

File No. 170064

Committee Item No. 5

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 23, 2017

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date February 17, 2017

Completed by: Linda Wong Date _____

1 [Real Property Lease - 120 14th Street, LLC - 1740 Folsom Street - \$882,560.04 in Initial
2 Year]

3 **Resolution authorizing the exercise of a five-year option to extend the term of the lease**
4 **of approximately 18,682 square feet of space at 1740 Folsom Street for continued use**
5 **by the Sheriff's Department for \$882,560.04 in the Initial Year with 3% annual increases**
6 **with 120 14th Street, LLC, as Landlord, for the lease extension term of July 1, 2017,**
7 **through June 30, 2022.**

8
9 WHEREAS, The City and County of San Francisco as Tenant, executed a lease dated
10 June 26, 2002 (the "Lease"), authorized by Resolution No. 356-02 for Premises consisting of
11 18,862 sq. ft. in the building commonly known as 1740 Folsom Street for use by the San
12 Francisco Sheriff's Department; and

13 WHEREAS, The Lease was extended for an additional 5 years by Board of
14 Supervisors' Resolution No. 47-12; and

15 WHEREAS, 120 14th Street, LLC is successor in interest to Fourteenth Street
16 Partnership, LLC, Landlord; and

17 WHEREAS, In addition to training and DOC facilities, the Sheriff uses this facility to
18 manage approximately 215 background checks for prospective personnel joining the
19 department and to manage approximately 2500 jail clearance checks annually for both City
20 staff and the public involved in providing programs and services to the jails; and

21 WHEREAS, Such lease expires on June 30, 2017 and contains an option to extend the
22 term for another five (5) years on the same terms and conditions except that the Base Monthly
23 Rental is to be adjusted to 95% of the market rental value; and

1 WHEREAS, Pursuant to Administrative Code, Section 23, a Fair Market Rent appraisal
2 by MAI appraisers Watts Cohn and Partners, Inc. established the 95% of Fair Market Rent as
3 \$47.50 per square foot or \$896,000 annually with market rate increases of 3% annually; and

4 WHEREAS, Landlord has agreed to abate 3% of the rent for the first 6 months of the
5 term; and

6 WHEREAS, Such terms for the option are subject to enactment of a Resolution by the
7 Board of Supervisors and the Mayor, in their respective sole and absolute direction, approving
8 and authorizing such exercise; now, therefore, be it

9 RESOLVED, That in accordance with the recommendation of the Sheriff and the
10 Director of Property, the Director of Property is hereby authorized to take all actions on behalf
11 of the City and County of San Francisco, as tenant, to extend the Lease (copy of original
12 Lease is on file with the Clerk of the Board of Supervisors in File No. 170064) with 120 14th
13 Street, LLC, ("Landlord"), for the building commonly known as 1740 Folsom Street, San
14 Francisco, California, for the area of approximately 18,862 sq. ft. (the "Premises") on the
15 terms and conditions set forth herein; and, be it

16 FURTHER RESOLVED, That the Lease extension shall be for a term of 5 years
17 through June 30, 2022, at the base rent as follows:

<u>Lease Year</u>		<u>Monthly Rent</u>	<u>PSF</u>
July 1, 2017- Dec 31, 2017	(1/2 yr)	\$72,426.67	(Approx. \$46.08 PSF)
Jan 1, 2018- June 30, 2018	(1/2 yr)	\$74,666.67	(Approx. \$47.50 PSF)
July 1, 2018- June 30, 2019	(Yr 2)	\$76,906.67	(Approx. \$48.93 PSF)
July 1, 2019- June 30, 2020	(Yr 3)	\$79,213.87	(Approx. \$50.40 PSF)
July 1, 2020- June 30, 2021	(Yr 4)	\$81,590.28	(Approx. \$51.91 PSF)
July 1, 2021- June 30, 2022	(Yr 5)	\$84,037.99	(Approx. \$53.46 PSF)

