Personal Property, and City will repair any damage to the Premises resulting from that removal. On the expiration or earlier termination of this Lease, City will remove City's Personal Property from the Premises in accordance with Section 20. 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 ("**Secured Personal Property**"). Landlord recognizes the rights of any supplier, lessor, or lender who has an interest in any items of Secured Personal Property to enter the Premises and remove that Secured Personal Property at any time during the Term or within thirty (30) days after the Expiration Date. On City's reasonable request, Landlord will execute and deliver any document required by any supplier, lessor, or lender in connection with the installation of any items of Secured Personal Property in the Premises, under which Landlord waives any rights it may have or acquire with respect to the Secured Personal Property, so long as the supplier, equipment supplier, lessor, or lender agrees that it (i) will remove the Secured Personal Property from the Premises within thirty (30) days after the Expiration Date (and if it does not remove the Secured Personal Property within that time the equipment supplier, lessor, or lender will have waived any rights it may have had to the Secured Personal Property), and (ii) will repair any damage caused by the removal of the Secured Personal Property.

7.4 Alteration by Landlord

Landlord will 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 Buildings. Landlord will promptly remedy any interference or disruption on receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

At its cost, Landlord will repair and maintain the exterior and structural portions of the Buildings in first-class condition, including, the roof, foundation, bearing and exterior walls, windows, doors, door frames, demising walls, and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security, and other mechanical, electrical, and communications systems of the Buildings (collectively, the **"Building Systems"**). Landlord will also retain responsibility for repairing and maintaining the existing paved areas and entrances and exits to the Property in the condition delivered to City, and for painting the exterior of the Buildings. Without limiting the foregoing, Landlord will maintain the Buildings in a clean, safe, and attractive manner, will provide exterior graffiti removal with reasonable frequency, and will not interfere with City's use of the Premises or permit to be done in or about the Premises anything that is illegal, is dangerous to persons or property, or constitutes a nuisance.

Landlord shall not be responsible for any repairs or maintenance resulting from City's or its Agents' misuse, negligence, willful misconduct, or Alterations. All maintenance and repair obligations of Landlord shall be subject to reasonable wear and tear and shall not extend to any condition caused by City's failure to perform its maintenance obligations under Section 8.2.

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1, any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations under this Lease, City will repair and maintain at its cost the interior portions of the Premises and will keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty or condemnation. City will make any required repairs and replacements to the interior of the Premises that Landlord specifies in writing **(a)** at City's cost, **(b)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(c)** so that the interior portions of the Premises will be at least substantially equal in quality, value, and utility to the original work or installation before the damage, **(d)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use, or occupation of the Buildings or the Building Systems, and **(e)** in compliance with all applicable Laws, including any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term, promptly after City's reasonable notice, Landlord will provide City and its Agents with access to those portions of the Buildings that are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

City will keep the Premises free from liens arising out of any work performed, material furnished, or obligations incurred by City during the Term. Landlord may post on the Premises any notices permitted or required by Laws or that are needed for the protection of Landlord, the Premises, or the Buildings, from mechanics' and material suppliers' liens. City will give

Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises.

9. UTILITIES AND SERVICES

9.1 Utilities

City will pay its own utility costs for use of the Premises and the utility costs incurred for the Premises. At Landlord's discretion, Landlord may maintain its existing contract with the utility service providers servicing the Premises, and will bill City monthly as Additional Rent.

9.2 Services

City will pay the costs incurred for any janitorial service for the Premises and/or security service for the Property, as well as the fire monitoring system, and security systems. At Landlord's discretion, Landlord may maintain its existing contract with the janitorial service provider servicing the Premises or the security service provider servicing the Property, and will bill City monthly as Additional Rent.

9.3 Disruption in Essential Utilities or Services

If any failure, stoppage, or interruption of any utilities or services caused by Landlord impairs City's ability to carry on its business in the Premises for five (5) or more consecutive business days, then the Rent will be abated based on the extent that the lack of such services impairs City's ability to normally carry on its business in the Premises. The abatement will continue until the applicable services have been restored so that the lack of any remaining service no longer materially impairs City's ability to carry on its business in the Premises. If the failure, stoppage, or interruption caused by Landlord of any utilities or services that impairs City's ability to carry on its business occurs for any reason for thirty (30) days or more in any sixty (60)-day period, then, without limiting any of its other rights or remedies under this Lease or at law or in equity, City may terminate this Lease on written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the applicable utilities or services will be reliably restored within sixty (60) days after the date City's use was first interrupted, and the applicable utilities or services are actually restored and reliable within the sixty (60)-day period. City will not be entitled to any abatement of Rent or right to terminate if the failure, stoppage, or interruption of any utilities or services results solely due to the negligent acts or omissions of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Subject to City's obligation under Section 8.2, Landlord will at all times during the Term maintain, at its cost, the Property, Buildings, and the Building Systems in compliance with applicable present or future federal, state, local, and administrative laws, rules, regulations, orders, and requirements (collectively, "**Laws**"). Landlord represents and warrants to City, and covenants with City, as follows: to the best of Landlord's knowledge: **(a)** the physical structure, fixtures, and permanent improvements of the Premises (including the Leasehold Improvements) and all portions of the Property and the Buildings along the path of travel to the Premises are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990, California Code of Regulations Title 24, and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, "**Disabilities Laws**"); **(b)** the Buildings are not unreinforced masonry buildings, and are now, and as of the Commencement Date will be, in compliance with all applicable Laws relating to seismic safety (collectively, "**Seismic Safety Laws**"); **(c)** the Buildings and Building Systems

serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable Laws relating to fire and life safety (including the San Francisco High-Rise Sprinkler Ordinance) (collectively, “**Life Safety Laws**”); **(d)** the Buildings and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable Laws; and **(e)** there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Buildings, or the Building Systems that would materially adversely affect City’s intended use of the Premises. Without limiting Section 16.2, Landlord will Indemnify City against any and all Claims (defined in Section 16.1 below) arising out of **(i)** any failure of the Property, Buildings, Building Systems (or any portion of any of them) to comply with applicable Laws; or **(ii)** any misrepresentation by Landlord under this Section.

10.2 City’s Compliance with Laws; Indemnity

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

10.3 City’s Compliance with Insurance Requirements

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

11. SUBORDINATION

(a) Subject to subsection (b) below, this Lease is subject and subordinate at all times to the following (each an “**Encumbrance**”): **(i)** any reciprocal easement agreements, ground leases, or other underlying leases that may later be executed affecting Landlord’s interest in the Property (or any portion of it), and **(ii)** the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements, and extensions of any of the foregoing that may be executed by Landlord at any time in any amount for which any part of the Property, any ground lease, or underlying lease, or Landlord’s interest or estate in them is subject. But, if the ground lessor, mortgagee, trustee, or holder of any mortgage or deed of trust (each an “**Encumbrancer**”) elects to have City’s interest in this Lease be superior to its Encumbrance, then, on City’s receipt of a notice from the Encumbrancer, this Lease will be deemed superior, whether this Lease was executed before or after the date of the Encumbrance or the date of its

recording. The provisions of this subsection 11(a) are self-operative and no further instrument will be required. At Landlord's request, however, City will enter into a subordination, nondisturbance, and attornment agreement ("SNDA") with Encumbrancer in a form reasonably acceptable to City and Encumbrancer evidencing the subordination or superiority of this Lease. City's covenant under this subsection (a) to subordinate this Lease to any Encumbrance is conditioned on each senior instrument containing the commitments in subsection (b) below.

(b) If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or if any ground lease or underlying lease to which this Lease is subordinate is terminated, then this Lease will not be barred, terminated, cut off, or foreclosed and the rights and possession of City under this Lease will not be disturbed unless an Event of Default has occurred and is continuing. City will attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of the succession and the name and address of the successor landlord. The provisions of this Section 11 are self-operative and no further instrument will be required. Landlord agrees, however, upon request by City and in a form reasonably acceptable to City to cause any Encumbrancer to execute an SNDA evidencing the foregoing non-disturbance provisions together with the priority or subordination of this Lease with respect to any such Encumbrance.