22 The City shall continue to pay for utilities; and, be it

23 FURTHER RESOLVED, That the Lease shall continue to include the lease clause
24 indemnifying, holding harmless, and defending Landlord and its agents from and against any
25 and all claims, costs and expenses, including without limitation, reasonable attorneys' fees,

1 incurred as a result of any default by the City in the performance of any of its material
2 obligations under the Lease, or any negligent acts or omissions of the City or its agents, in,
3 on, or about the Premises or the property on which the Premises are located, excluding those
4 claims, costs and expenses incurred as a result of the negligence or willful misconduct of the
5 Landlord or its agents; and, be it

6 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
7 with respect to such Lease are hereby approved, confirmed and ratified; and, be it

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

15 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term
16 of the Lease unless funds for the Sheriff Department's rental payments are not appropriated in
17 any subsequent fiscal year at which time the City may terminate the Lease with advance
18 notice to Landlord;. said Lease shall be subject to certification as to funds by the Controller,
19 pursuant to Section 3.105 of the City Charter; and, be it

20 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
21 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk
22 of the Board for inclusion into the official file.

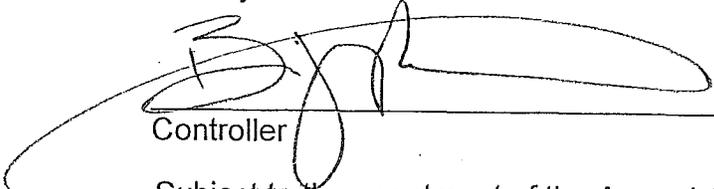
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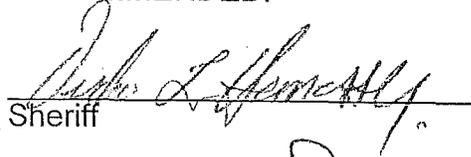
\$882,560.04 Available
Index code 062610
Subobject 03011



Controller

Subject to the enactment of the Annual Appropriation Ordinance for Fiscal Year 2017/2018.

RECOMMENDED:



Sheriff



Director
Real Estate Division

<p>Item 5 File 17-0064</p>	<p>Department: Sheriff's Department (Sheriff) Real Estate Division (RED)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would authorize the (i) exercise of the final five-year option to extend the 120 14th Street lease between the Sheriff's Department, as tenant, and 120 14th Street, LLC, as landlord, from July 1, 2017 through June 30, 2022, and (ii) increase the annual rent from \$550,392 to \$882,560 in FY 2017-18, an increase of \$332,168 or 60.4 percent. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The Sheriff's Department has an existing lease for 18,862 square feet of space at 120 14th street for use as (i) the Sheriff's Department's Operation Center for use in an emergency, (ii) a consolidated training facility to provide State-mandated annual training to members of the Sheriff's Department, and (iii) office space for the Sheriff's Department's Training Unit, Background Unit, and Field Support Services Unit. The Board of Supervisors previously approved the original ten-year lease from 2002 to 2012 and a five-year lease extension to June 30, 2017. • The proposed resolution approves the final five year option for the 120 14th Street lease from July 1, 2017 to June 30, 2022. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The Sheriff's Department's annual rent for 120 14th Street in FY 2016-17 is \$550,392, equal to \$29.18 per square foot per year for 18,862 square feet. Under the proposed lease extension, the rent would increase to an annual rent rate of (i) \$46.08 per square foot for the first six months of FY 2017-18; and (ii) \$47.50 per square foot for the second six months of FY 2017-18. • The proposed annual rent rate of \$47.50 per square foot represents 95 percent of the current fair market rent established by an independent appraisal. The annual rent increase of 3 percent per year, beginning on July 1, 2018, reflects current typical lease agreements in the commercial real estate market. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • According to Mr. Dunn, plans for the lease after the proposed five-year lease extension expires in 2022 are currently undetermined and are largely dependent on the possible vacancy and renovation or replacement of the Hall of Justice. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolution 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend is subject to Board of Supervisors approval.

Administrative Code Section 23.27 requires Board of Supervisors approval of leases that are longer than one year where the City is the tenant.

BACKGROUND

In May 2002, the Board of Supervisors approved a ten-year lease (Resolution 356-02) from July 1, 2002 through June 30, 2012, between the Sheriff's Department, as tenant, and Mark Nelson Development & New California Land Company (Mark Nelson), as landlord, at 1740 Folsom Street (also known as 120 14th Street) for approximately 18,862 square feet of space for use as (i) the Sheriff's Department's Operation Center for use in an emergency, (ii) a consolidated training facility to provide State-mandated annual training to members of the Sheriff's Department, and (iii) office space for the Sheriff's Department's Training Unit, Background Unit, and Field Support Services Unit.

The lease included two options to extend for a term of five years each through 2022 with rent adjusted to 95 percent of the fair market rent at the beginning of each term.

In February 2012, the Board of Supervisors approved a resolution (File 12-0038) authorizing the Director of Real Estate to exercise the first of two five-year options to extend the lease term for an additional five years from July 1, 2012 through June 30, 2017.

120 14th Street was subsequently sold by Mark Nelson and the lease was transferred by Mark Nelson to the new property owner, 120 14th Street LLC.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the (i) exercise of the final five-year option to extend the 120 14th Street lease between the Sheriff's Department, as tenant, and 120 14th Street, LLC, as landlord, from July 1, 2017 through June 30, 2022, and (ii) increase the annual rent from \$550,392 to \$882,560 in FY 2017-18, an increase of \$332,168 or 60.4 percent. Table 1 below summarizes the terms and conditions of the current and proposed lease extension.

Table 1. Summary of Proposed Lease Details

	Proposed Lease
Premises	18,862 square feet plus a parking lot for 19 vehicles
Base Rent (monthly)	\$72,427 for the first six months and \$74,667 for the next six months
Operating Expenses (monthly)	\$3,142 for utilities. Janitorial services, maintenance and all other operating costs to be paid by the landlord.
Base Rent Increase Date	Annually on July 1
Base Rent Increase Amount	3% (annually)
Term of five year extension	July 1, 2017 to June 30, 2022

Source: Real Estate Division

FISCAL IMPACT

The Sheriff's Department's existing annual rent for 120 14th Street in FY 2016-17 is \$550,392, equal to \$29.18 per square foot per year for 18,862 square feet. Under the proposed lease extension, the rent would increase to an annual rent rate of (i) \$46.08 per square foot for the first six months from July 1, 2017 to December 31, 2017; and (ii) \$47.50 per square foot for the second six months from January 1, 2018 to June 30, 2018. As noted above, the total rent will increase from \$550,392 in FY 2016-17 to \$882,560 in FY 2017-18, an increase of \$332,168 or 60.4 percent.

The proposed annual rent rate of \$47.50 per square foot (effective as of January 1, 2018) represents 95 percent of the current fair market rent¹ established by an independent appraisal conducted by Watts, Cohn and Partners, Inc.² According to Mr. Charles Dunn, Senior Real Property Officer at the Real Estate Division, the annual rent increase of 3 percent per year, beginning on July 1, 2018, reflects current typical lease agreements in the commercial real estate market.

As shown in Table 2 below, over the five-year term of the lease extension from July 1, 2017 through June 30, 2022, total rent to be paid by the Sheriff's Department is \$4,743,546 and the total cost for utilities is estimated at \$200,181, resulting in a total cost of \$4,943,727 for the proposed five-year lease extension. This total cost, including utilities, would be paid from the

¹ As of November 1, 2016, the fair market rent for the property was \$47.50 per square foot per year according to the appraisal. According to Mr. Dunn, the landlord agreed to the lower annual rental rate of \$46.08 per square foot for the first six months of the lease extension in response to requested departmental budget cuts as a result of the Proposition K sales tax initiative's failure to pass in November 2016.