12. DAMAGE AND DESTRUCTION

(a) If the Premises, the Buildings, or any Building Systems are damaged by fire or other casualty, Landlord will repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if, at its sole option, City makes sufficient funds available to Landlord, Landlord will also repair the Leasehold Improvements) so long as the repairs can be made under applicable Laws within sixty (60) days after Landlord obtains all necessary permits but not later than two hundred ten (210) days after the date of the damage (the "**Repair Period**"). If Landlord is obligated to repair as provided above, then this Lease will remain in full force and effect, except that City will be entitled to an abatement of Rent until the Premises are restored to their condition before the casualty. The abatement in Rent will be based on the extent to which the damage, the making of the repairs, and reoccupying the repaired Premises interferes with City's use of the Premises. Landlord's repairs will not include, and the Rent will not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents that is not covered by insurance.

(b) Within twenty (20) days after the date of the damage, Landlord will notify City whether, in Landlord's reasonable judgment made in good faith, the repairs can be made within the Repair Period. If the repairs cannot be made within the Repair Period, then either party may terminate this Lease by giving written notice to the other given within thirty (30) days after the date of Landlord's notice. The termination date will be the date specified in the termination notice, which date may be not less than thirty (30) or more than sixty (60) days after Landlord's notice. If either party elects to terminate this Lease, then the Rent will be reduced by a proportionate amount based on the extent to which the damage interferes with the normal conduct of City's business in the Premises, and City will pay the reduced Rent up to the date of termination. Landlord will refund to City any Rent previously paid for any period after the date of termination.

(c) Notwithstanding the foregoing, if the Premises are damaged or destroyed by flood or earthquake, and the damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry under this

Lease (excluding any deductible, for which Landlord is solely responsible), then Landlord may terminate this Lease by written notice to City within thirty (30) days after the date Landlord receives written notice that the damage is not covered by insurance. Landlord's termination notice must include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease, then subsections (a) and (b) will apply.

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

(e) The parties intend that the provisions of this Section fully govern their rights and obligations in the event of damage or destruction. Accordingly, Landlord and City each 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 now or later in effect, to the extent those rights are inconsistent with the provisions of this Section.

13. EMINENT DOMAIN

13.1 Definitions

"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.

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

"Award" means all compensation, sums, or anything of value paid, awarded or received for a Taking, whether under any 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 the Building or any interest in this Lease, the rights and obligations of the parties will be determined under this Section. City and Landlord intend that the provisions of this Section govern fully in the event of a Taking and accordingly, Landlord and City each waives 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 later in effect.

13.3 Total Taking; Automatic Termination

If there is a total Taking of the Premises, then this Lease will 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 will 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 or access to the Premises, (ii) the condition rendering the Premises untenable or unsuitable or that materially adversely affects City's normal operations or limits access to the Premises either is not curable or is curable but Landlord is unwilling or unable to cure the condition, and (iii) City elects to terminate.

(b) If a partial Taking of a substantial portion of the Buildings occurs, but subsection (a) above does not apply, then within thirty (30) days after the Date of Taking either City or Landlord may terminate this Lease by written notice to the other, provided that, as a condition to City's right to terminate, the portion of the Buildings taken must, 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 or access to the Premises.

(c) If either party elects to terminate this Lease under this Section, then this Lease will terminate on the later of the thirtieth (30th) day after the written notice is given or the Date of Taking.

(d) City's election to terminate shall not apply unless the Taking renders more than fifty percent (50%) of the Premises untenable, and Landlord fails to restore functional occupancy within a commercially reasonable period.

13.5 Termination of Lease; Rent and Award

On termination of this Lease in its entirety under Section 13.3 or under Section 13.4, then: (a) City's obligation to pay Rent will continue up until the date of termination and then will cease, and (b) Landlord will be entitled to the entire Award, except that City will receive any portion of the Award for the unamortized cost of any Leasehold Improvements paid for by City and 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 and this Lease is not terminated in its entirety under Section 13.4 above, then this Lease will terminate as to the portion of the Premises taken, but will remain in effect as to the portion not taken, and the rights and obligations of the parties will be as follows: (a) Rent will be equitably reduced depending on the configuration or the Premises and the portion taken (for instance, if the area of the Premises taken has no special or significant use, then the reduction may be 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 before the Date of Taking), and (b) Landlord will be entitled to the entire Award in connection therewith, provided that City will receive any portion of the Award for the unamortized cost of any Leasehold Improvements paid for by City in the portion of the Premises taken and 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 of the Premises occurs for sixty (60) consecutive days or fewer, this Lease will remain unaffected by the temporary Taking, and City will continue to pay Rent and to perform all of the terms, conditions, and covenants of this Lease. In the event of a temporary Taking, City will 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 and any out-of-pocket costs incurred by City due to the temporary Taking for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section, City may 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 created by this Lease 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 will not be unreasonably withheld, conditioned, or delayed. From time to time, on notice to Landlord, but without Landlord's consent, City may transfer this Lease or use and occupancy of all or any of the Premises to any department, commission, or agency of the City and County of San Francisco for uses permitted under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

Any of the following will constitute an “**Event of Default**” by City:

(a) After Landlord is qualified as an approved vendor as provided in Section 4.7 above, City fails to make any timely payment of Rent and to cure the nonpayment within five (5) business days after receipt of written notice of nonpayment from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City, City will have twenty (20) days after written notice from Landlord to cure any nonpayment.

(b) City's abandons the Premises (within the meaning and under the requirements of California Civil Code Section 1951.3).

(c) City's failure to perform any other of its covenants or obligations under this Lease (not involving the payment of money) and failure to cure the non-performance within thirty (30) days of the date of receipt of Landlord's notice of the failure, provided that if more than thirty (30) days are reasonably required for the cure, no Event of Default will occur if City commences the cure within the thirty (30)-day period and diligently prosecutes the cure to completion.

15.2 Landlord's Remedies

On the occurrence and during the continuance of any Event of Default by City, Landlord will have all rights and remedies available under law or granted pursuant to this Lease, including the following:

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including the right to terminate City's right to possession of the Premises and to recover the worth at the time of award of the amount

by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that City proves could be reasonably avoided, as computed under subsection (b) of Section 1951.2.

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease), at its sole option, City may cure the default at Landlord's expense if the default continues after ten (10) days after the date City gives notice to Landlord of City's intention to perform the cure. However, if a default occurs because of a cause beyond Landlord's control (excluding any financial inability to perform), and Landlord cannot with due diligence cure the default within the ten (10)-day period, then the ten (10)-day period will be extended if, promptly on receipt of City's notice, Landlord advises City of Landlord's intention to take all steps required to cure the default, and Landlord promptly commences the cure and diligently prosecutes the cure to completion. But if any default by Landlord continues for sixty (60) days and impairs City's ability to carry on its normal business in the Premises, then City may terminate this Lease on written notice to Landlord within thirty (30) days after the expiration of the sixty (60)-day period. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the ten (10)-day cure period provided above (as it may be extended as provided above), then, whether or not City elects to cure Landlord's default, the Rent will be abated based on the extent to which the default interferes with City's ability to carry on its normal business at the Premises. City's rights under this Section and under any other provisions of this Lease will not limit in any way any of its other rights and remedies under this Lease or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City will indemnify, defend, and hold harmless ("**Indemnify**") Landlord and its Agents from and against any and all claims, losses, damages, costs, and expenses, including reasonable attorneys' fees (collectively, "**Claims**"), incurred as a result of (a) City's use of the Premises, or (b) any negligent acts or omissions of City or its Agents in, on, or about the Premises or the Property; provided, however, City will not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents because of a Claim Indemnified by City under this Section, at its sole option, City may elect to defend the Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord will have the right, but not the obligation, to participate in the defense of the Claim at its sole cost. City's obligations under this Section will survive the termination of this Lease for a period of one (1) year following the effective date of the termination. Notwithstanding anything to the contrary contained in this Lease, in no event shall City be liable for any consequential, indirect, special, or punitive damages, and the indemnity provided herein shall be limited to Claims arising from City's gross negligence or willful misconduct. Further, in no event shall City's aggregate liability under this Lease exceed an amount equal to twelve (12) months of Base Rent, except in the event of fraud or willful misconduct.