² Per City Charter Section 23.27, if the consideration to be paid by the City for the lease as base rent is more than \$60 per square foot per year, the Director of Property, on behalf of the department concerned shall obtain an Appraisal Review for such appraisal. Because the fair market rent for the 1740 Folsom Street property was \$47.50 per square foot per year according to the appraisal, an Appraisal Review was not required.

City's General Fund, subject to Board of Supervisors appropriation approval in the Sheriff's Department's annual budget.

Table 2: Total Costs by Year under Proposed Lease Extension

Lease Year	Annual Rent	Annual Operating Costs ³	Total Cost
FY 2017-18 ⁴	\$882,560	\$37,705	\$920,265
FY 2018-19	922,880	38,836	961,716
FY 2019-20	950,566	40,001	990,568
FY 2020-21	979,083	41,201	1,020,285
FY 2021-22	1,008,456	42,437	1,050,893
Total	\$4,743,546	\$200,181	\$4,943,727

Source: Real Estate Division

POLICY CONSIDERATION

According to Mr. Dunn, the Real Estate Division inquired about purchasing the property but the property owner had no interest. In addition, the Real Estate Division conducted a search for other properties that could be purchased, but did not find other properties that could serve the Sheriff Department's needs.

According to Mr. Dunn, plans for the lease after the proposed five-year lease extension expires in 2022 are currently undetermined and are largely dependent on the possible vacancy and renovation or replacement of the Hall of Justice.

RECOMMENDATION

Approve the proposed resolution.

³ Assumes annual increase of 3 percent.

⁴ This reflects the 3 percent rental abatement for the first six months of FY 2017-18 or \$72,427 monthly for the first six months totaling \$434,560, and \$74,667 monthly for the next six months totaling \$448,000.

LEASE

between

MARK NELSON DEVELOPMENT, LLC AND
NEW CALIFORNIA LAND COMPANY
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of

1740 FOLSOM STREET
San Francisco, California

June 26, 2002

LEASE
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LIST OF EXHIBITS:

EXHIBIT A -- Floor Plan(s) of Premises

EXHIBIT B -- Notice of Commencement Date

EXHIBIT C -- Janitorial specifications

EXHIBIT D -- Personal Property

LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of June 26, 2002 is by and between MARK NELSON DEVELOPMENT, LLC, a California limited liability company and NEW CALIFORNIA LAND COMPANY, a California general partnership, respectively, holding title as Tenants in Common ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	June 26, 2002
Landlord:	MARK NELSON DEVELOPMENT, LLC & NEW CALIFORNIA LAND COMPANY
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Premises (Section 2.1):	The entire property including the roof of the Property commonly known as 1740 Folsom Street and the contiguous parking lot, commonly known as 120 14 th Street
Rentable Area of Premises (Section 2.1):	Approximately 18,862 rentable square feet
Term (Section 3):	Estimated commencement date: July 1, 2002 Expiration date: June 30, 2012 (Approximately 10 years)
Extension Options (Section 3.4):	Two (2) additional terms of 5 years each, exercisable by City by notice to Landlord given not more than 270 days nor less than 180 days in advance, with rent adjusted to 95% of the then prevailing rent for similar premises. Landlord shall repaint and recarpet the Premises at the beginning of the first option period.

Base Rent (Section 4.1):

Annual Base Rent: \$377,240
(\$20.00 per sq. ft.)
Monthly payments: \$31,436.67
(\$1.67 per sq. ft.)

Adjustment Date (Section 4.2)

On July 1, 2007, there shall be a one time adjustment to Base Rent based on the proportional increase in the CPI. However, such adjustment shall in no event increase the monthly Base Rent by more than 30% (\$40,867.67) nor less than 15% (\$36,152.17).

Use (Section 5.1):

Training, Public Programs, Emergency Operations and administrative offices for the Sheriff's Department.

Leasehold Improvements (Section 6)

Turnkey improvements pursuant to the Hood, Thomas Architects Space plan dated June 11, 2002 as modified by City.

City shall pay as its portion of the cost of the specialty Tenant Improvements to Landlord \$41,104 upon Lease Commencement.

Utilities (Section 9.1):

All utilities shall be Landlord provided and City paid

Services (Section 9.2):

Landlord shall provide maintenance, repair and janitorial services.

Notice Address of Landlord (Section 23.1):

New California Land Company
2214 Greenwich
San Francisco, CA 94123
Fax: (415) 563-0621

Key Contact for Landlord: Mark Nelson
(415) 706-0951

Landlord Contact Telephone No.: Chris Foley
(415) 305-4600

Notice Address for Tenant (Section 23.1): Real Estate Division
City & County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Marc S. McDonald
Director of Property
Fax No.: (415) 552-9216

with a copy to: Sheriff's Department
City Hall, Room 456
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682

and to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Amy Brown
Deputy City Attorney
Fax No.: (415) 554-4755

Key Contact for Tenant: Chief Deputy Carl Koehler

Tenant Contact Telephone No.: 554-6933

Alternate Contact for Tenant: Jean Mariani

Alternate Contact Telephone No.: 554-4316

Brokers (Section 23.8): Zephyr Commercial

Other Noteworthy Provisions (Section 22): City shall have the first right to purchase the property.

(Section 7.4)

City shall pay to Landlord \$30,000 for the existing 3 day back-up generator upon Lease Commencement.

2. PREMISES

2.1. Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the exclusive right to use those premises, including the roof areas, identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The above notwithstanding, Landlord reserves the right to reinstall the cow marquee on the roof. The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. As used in this Lease, the term "rentable area" shall mean that measurement of interior floor area computed in accordance with the "Standard Method for Measuring Floor Area in Office Buildings, the American National Standard" (ANSI Z65.1 1980, reaffirmed 1989), adopted by the Building Owners and Managers Association (BOMA). The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

3. TERM

3.1. Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such other date as Landlord shall have delivered the Premises to City with the Leasehold Improvements (as defined below) having been substantially completed by Landlord and accepted by City pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements) AND Landlord has delivered an executed Subordination and Nondisturbance Agreement pursuant to the Terms of Section 11. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option(s)), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) as provided hereinbelow.

3.2. Commencement Date and Expiration Date

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

3.3. Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property pursuant to Section 6.1 (Landlord's Obligation to Construct Improvement) on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease, unless the delay in completion of the Leasehold Improvements is caused solely by City Change Order(s) pursuant to Section 6.4, in which event City shall be obligated to pay Base Rent based on the delay dates agreed upon in such Change Orders. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred eighty (180) days after the Estimated Commencement Date, then, provided that Landlord's inability to deliver possession to City within said period is not caused solely by City's Change Orders pursuant to Section 6.4, City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

3.4. Extension Option(s)

City shall have the right to extend the Initial Term of this Lease (the "Extension Option(s)") for the additional term(s) specified in the Basic Lease Information (the "Extended Term(s)"). Each Extension Option shall be on all of the terms and conditions contained in this Lease except that the Base Rent shall be adjusted pursuant to Section 4.3 (Base Rent During Extension Periods) and upon the exercise of the first Extension Option, Landlord shall repaint and recarpet the Premises pursuant to Section 6.6 (Landlord's Obligation to Repaint and Recarpet) during First Option Period. City may exercise an Extension Option, if at all, by giving written notice to Landlord no later than one hundred eighty (180) days prior to expiration of the term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within sixty (60) days after the date the new Base Rent has been determined pursuant to Section 4.3 (Base Rent During Option Period(s)).