16.2 Landlord's Indemnity

Landlord will 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 will not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents because of a Claim Indemnified by Landlord under this Section, at its sole option, Landlord may elect to defend the Claim by attorneys selected by Landlord. Landlord will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City will have the right, but not the obligation, to participate in the defense of any Claim at its sole cost. Landlord's obligations under this Section will survive the termination of this Lease for a period of one (1) year following the effective date of the termination. Notwithstanding anything to the contrary contained in this Lease, in no event shall Landlord be liable for any consequential, indirect, special, or punitive damages, and the indemnity provided herein shall be limited to Claims arising from Landlord's gross negligence or willful misconduct. Further, in no event shall Landlord's aggregate liability under this Lease exceed an amount equal to twelve (12) months of Base Rent, except in the event of fraud or willful misconduct.

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

(a) At all times during the Term, Landlord shall maintain insurance coverage for the Buildings against loss or damage caused by fire and other perils customarily covered by Special Form (formerly known as "All Risk") property insurance policies, in an amount equal to the full replacement cost thereof, excluding foundations and footings, consistent with commercially reasonable insurance requirements applicable to similar industrial warehouse properties located in the San Francisco Bay Area. Landlord's obligations under this Section shall be subject to standard deductibles, exclusions, and limitations typically included in such policies. Upon City's request, Landlord will provide to City a certificate of insurance issued by the insurance carrier, evidencing the required insurance. The certificate must expressly provide that the policy is not cancelable or subject to reduction of coverage or otherwise subject to modification except after thirty (30) days' prior written notice to City (or, if the insurer refuses to provide notice to the City, then Landlord will provide such thirty (30)-day prior notice to City). Landlord 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.

(b) In addition, at no cost to City, Landlord will procure and keep in effect at all times during the Term insurance as follows: **(i)** commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse, and underground (XCU); and **(ii)** worker's compensation insurance in the amounts required by applicable Laws and employer's

liability with limits not less than One Million Dollars (\$1,000,000) each accident. All insurance policies required by this Lease to be maintained by Landlord must be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord and City (or, if such endorsement is not available from the insurer, Landlord will provide such notice to City).

(c) Landlord will maintain loss of rent coverage for a twelve (12) month period.

(d) Landlord will maintain such umbrella policy and additional coverage as it reasonably determines necessary or as required by any Encumbrancer. The parties agree that the minimums set forth in this Section 17.2 will be re-evaluated every five (5) years, and increased to the extent consisted with similarly situated landlords and properties.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord waives any right of recovery against City for any loss or damage relating to the Buildings or the Premises or any operations or contents in the Buildings, whether or not the loss is caused by City's fault or negligence, to the extent the loss or damage is covered by Landlord insurance that is required under this Lease or any excess coverage otherwise held by Landlord or its Agents. Landlord will obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Buildings or the Premises, but Landlord's failure to do so will not affect the above waiver.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any of its designated Agents the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord will give any reasonable notice), after giving City at least twenty four (24) hours' advance written notice, to (a) inspect the Premises, (b) supply any service to be provided by Landlord under this Lease, (c) show the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term, tenants, (d) post notices of non-responsibility, and (e) alter, improve, or repair the Premises and any portion of the Buildings, and, for that purpose, Landlord may erect, use, and maintain necessary structures in and through the Premises where reasonably required by the work to be performed, provided that the entrance to the Premises may not be blocked. Landlord may not interfere with City's use of the Premises.

19. ESTOPPEL CERTIFICATES

From time to time during the Term, by not less than thirty (30) days' prior written notice to the other party, either party may request the other party to execute, acknowledge, and deliver to the persons or entities designated by the other party a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), and (d) the date to which Rent has been paid.

20. SURRENDER OF PREMISES

On the expiration or sooner termination of this Lease, City will surrender the Premises to Landlord in good order and condition, excepting reasonable use and wear and damage by fire or other casualty or condemnation. Within ten (10) days after the Expiration Date, City will remove from the Premises all of City's Personal Property, City's telecommunications, data, and computer facilities and any Alterations City desires or is required to remove from the Premises

under the provisions of Section 7.1. City will repair or pay the cost of repairing any damage to the Premises or the Buildings resulting from that removal. City will not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section will survive the expiration or earlier termination of this Lease. "Reasonable wear and tear" shall not include deterioration resulting from City's failure to maintain the Premises as required under this Lease, unremediated deferred maintenance, or damage caused by unauthorized Alterations.

21. HAZARDOUS MATERIALS

21.1 Definitions

As used in this Lease, the following terms are defined below:

"Environmental Laws" means any Law relating to industrial hygiene, environmental conditions, or Hazardous Material, whether now in effect or later adopted.

"Hazardous Material" means 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 any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" under 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 under California Health & Safety Code Section 25316; any "hazardous waste" listed under California Health & Safety Code Section 25140; any asbestos and asbestos containing materials whether or not those materials are part of the structure of the Buildings 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.

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

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date **(a)** the Property is not in violation of any Environmental Laws; **(b)** the Property is not now, and has not been, used for the manufacture, use, storage, discharge, deposit, transportation, or disposal of any Hazardous Material, except for the use of Hazardous Material in limited quantities as are customarily used in offices, which limited use is and has been in compliance with Environmental Laws; **(c)** the Property does not consist of any landfill or contain any underground storage tanks; **(d)** to the best of Landlord's actual knowledge, without having conducted any invasive environmental inspection or testing, the Buildings are not known to contain asbestos-containing materials, lead-based paints, or other building materials that contain any Hazardous Materials in violation of applicable Environmental Laws; **(e)** to the best of Landlord's actual knowledge, without independent investigation, there has been no Release of any Hazardous Material in the Buildings or in, on, under, or about the Property in violation of applicable Environmental Laws; and **(f)** the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Buildings 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 will 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 shall Indemnify City and its Agents only against Claims that:

(a) arise during the Term or within one (1) year after the expiration or earlier termination of this Lease; and

(b) result from (i) Landlord's breach of the representations or covenants in Section 21.1, or (ii) the Release of Hazardous Material by Landlord or its Agents in violation of Environmental Laws; provided that Landlord shall have no liability for any condition existing prior to the Commencement Date unless Landlord or its Agents caused such condition, or Landlord had actual knowledge of such condition and failed to disclose it in writing to City before the Commencement Date.

Any and all claims under this Section must be made in writing within one (1) year after the Lease terminates, or they shall be deemed waived.

21.4 City's Covenants

Neither City nor its Agents will cause any Hazardous Material to be brought on, 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.

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 will Indemnify Landlord against any and all Claims arising during or after the Term as a result of the Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity will 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 before City's occupancy. City shall take all reasonable steps to mitigate the effects of any release and reduce the costs of any Claims subject to this Section.

22. OPTION TO PURCHASE

22.1 Grant of Option to Purchase

Landlord grants to City an exclusive and irrevocable option to purchase the Property (the "**Purchase Option**") for the price and on the terms and conditions set forth in this Section. City may exercise the Purchase Option at any time during the initial three (3) years of the Term (i.e., on or before September 30, 2028) (the "**Option Term**") by giving Landlord written notice of its exercise of the Purchase Option. City's obligation to purchase the Property under the Purchase Option is subject to approval by City, at its sole discretion, of an appraisal (if required by City), the title to the Property, and any environmental and other investigations of the Property that City may deem appropriate, and approval by City's Board of Supervisors and Mayor, at their respective sole discretion, and adoption of a resolution authorizing the purchase and ordinance appropriating all necessary funds in accordance with all applicable laws (including CEQA), all

within one hundred twenty (120) days after City's exercise. After City's approval of the appraisal (if required), title, and the results of all investigations, and obtaining all necessary approvals, City will be obligated to purchase from Landlord and Landlord will be obligated to sell and convey to City the Property for the Purchase Price and on the terms and conditions set forth in this Section.

22.2 Purchase Price

The total purchase price for the Property will be Twelve Million Dollars (\$12,000,000) (the "**Purchase Price**").

22.3 Closing

The consummation of the purchase and sale of the Property contemplated by this Section 22 (the "**Closing**") will be on before the date that is three hundred sixty-five (365) days after the date of City's written exercise of the Purchase Option (the "**Closing Date**") through an escrow opened by City ("**Escrow**") with a title insurance company qualified to do business in the State of California with an office located in the City and County of San Francisco as City may select (the "**Title Company**"). Before the Closing Date, Landlord and City will each deposit in Escrow all documents and funds necessary to close the purchase and sale, together with escrow instructions consistent with this Section. Landlord will convey to City by grant deed fee simple title to the Property (or the portion of the Property not taken by eminent domain if there is a taking before the Closing Date), subject only to the following (collectively, the "**Purchase Option Permitted Exceptions**"): (i) a lien for real property taxes and assessments not yet due and payable for the tax fiscal year in which the Closing Date occurs, and (ii) any other easements or title exceptions (excluding any Encumbrances) created or suffered by City or consented to in writing by City at its sole discretion or granted by Landlord solely at City's written request. Landlord will be responsible for removing any unpermitted title exceptions, at Landlord's sole expense, before the Closing Date. "**Encumbrances**" means any liens, including, but not limited to, mechanics' liens, creditors' liens, and the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may be executed by Landlord in any amount for which any part of the Property, or Landlord's interest or estate in the Property is subject.

Landlord must cause the Title Company to commit to issue to City, or its nominee, an ALTA Owner's Policy of Title Insurance (the "**Title Policy**") in the amount of the Purchase Price insuring fee simple title to the Property in City, or its nominee, free of the liens of all Encumbrances, rights of tenants or other occupants and all other exceptions, liens or encumbrances except for the Purchase Option Permitted Exceptions. The Title Policy must contain any special endorsements and provisions on co-insurance or re-insurance as City may reasonably require.

22.4 Damage or Destruction; Eminent Domain

If before the Closing Date any portion of the Property is damaged or destroyed or if condemnation proceedings are commenced against any portion of the Property by any entity other than City, then the rights and obligations of City and Landlord under this Section are as follows:

(a) If the damage or destruction is fully covered by Landlord's insurance (except for the deductible amount, which Landlord will be responsible for), and the insurer agrees to timely pay for the entire cost of the repair, and the damage or destruction would cost less than Twelve Million Dollars (\$12,000,000) (the "**Threshold Damage Amount**") to repair or restore, then City will proceed with the Closing. In that case, City will receive a credit against the Purchase Price equal to the deductible amount,

and Landlord will assign to City at the Closing all of Landlord's right, title, and interest in and to all proceeds of insurance on account of the damage or destruction under an instrument satisfactory to City.

(b) If the damage or destruction is not fully covered by Landlord's insurance (other than the deductible amount) and would cost less than the Threshold Damage Amount to repair or restore, then City will proceed with the Closing and will receive a credit against the Purchase Price at the Closing in an amount reasonably determined by Landlord and City (after consultation with unaffiliated experts) to be the cost of repairing the damage or destruction.

(c) If the cost to repair the damage or destruction equals or exceeds the Threshold Damage Amount, or if condemnation proceedings are commenced against any portion of the Property by any entity other than City, then City will have the right, at its election, to (i) rescind its exercise of the Purchase Option in its entirety, or (ii) rescind its exercise of the Purchase Option only as to that portion of the Property damaged or destroyed or subject to condemnation proceedings (in which case there will be an equitable adjustment to the Purchase Price), or (iii) to Close on the Property. City will have thirty (30) days after damage or destruction or notice of condemnation proceedings (as applicable) to make its election by delivering written notice to Landlord. City's failure to deliver its notice within the thirty (30)-day period will be deemed City's election to rescind its exercise of the Purchase Option in its entirety. If the exercise of the Purchase Option is rescinded in its entirety or in part under this subsection, then City and Landlord will each be released from all obligations under this Section pertaining to that portion of the Property affected by the rescission. If City does not elect to rescind its exercise of the Purchase Option in whole or in part, Landlord will notify City of either Landlord's intention to repair the damage or destruction, in which case City will proceed with the Closing, or Landlord's intention to give City a credit towards the Purchase Price at the Closing in an amount reasonably determined by City and Landlord (after consultation with unaffiliated experts) to be the cost of repair of the damage or destruction. Any repairs Landlord elects to make under this subsection must be completed within three hundred sixty-five (365) days after the damage or destruction, and the Closing will be extended until the repairs are completed.

22.5 Costs and Expenses

City will pay for the cost of the premium of the Title Policy. City and Landlord will share equally any escrow or recording fees for the purchase and sale. City will be responsible for any real estate transfer taxes due upon the transfer of the Property. Real Estate Taxes will be prorated as of the Closing Date. If City acquires the Property pursuant to this Section 22, Rent delivered by City to Landlord after City's exercise of the Purchase Option shall be credited only for the portion of such Rent allocable to any period after the scheduled Closing Date, and only if Closing actually occurs. If City cancels or fails to close under the Purchase Option, no refund or credit of Rent shall be due.

22.6 Continuation of Lease

Notwithstanding City's exercise of the Purchase Option, this Lease, including City's obligation to pay Rent, will continue in full force and effect until terminated (whether expressly, under the terms of this Lease, or by merger or otherwise as a matter of law).

22.7 Brokerage Commission

In the event City exercises the Purchase Option and purchases the Property, Landlord shall pay a "Sales Commission" to Brokers equal to two and one-half percent (2.5%) of the

Purchase Price. The Sales Commission shall be paid at the closing of the purchase and sale, from the proceeds of closing. Brokers are a party to and beneficiaries of this Lease, for the purpose of this Section 22.7.

23. CITY PROVISIONS

23.1 MacBride Principles - Northern Ireland

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

23.2 Controller's Certification of Funds

The terms of this Lease are governed by and subject to the budgetary and fiscal provisions of City's Charter. Notwithstanding anything to the contrary contained in this Lease, there will 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, under Section 3.105 of 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 are not appropriated, then City may terminate this Lease, without penalty, liability, or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City will use its reasonable efforts to give Landlord reasonable advance notice of the termination. Prevailing Wages and Working Conditions

23.3 Prevailing Wages and Working Conditions

Any undefined, initially-capitalized term used in this Section has the meaning given to that term in San Francisco Administrative Code section 23.61. Landlord will 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 (A) pay workers performing the work not less than the Prevailing Rate of Wages, (B) provide the same hours, working conditions, and benefits as in each case are provided for similar work performed in San Francisco County, and (C) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "**Prevailing Wage Requirements**"). Landlord will cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

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

23.4 Non-Discrimination in City Contracts and Benefits Ordinance

(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 San Francisco Administrative Code Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 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 San Francisco Administrative Code Section 12B.2(b).

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of San Francisco Administrative Code Chapters 12B and 12C relating to non-discrimination by parties contracting for the lease of property to City are

incorporated into this Section by reference and made a part of this Lease as though fully set forth. Landlord will comply fully with and be bound by all of the provisions that apply to this Lease under Administrative Code Chapters 12B and 12C, including the remedies provided in those Chapters. Without limiting the foregoing, Landlord understands that under San Francisco Administrative Code Section 12B.2(h) a penalty of Fifty Dollars (\$50) for each person for each calendar day during which that person was discriminated against in violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

23.5 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by San Francisco Environment Code Sections 802(b) and 803(b), neither Landlord nor any of its contractors may provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease that 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) If Landlord fails to comply in good faith with any of the provisions of San Francisco Environment Code Chapter 8, Landlord will 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 will be payable to the City and County of San Francisco on demand and may be set off against any monies due to Landlord from any contract with City.

23.6 Bicycle Parking Facilities

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

23.7 Resource-Efficient City Buildings

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction, and operation of City buildings. Landlord will comply with all applicable provisions of those code sections.

23.8 Sunshine Ordinance

In accordance with San Francisco Administrative Code Section 67.24(e), 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 that is covered by this Section will be made available to the public on request.