4. RENT

4.1. Base Rent

Beginning on the Commencement Date, City shall pay to Landlord during the Term the annual Base Rent specified in the Basic Lease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month,

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

4.2. Adjustments in Base Rent

On July 1, 2007 (the "Adjustment Date"), the Base Rent payable under Section 4.1 shall be adjusted as follows:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published for March 2007 (the "Adjustment Index"), shall be compared with the Index published for March 2002 (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. In no event shall the monthly Base Rent on or after the Adjustment Date be less than fifteen (15%) nor more than thirty (30%) of the monthly Base Rent in effect for the last full month immediately prior to the Adjustment Date.

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

4.3. Base Rent During Extension Period(s)

The Base Rent during the each Extension Period shall be adjusted to ninety-five (95%) of the then fair market rent. City and Landlord hereby agree that Fair Market Rent shall be determined as follows:

Fair Market Rent shall be the prevailing market rate for space of comparable size and location to the Premises having recently been leased or then being offered for rent in other buildings similar in age, seismic condition, location and quality to the Property; provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account all factors to make such spaces comparable to the Lease Premises, including but not limited to (i) any expense adjustments such as utilities paid, (ii) any additional rental and all other payments and escalations payable, (iii) floor location, access to natural light and size of the premises of such comparable space, (iv) the duration of the renewal term and the term of such comparable space,

(v) free rent and any other tenant concessions offered under such comparable space, and (vi) tenant improvement allowances and other allowances offered by such comparable space.

Within thirty (30) days of Landlord's receipt of City's notice of its intent to exercise an Extension Option, Landlord shall provide written notice to City of Landlord's determination of its prevailing market rate along with reasonable substantiation for such rate, including, but not limited to at least five (5) recent comparable lease transactions.

If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord of the City's determination of prevailing market rate and reasonable substantiation for such rate within fourteen (14) days following Landlord's notice to City. If City and Landlord still disagree:

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

(b) If within this thirty (30) day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one commercial real estate agent.

(c) The two agents shall immediately select a third agent who is willing for a fee not to exceed \$5000, in written notice to the parties and within ten (10) days of his or her selection, choose either Landlord's and City's determination of the prevailing market rate and provide the reasoning for such selection.

(d) All agents specified above shall (i) have not less than five (5) years' experience leasing commercial properties similar to the Premises and (ii) have not acted in any capacity for either party for at least the 2 prior years. Each party shall pay for their own agent. Landlord shall pay the reasonable cost, if any, of the third agent so selected and City shall reimburse Landlord one half the actual and reasonable cost of such third agent.

(e) In the event the City's Director of Property does not believe the Board of Supervisors or the Mayor will approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may revoke the exercise of the Extension Option by City.

5. USE

5.1. Permitted Use

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

5.2. Interference with Access

Landlord shall provide to City at all times use of the Premises and uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and substantially and materially impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within ninety (90) days of the date City's use was interrupted, and such use is actually restored within such 90-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1. Landlord's Obligation to Construct Improvements

Subject to City's obligations as set forth in Sections 6.2 and 6.3, Landlord, through its general contractor shall construct the Premises, perform the work and make the installations in the Premises at Landlord's sole cost pursuant to the Construction Documents (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

(a) Plans and Specifications

Before the reference date of this Lease, Landlord has caused its architect or space planner approved by City to prepare and submit to City for its approval an architectural plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. City hereby approves the preliminary plans and specifications dated June 11, 2002 (the "Pricing Plans") as amended by City, prepared by Hood, Thomas Architects.

Immediately following the Effective Date of this Lease (as defined in Section 23.230 hereof), based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings to City. Such final working drawings and specifications shall be subject to City's approval, which approval shall not

be unreasonably withheld or delayed. If City disapproves such final working drawings and specifications, or any portion thereof, then City shall promptly notify Landlord thereof and of the revisions that City reasonably requires in order to obtain City's approval. As soon as reasonably possible thereafter, but in no event later than thirty (30) days after City's notice, Landlord shall submit to City final plans, specifications and working drawings incorporating the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The final plans, specifications and working drawings for the Leasehold Improvements approved by City shall be referred to as the "Construction Documents."