23.9 Conflicts of Interest

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

23.10 Notification of Prohibition on Contributions

By executing this Lease, Landlord acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who leases, or seeks to lease, to or from any department of the City any land or building from making any campaign contribution to **(a)** a City elected official if the lease must be approved by that official, **(b)** a candidate for that City elective office, or **(c)** a committee controlled by that elected official or a candidate for that office, at any time from the submission of a proposal for the lease until the later of either the termination of negotiations for the lease or twelve (12) months after the date the City approves the lease. Landlord acknowledges that the foregoing restriction applies only if the lease or a combination or series of leases or other contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars (\$100,000) or more. Landlord further acknowledges that **(i)** the prohibition on contributions applies to each prospective party to the lease; any person with an ownership interest of more than 10 percent (10%) in Landlord; any subcontractor listed in the lease; and any committee that is sponsored or controlled by Landlord; and **(ii)** within thirty (30) days of the submission of a proposal for the Lease, the City department with whom Landlord is leasing is obligated to submit to the Ethics Commission the parties to the lease and any subcontractor. Additionally, Landlord certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

23.11 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 Environment Code Section 1304. The term "preservative-treated wood containing arsenic" means wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including 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" means a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

24. GENERALLY APPLICABLE PROVISIONS

24.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease must 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 City'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) any other address designated by as either Landlord or City as its new address for notices by notice given to the other in accordance with this Section. A properly addressed notice transmitted by one of the foregoing methods will be deemed received upon confirmed delivery, attempted delivery, or rejected delivery. For convenience of the parties, copies of notices may also be given by email to the email address number set forth in the Basic Lease Information or any other email address as may be provided from time to time, but, neither party may give official or binding notice by email.

24.2 No Implied Waiver

No failure by either party to insist on the strict performance of any obligation of the other party under this Lease or to exercise any right, power, or remedy after a breach of this Lease will constitute a waiver of any breach or of term, covenant, or condition. No acceptance of full or partial Rent by Landlord while City is in default will constitute a waiver of the default by Landlord. No express written waiver of any default or the performance of any provision if this Lease will affect any other default or performance, or cover any other period of time, other than the default, performance, or time specified in the express waiver. One or more written waivers of a default or the performance of any provision of this Lease will 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 will not relieve the other party of any obligation to secure the consent to any other or future instance under the terms of the Lease.

24.3 Amendments

The terms and provisions of this Lease may only be changed, waived, discharged, or terminated by a written instrument signed by both parties. No waiver of any breach will affect or alter this Lease, and each and every term, covenant, and condition of this Lease will continue in full force and effect with respect to any other then-existing or subsequent breach. Whenever this Lease requires or permits City's consent or approval, the Director of Property, or his or her designee, will be authorized to provide the consent or approval, except as otherwise provided by applicable Law, including the Charter of the City and County of San Francisco. City's agreement to any amendments or modifications to this Lease (including the exhibits) may be made on 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, and (e) any other amendment or modification that materially increases City's liabilities or financial obligations under this Lease will also require the approval of City's Board of Supervisors.

24.4 Authority

Landlord represents and warrants to City that it is the sole owner of the Property and the execution and delivery of this Lease by Landlord does not violate any provision of any agreement or any applicable Laws. If Landlord is a corporation, limited liability company, or a partnership, each person executing this Lease on behalf of Landlord, by their signature, covenants and warrants that Landlord is a duly authorized and existing entity, that Landlord is qualified to do business in California, that Landlord has the full right and authority to enter into this Lease, and that each person signing on behalf of Landlord is authorized to do so. On City's request, Landlord will provide City with evidence reasonably satisfactory to City confirming these representations and warranties.

24.5 Parties and Their Agents; Approvals

If applicable, the word "**Landlord**" will include the plural as well as the singular. The term "**Agents**" when used with respect to either party includes the agents, employees, officers,

and contractors of the party, and the term “**Invitees**” when used with respect to City will 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 City’s exercise of any option, must be made by or through City’s Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in City’s Charter. If there is more than one entity that comprises Landlord, the obligations and liabilities under this Lease imposed on Landlord are joint and several.

24.6 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 will in no way define or limit the scope or intent of any provision of this Lease. Except as otherwise specifically provided in this Lease, wherever Landlord or City is required or requested to give its consent or approval to any matter or action by the other, the consent or approval will not be unreasonably withheld or delayed and the reasons for disapproval of consent will be stated in reasonable detail in writing. Provisions in this Lease relating to number of days will be calendar days, unless otherwise specified. If the last day of any period to give notice, reply to a notice, or to take any other action occurs on a Saturday, Sunday, or a bank or City holiday, then the last day for taking the action or giving or replying to the notice will be the next succeeding business day. The words “**include**” or “**including**” or similar words will not be construed to limit any general term, statement, or other matter in this Lease or any of its attached exhibits, whether or not language of non-limitation, such as “without limitation” or similar words, are used.

24.7 Successors and Assigns

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

24.8 Brokers

Neither party has had any contact or dealings or communications regarding leasing the Premises 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 of the Premises, except for the broker, if any, identified in the Basic Lease Information. That broker’s commission is Landlord’s sole responsibility under a separate written agreement between Landlord and the broker, and City has no liability for that commission. If any other broker or finder perfects a claim for a commission or finder’s fee based on any contact, dealings, or communication, the party through whom the broker or finder makes his claim will be responsible for the commission or fee and will Indemnify the other party from any and all Claims incurred by the indemnified party. The provisions of this Section will survive any termination of this Lease.

24.9 Severability

If any provision of this Lease or its application to any person, entity, or circumstance is found to be invalid or unenforceable, the remainder of this Lease, or the application of the provision to persons, entities, or circumstances other than those as to which it is invalid or unenforceable, will not be affected by that finding, and each other provision of this Lease will 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.

24.10 Governing Law

This Lease will be 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 this Lease 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 Lease has been brought in an inconvenient forum.

24.11 Entire Agreement; Incorporation of Exhibits

The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease by this reference) are the final expression of their agreement with respect to the lease of the Premises 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 will constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts and changes) may be introduced in any judicial, administrative, or other legal proceeding involving this Lease.

24.12 Holding Over

If City holds over in possession of the Premises after the expiration of the Term with Landlord's consent, that holding over will not be deemed to extend the Term or renew this Lease, and City's tenancy will continue as a month-to-month tenancy until the tenancy is terminated by either party by giving least thirty (30) days' prior written notice of termination. The month-to-month tenancy will be on all the terms and conditions of this Lease and at the monthly Base Rent in effect during the last month of the Term or as Landlord and City may mutually agree in writing. If City holds over without Landlord's consent, the rent payable by City during the period of holding over will be: one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and the tenancy will otherwise be on the terms and conditions contained in this Lease. If, as provided in Section 20 above, City fails to remove its furniture, furnishings, equipment, City's Personal Property and designated Alterations by the Expiration Date, then City's continued possession will be deemed a holding over, but Base Rent will not be payable for a ten (10)-day period so long as City complies with Section 20 no later than the last day of such ten (10)-day period; if City remains in possession of the Premises beyond that ten (10)-day period, then City's possession will be deemed a holding over and Base Rent will be payable for the entire hold over period (including the 10 days) as set forth in this Section 24.12.

24.13 Cumulative Remedies

All rights and remedies of either party set forth in this Lease are cumulative, except as otherwise specifically provided in this Lease.

24.14 Time of Essence

Time is of the essence for all provisions of this Lease.

24.15 Survival of Indemnities

Termination of this Lease will not affect the right of either party to enforce any indemnities and representations and warranties given or made to the other party, and it will not affect any provision of this Lease that expressly states it will survive termination. 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 that actually or potentially falls within the indemnity provision even if the claim is or may be groundless, fraudulent, or false, and the obligation to defend arises at the time the claim is tendered to the indemnitor by the indemnitee and continues at all times until resolved.

Notwithstanding the foregoing, nothing in this Section shall extend the duration of Landlord's environmental indemnity obligations beyond the period expressly stated in Section 21.3, and any such environmental Claims not asserted in writing within the one (1) year period following Lease termination shall be deemed irrevocably waived.

24.16 Signs

City may erect or post exterior signs on or about the Premises with Landlord's prior approval. Landlord reserves the right to review and approve the placement, design, and plan for before erecting or posting any sign, which review and approval will not be unreasonably withheld or delayed. Interior signs not visible from the exterior of the Premises are permitted as provided under Article 7 (Alterations).

24.17 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power, and authority to grant the leasehold estate as provided in this Lease, and covenants that City, on paying the Rent and performing the covenants contained in this Lease, will peaceably and quietly have, hold, and enjoy the Premises and all related rights during the Term as against all persons or entities 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 will Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

24.18 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. City's leasehold estate under this Lease includes all rights to receive and enjoy all services, facilities, and amenities of the Premises and the Building as provided in this Lease. If any of the services, facilities, or amenities are terminated, or materially limited or restricted because of any such case or proceeding, or for any other reason, City may (a) contract directly with any third-party provider of those services, facilities, or amenities, and (b) offset against the Rent all reasonable costs and expenses incurred by City in obtaining those services, facilities, or amenities.

24.19 Transfer of Landlord's Interest

Landlord may transfer its interest in the Property, the Building, or this Lease to any other financially responsible person or entity. If Landlord transfers its interest in the Property, the Building, or this Lease to another other financially responsible person or entity, then Landlord will be relieved of Landlord's obligations under this Lease accruing from and after the date of the transfer when (a) Landlord has provided notice to City of the name and address of Landlord's successor, (b) Landlord has provided City with supporting documentation reasonably acceptable to City demonstrating the transferee's financial ability to assume this obligations transferred to it by Landlord, (c) Landlord has transferred the Security Deposit to the transferee, and (d) Landlord has delivered to City an express written assumption by the transferee of all of Landlord's obligations under this Lease.

24.20 Non-Liability of City Officials, Employees, and Agents

Notwithstanding anything to the contrary in this Lease, no elected or appointed board, commission, member, officer, employee, or other Agent of City will be personally liable to Landlord, its successors, or its assigns for any City default or breach or for any amount that may become due to Landlord or its successors or assigns, or for any obligation of City under this Lease.

24.21 Counterparts

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

24.22 Effective Date

This Lease will become effective on the date (the “**Effective Date**”) that (a) City’s Mayor and Board of Supervisors, at their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by Landlord and City.

24.23 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. If Landlord or any of its officers or members have been suspended, disbarred, disciplined, or prohibited from contracting with any governmental agency, it will immediately notify City of that fact and the reasons for the suspension, disbarment, discipline, or prohibition together with any relevant facts or information requested by City. If there is any suspension, disbarment, discipline, or prohibition that may result in the termination or suspension of this Lease, City may terminate this Lease on written notice to Landlord. Landlord acknowledges that this certification is a material term of this Lease.

24.24 Memorandum of Lease

On the Effective Date, Landlord and City will execute the memorandum of lease in the form attached as **Exhibit D** (the “**Memorandum of Lease**”), and Landlord will cause the Memorandum of Lease to be recorded in the Official Records of the City and County of San Francisco within two (2) business days after execution.

24.25 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 Landlord. No party will be considered the drafter of this Lease, and no presumption or rule that an ambiguity will be construed against the party drafting the clause will apply to the interpretation or enforcement of this Lease.

24.26 No Implied Easement or Real Property Interest

Nothing in this Lease shall be construed as granting City any ownership, easement, or other real property interest in the Premises or the Property, other than the leasehold estate expressly created herein.

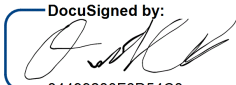
NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS CITY'S BOARD OF SUPERVISORS HAS DULY ADOPTED LEGISLATION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS LEASE. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER THIS LEASE ARE CONTINGENT ON ADOPTION OF THAT LEGISLATION AND THIS LEASE WILL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, AT 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 WILL NOT BE DEEMED TO IMPLY THAT THE RESOLUTION WILL BE ADOPTED AND NO SUCH APPROVAL WILL CREATE ANY BINDING OBLIGATIONS ON CITY.

[Remainder of page intentionally left blank.]

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

LANDLORD:

INNES GROUP LLC,
a California limited liability company

By:  _____
84499280F6D54C8...

Its: Partner _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
ANDRICO Q. PENICK
Director of Property

RECOMMENDED:

Department Authority

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Vicente P. Reyes
Deputy City Attorney

EXHIBIT A

Legal Description of Premises

(See Attachment)

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

Date

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

RE: Acknowledgement of Commencement Date, Lease Between

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

Dear Mr. Penick:

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

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
Andrico Q. Penick
Director of Property

Dated: _____

EXHIBIT C

PRICING PLANS AND CONSTRUCTION SPECIFICATIONS

(See attachment)

EXHIBIT D

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

City and County of San Francisco
Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property

Exempt from recording fees under Government Code
Section 27383.

Documentary Transfer Tax: NONE – Exempt under San
Francisco Business and Tax Regulations Code Section
1105

1908-1950 Innes Avenue
San Francisco, CA
Block 5250, Lot 005

(Space above this line reserved for Recorder's use only)

MEMORANDUM OF LEASE

This Memorandum of Lease ("**Memorandum**"), dated for reference purposes as of _____, 2025, is by and between INNES GROUP LLC, a California limited liability company ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**").

Recitals

A. Landlord and City have entered into that certain Lease, dated June 30, 2025 (the "**Lease**"), under which Landlord leased to City and City leased from Landlord the real property more particularly described in the attached **Exhibit A** (the "**Property**") and granted City the right to purchase the Property under certain circumstances (the "**Purchase Option**").

B. Landlord and City desire to execute this Memorandum to provide constructive notice of the Lease and the Purchase Option to all third parties.

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. **Term**. Under the terms of the Lease, Landlord leased the Property to City for a term commencing on the date Landlord delivers possession of the Property to City as set forth in the Lease. The Term of the Lease will expire on the date that is six (6) years after the Commencement Date (as defined in the Lease), subject to one 5-year option to extend (subject to the terms and conditions of the Lease), unless earlier terminated in accordance with the terms of the Lease.

2. Lease Terms. Landlord leases the Premises to City on the terms and conditions of the Lease, which are incorporated into this Memorandum by reference as if they were fully set forth in this Memorandum; the rights and obligations of Landlord and Tenant are contained in the Lease. This Memorandum does not and will not be deemed to modify, alter, or amend the Lease in any way. If any conflict exists between the terms of the Lease and this Memorandum, the terms of the Lease will govern. Except as otherwise defined in this Memorandum, capitalized terms have the meanings given them in the Lease.

3. Successors and Assigns. This Memorandum and the Lease bind and will inure to the benefit of the parties and their respective heirs, successors, and assigns, subject, to the provisions of the Lease.

IN WITNESS WHEREOF, Landlord and City have executed this Memorandum of Lease as of the day and year first written above.

LANDLORD:

INNES GROUP LLC,
a California limited liability company

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,

By: _____
ANDRICO Q. PENICK
Director of Property

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____) ss

On _____ before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

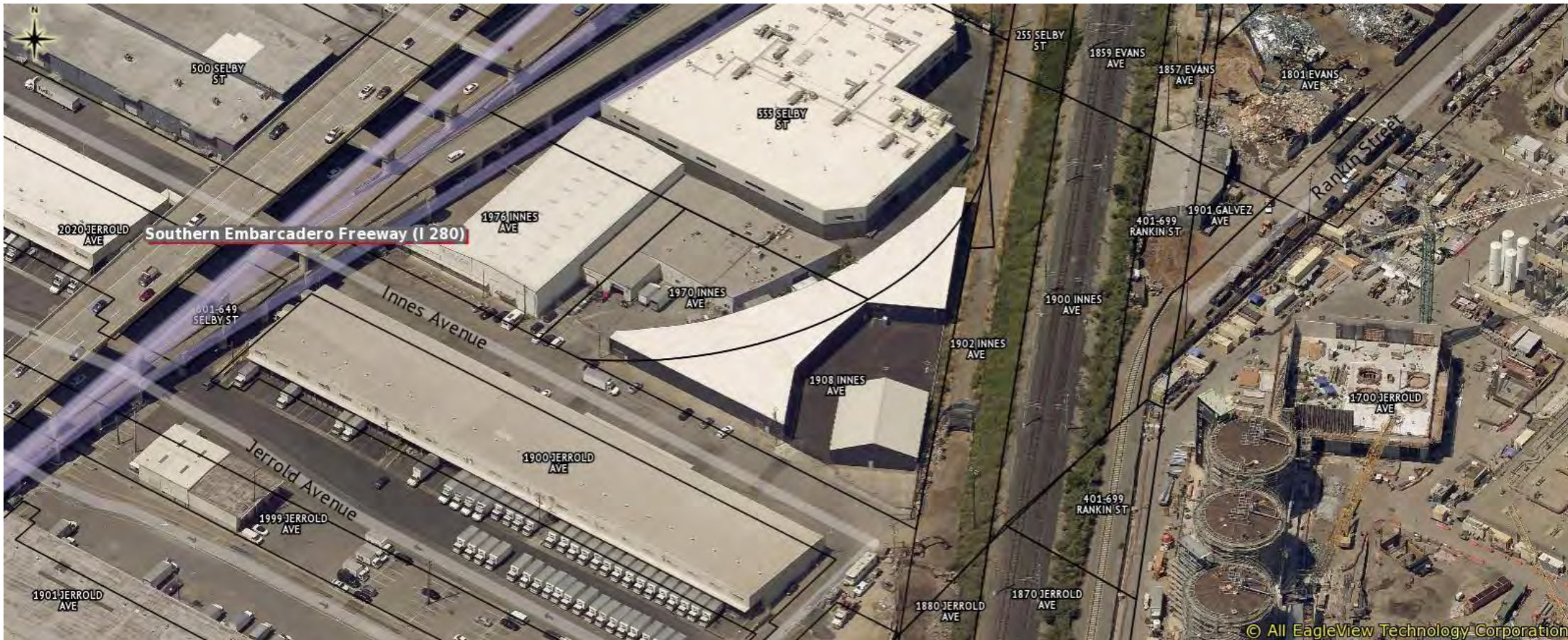
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