(b) HVAC

HVAC shall be designed to ASHRAE standards. Landlord shall as part of the above final plans and specifications have a licensed mechanical engineer design the heating, ventilating and air conditioning ("HVAC") to industry standards for City's intended use of the Premises. As part of the construction of the Leasehold Improvements Landlord shall provide an air balance report to City showing that the HVAC improvements meet or exceed design.

(c) Permits

Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work shown on the approved Final Construction Documents. Promptly following City's approval of the Construction Documents, Landlord shall apply for any permits, approvals or licenses necessary to complete such construction and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by City's Bureau of Building Inspection.

(d) First Source Hiring

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

(e) Construction

Immediately upon approval of the Final Construction Documents and Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled

access laws, including, without limitation, the requirements of the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages), below, and shall not use tropical hardwood wood products, virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), below.

(f) 3 Day Dissipation Period. As part of the Leasehold Improvement construction, Landlord shall run the HVAC at 85 degrees for a three (3) day period in order to dissipate construction dust and fumes.

(g) Construction Schedule; Substantial Completion

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. Landlord shall provide City with written monthly estimates of the status of permit approval and the progress of construction, at Landlord's cost, if any. From time to time during the design and construction of the Leasehold Improvements, City shall have the right on a weekly basis to meet with the architect and contractor and to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the Construction Documents. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed and the Premises are ready for occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City and its Director of Property or his/her authorized representatives shall accompany Landlord or its architect on an inspection of the Premises within two (2) business days of such inspection, the Director of Property shall notify Landlord in writing of his/her approval or disapproval of the Leasehold Improvements. The Director may not unreasonably withhold his/her approval and, in the event that the Director notifies Landlord of his/her approval of the Leasehold Improvements, the notification may contain specific and detailed reasons such that Landlord can readily identify any and all problems and correct them. As soon as Landlord has addressed any problems raised by the Director, it shall again notify the City of the substantial completion of the Leasehold Improvements and, on such date or other mutually agreeable date as soon as practicable thereafter, the Director of Property or his/her representatives shall accompany Landlord or its architects on an inspection of the Premises and shall notify Landlord within two (2) business days thereafter of his/her approval or disapproval of the Leasehold Improvements.

The Leasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed in accordance with the approved Construction Documents so that (i) City can occupy the Premises and conduct its business for its intended uses, (ii) Landlord has delivered a final, HVAC balance report showing that the HVAC system meets designed specifications, as

provided in Section 6.1 (b), HVAC (iii) Landlord has procured a temporary or final certificate of occupancy for the Premises, and (iv) City, through its Director of Property, shall have approved the Leasehold Improvements. City may, at its option, approve the Leasehold Improvements even though there may remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Documents. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, nor constitute any waiver of any latent defects.

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

6.2. Installation of Telecommunications and Other Equipment

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

6.3. City's Contribution to Improvements

Notwithstanding Landlord's obligation to construct the Leasehold Improvements at Landlord's cost, City shall reimburse Landlord \$41,104 for the construction of the additional showerroom/washroom facilities, moveable wall and other improvements as shown on the Space Plan. City agrees to pay Landlord such amount together with the first month's payment of Rent or before.

6.4. City Change Orders.

If following its approval of the Construction Documents, City requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold

Improvement Work ("City Change Order"). Within three (3) days of City's request, Landlord shall notify City of the approximate but not to exceed cost that would be incurred by reason of such proposed City Change Order, the delay if any, and any cost, if any, due to the delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the cost of the City Change Order within five (5) days of receipt from Landlord, then Landlord shall cause the Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration and Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. City shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of cost estimates and plans and specifications relating to any City Change Order and in the construction of any change order, as evidenced by invoices or other substantiation reasonably required by City. Only the City's Director of Property is authorized to request or approve any change order and all City Change orders shall be in writing signed by the Director of Property or his/her designee. City agrees to pay Landlord the cost of such City Change Order together with the first month's payment of Rent or before.