1908 1950 Innes

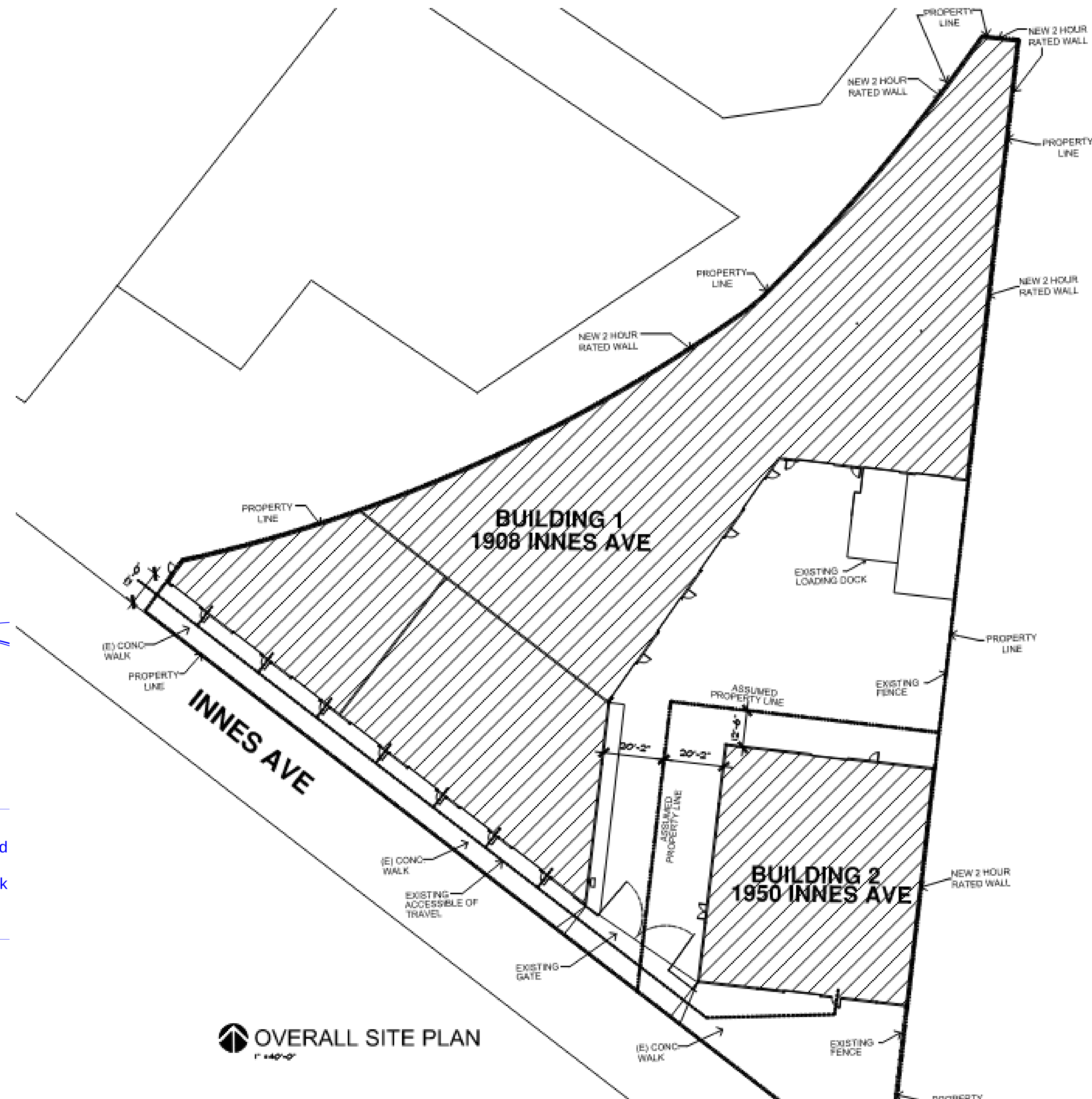
Exhibit A



1908 Innes Avenue, San Francisco

Scope of Work - City of San Francisco

Exhibit C



(18) New Fourplex receptacles
(12) 50 AMP receptacles for vehicle
charging
Distributed throughout per the taped
locations on site

New 200AMP Overhead feeder and re-feed
conduit to the panel in Building 2
Overhead feeder to be set at 16' for truck
clearance at main gate

Installation of a 6'0 x 7'0 door - door to be relocated from Building 2

Demolition of existing electrical panel, doors and conduit that runs to the main panel.

Installation of a 22' x 16' roll-up door

Installation of:
22' x 16' roll-up door
(1) 3'0" x 7'0" door for egress

Electrical Panels to remain

Exhibit C



1908 | 1950 Innes
Budget Estimate

Scope	Description	Budget
General Conditions	6 weeks x \$3,000 week	\$18,000
Progress Labor	6 weeks x \$2,600 per week	\$15,600
Hazmat Testing & Abatement	Not in Contract - Owner Responsible	NIC
Temporary Facilities	Not in Contract - assumes use of building facility	NIC
Scaffold Lift Rental	Allowance for lift rental for hi-bay work	\$2,400
Demolition	Demolition of exterior paneling and interior steel to create openings for the: (2) Roll-up doors - (3) days per opening (1) 3' x 7' door - (1) day (1) 6' x 7' door - (2) Days Note: all electrical demolition and clean up is included in the electrical line item below.	\$20,000
Rough Carpentry	Allowance for backing required for the (2) roll up door motors.	\$1,500
Exterior Paneling	Not in Contrat. No new panels wil be required. CCI to save and store (on-site) all panels removed for the building owner.	NIC
Exterior WaterProofing	Allowance for waterproofing at all new exterior opwnings: (2) Roll-up doors (1) 3' x 7' door (1) 6' x 7' door	\$5,000
Doors Frames Hardware	Supply and install : (1) 3' x 7' door Installation only of - (1) 6' x 7' door	\$6,500
Tube Steel Supports - Roll Up Doors	Allowance for tube steel supports for the roll-up door jambs. If required. If existing steel can be utilized, line item will be reconciled.	\$10,000
Exterior Roll-Up Doors	Door Type "OH Coiling Service Doors" - HW Group "Per Mfg." (2) 22'-0" x 16'-0" CornellCookson Model ESD10 Interior Coil Weathered OH Coiling Doors - Mounting, Interior Face of Wall (Steel) - Curtains, 2-5/8" Large Flat Non-Insulated Slats, 22 Gauge Galvanized Steel - Barrels, Standard 50,000 Cycle Rating - Brackets, Reinforced Plate Steel - Guides, Structural Steel - Bottom Bars, Steel Angle - 20PSF Wind Load Design - Seals, Single Guide Weatherstripping, Hood Baffle, & Bottom Astragal - Hoods, 24Ga. Galvanized Steel - Finish, Mfg. Standard Gray GalvaNex - Operators, (2) US Gear Model MGH 5011 1/2HP 120V 1P w/ Hand Chain Assembly & Brake - Front of Coil Mounted Motors - (2) Interior Surface Mounted 3-Button Control Stations (NEMA1) - (2) Pairs of Standard Photocells (NEMA1) Excludes: Seismic Performance & Calculations	\$73,598
Paint - Interior Exterior	Not in Contract - assumes all existing conditions to remain.	NIC
MEP Safe Off	Allowance for MEP safe off prior to demolition	\$1,500

Electrical - Power	Supply & install:	
	(18) new fourplex receptacles	
	(12) 50 AMP receptacle for vehicle chargers	
	Power for (2) roll up doors	
	Remove panel and overhead feeder	
	(1) new 200AMP Feeder overhead and in conduit to re-feed small warehouse - to be installed for 16' clearance at the main driveway	\$139,239
	(1) New 400AMP Panel	
	Note: Will need access to panel that is currently locked by PG&E.	
	All electrical to be surface mounted	

Fire Life Safety	Not in Contract	NIC
Security	Not in Contract	NIC
Data	Not in Contract	NIC
Final Clean	Allowance for broom swept clean condition post construction	\$1,500
Subtotal		\$294,836
Construction Contingency	10% of overall Budget	\$29,484
Pro Rata Insurance	\$18 \$1000	\$5,838
SF Payroll Tax	\$7 \$1,000	\$2,311
Overhead & Profit	5% of overall budget	\$16,623
Total		\$349,092



1908 – 1950 INNES AVENUE, SAN FRANCISCO

**REAL PROPERTY LEASE
CENTRAL SHOPS**

BUDGET AND FINANCE COMMITTEE | SEPTEMBER 17, 2025

REAL ESTATE DIVISION

Central Shops (Vehicle Fleet Management):

Central Shops provides fleet management services to over 70 City departments with a combined municipal fleet of approximately 8,000 vehicles and operates six maintenance and repair facilities across the City.

Why are we here?

- State Water Resource Control Board mandate
- Space for commissioning and decommissioning vehicles

1908 – 1950 Innes Avenue

- LOCATION: Adjacent to Central Shops primary facility located at 555 Selby Avenue.
- INCREASED EFFICIENCY AND COST SAVINGS: Central Shops will have a site to process incoming and “turn-in” vehicles in one place.
- STATE MANDATE: The site provides a location for a temporary fueling station to meet the requirements of the State Water Resources Control Board.

Deal Points:

- Term:
 - Six years expiring September 30th, 2031
 - One five-year Option to Extend the Lease.
 - Option to Purchase during first three years of the term.

- Economics:
 - Base Annual Rent: \$631,800.00 with three percent annual increases.
 - City pays for utilities and services.
 - Landlord will provide improvements at City's cost not to exceed \$349,092.
 - City has an Option to Purchase for \$12,000,000.

QUESTIONS?

REAL ESTATE DIVISION

President, District 8
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-6968
Fax No. 554-5163
TDD/TTY No. 544-5227

RAFAEL MANDELMAN

PRESIDENTIAL ACTION

Date: 9/9/25

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

☐ Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____

(Primary Sponsor)

Title. _____

☐ Transferring (Board Rule No 3.3)

File No. _____

(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee

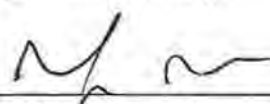
☒ Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: Chen Replacing Supervisor: Engardio

For: 9/17/25 Budget & Finance Meeting
(Date) (Committee)

Start Time: _____ End Time: _____

Temporary Assignment: ☐ Partial ☒ Full Meeting



Rafael Mandelman, President
Board of Supervisors



San Francisco Ethics Commission

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

Phone: 415.252.3100 . Fax: 415.252.3112

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

Received On:

File #: 250872

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

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

A Public Document

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

1. FILING INFORMATION

TYPE OF FILING	DATE OF ORIGINAL FILING (for amendment only)
Original	
AMENDMENT DESCRIPTION – Explain reason for amendment	

2. CITY ELECTIVE OFFICE OR BOARD

OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

3. FILER'S CONTACT

NAME OF FILER'S CONTACT	TELEPHONE NUMBER
Angela Calvillo	415-554-5184
FULL DEPARTMENT NAME	EMAIL
Office of the Clerk of the Board	Board.of.Supervisors@sfgov.org

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Don Jones	415-554-9865
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
GSA RED on Behalf of Fleet Management	Don.Jones@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Innes Group, LLC	TELEPHONE NUMBER 415 812 8299
STREET ADDRESS (including City, State and Zip Code) 611 Gateway Blvd. Ste 120 So. San Francisco, CA 94124	EMAIL Davesnfrisco@gmail.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S) 	ORIGINAL BID/RFP NUMBER 	FILE NUMBER (If applicable) 250872
DESCRIPTION OF AMOUNT OF CONTRACT \$631,800.00 in the first contract year with three (3%) percent annual increases thereafter		
NATURE OF THE CONTRACT (Please describe) Six-year lease with one five-year extension.		

7. COMMENTS

8. CONTRACT APPROVAL	
This contract was approved by:	
☐	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
☒	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
☐	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Chen	Zhan	Shareholder
2	Hung	Harry	Shareholder
3	Yep	Riki	Shareholder
4	Smith	David	Shareholder
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
20			
21			
22			
23			
24			
25			
26			
27			
28			
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31			
32			
33			
34			
35			
36			
37			
38			

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			

☐ Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.

10. VERIFICATION

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

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

SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK

DATE SIGNED

BOS Clerk of the Board

City & County of San Francisco
Daniel Lurie, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Andrico Q. Penick, Director of Real Estate

July 21st, 2025

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

RE: Lease Agreement – Fleet Management Department, 1908 - 1950 Innes Avenue, San Francisco

Dear Board Members:

Attached, for your consideration, is a Resolution authorizing and approving a lease agreement for two warehouse buildings comprising approximately 29,250 square feet on an approximately 46,274 square foot lot, located at 1908 – 1950 Innes Avenue, for the Fleet Management Department (“Central Shops”).

Central Shop provides fleet services to over 70 City departments with a combined municipal fleet of approximately 8,000 vehicles. Central Shops is responsible for asset management, maintenance and repairs, motor pools, fueling services, writing equipment specifications, and vehicle acquisition and disposition. Central Shops operates six maintenance and repair facilities across the City and maintains and repairs various types of vehicles and fleet equipment, ranging from passenger vehicles to highly specialized equipment like fire engines and street sweepers.

The purpose of this proposed lease is to accommodate two functions. The first is to construct a temporary fuel station to meet the requirements of the California State Water Resources Control Board, which calls for the removal of single wall underground fuel storage tanks by December 31st, 2025. To meet this requirement a temporary fuel station will be constructed at 1908 – 1950 Innes Avenue by the 4th quarter 2025 to allow the Department of Public Works to begin its replacement project of Citywide tanks at the end of 2025.

The second function is to accommodate the commissioning and decommissioning of City fleet vehicles. Due to the limited space at their six maintenance facilities, this function is currently being done at client department sites in the field, where it is inefficient, labor intensive, and costly. By relocating these functions to 1908 - 1950 Innes Avenue, Fleet Management expects to reduce costs and increase efficiency.

Central Shops, in consultation with the Real Estate Division (RED), negotiated the proposed new lease agreement with Innes Group, LLC (landlord) for an initial term of six years with one additional term of five years at a Base Annual Rent of \$631,800 (\$21.60 per square foot) with three percent annual increases during the initial term of the lease. In addition to the Base Annual Rent Central Shops pay for their own utilities and services in conjunction with their use of the property.

Landlord, in preparation for Central Shops tenancy, will provide tenant improvements which shall include electrical distribution in both warehouse buildings, one “man” door” in the large warehouse,

and two roll up doors in the small warehouse. After substantial completion of the tenant improvements City will pay for the improvements at a cost not to exceed \$349,092.00.

Included in this proposed lease is an Option to Purchase the property during the first three years of the lease term for \$12,000,000.

Central Shops and the Real Estate Division recommend approval of the proposed lease agreement.

If you have any questions regarding this matter, please get in touch with our office at 415-554-9865.

Respectfully,

A handwritten signature in blue ink, appearing to read "Andrico Q. Penick", is written over a faint, larger blue ink signature that is partially visible in the background.

Andrico Q. Penick
Director of Real Estate