6.5. Landlord Change Orders.

If following City's approval of the Construction Documents, Landlord requests or is required, other than by City acting in its proprietary and not regulatory capacity, to make any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide City with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to City's prior written approval, which shall not be unreasonably withheld or delayed provided such change order does not materially affect the City's intended use of the Premises. No approval by City of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, nor shall any such approval limit any of City's rights or remedies hereunder or under the Lease. Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto, and no such amount shall be paid or deducted from the Allowance.

6.6. Landlord's Obligation to Repaint and Recarpet during First Option Period

In the event City exercises its option to extend the Term pursuant to Section 3.4 (Extension Options), Landlord at Landlord's sole expense shall recarpet all carpeted areas and repaint (including minor patching and other paint preparation) all walls within the Premises. All work shall be performed after normal business hours or on weekends on a schedule pre approved by City. City's only obligation for such work is to box personal items, desk tops and other counter type surfaces. The carpeting and paint colors shall be pre-approved by City. The carpeting shall be of similar quality and specification to the initial Leasehold Improvement carpeting.

7. ALTERATIONS

7.1. Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of less than twenty percent (20%) of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

7.2. Title to Improvements

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

7.3. Existing Furniture

As a material consideration for City entering into this Lease, Landlord and City hereby agree that the furniture contained in Exhibit D upon Lease Commencement shall become the personal property of City. Landlord shall provide for the safe storage of said furniture during construction and place such furniture in locations designated by the Pricing Plans after such construction.

7.4. Purchase of Back-up Power Generator

Upon Lease Commencement and certification that the equipment is fully operational, City shall pay to Landlord \$30,000 in exchange for the existing generator and associated equipment. Landlord, pursuant to Section 8.1 (c) shall be responsible for all maintenance costs.

7.5. City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises),

below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within ten (10) days after the City's surrender of the Premises (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of an supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within ten (10) days after the City's surrender of the Premises.

7.6. Alteration by Landlord

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

8. REPAIRS AND MAINTENANCE

8.1. Landlord's Repairs

(a) Building. Landlord shall repair and maintain, at its cost and in first-class condition, (a) the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls, fencing, garage doors, doors, windows and subflooring, and (b) all interior systems and services including but not limited to the heating, ventilating, air conditioning, freight elevator, the plumbing, electrical, fire protection, life safety, security and other mechanical, and electrical systems of the Building but excluding the telephone, data and computer facilities equipment not specifically Landlord's responsibility (collectively, the "Building Systems") and the Common Areas.

(b) Graffiti Removal. Landlord, at Landlord's cost shall promptly cause any Graffiti to be removed from the exterior walls, surfaces or structures of the Premises at all times. As a material consideration for City entering into this Lease, Landlord agrees to use best efforts to remove any graffiti within 3 hours (but not more than 24 hours provided that the period for removal of graffiti shall be extended to 72 hours on a Sunday or public Holiday) of City's faxed notice to Landlord.

(c) UPS Maintenance. Landlord at Landlord's cost shall provide all maintenance of all Uninterruptable Power Supply ("UPS") Equipment as required to insure peak operational performance. The above notwithstanding, City shall be responsible for all back up generator fuel costs.

8.2. City's Repairs

(a) Interior. Subject to Landlord's warranty under Section 10.1 (Premises Compliance), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, City shall maintain at its cost the interior portions of the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. Upon City's request and provided that Landlord and City each approve Landlord's actual cost plus fifteen percent (15%) administrative fee to Landlord, Landlord agrees to perform such repairs and maintenance at City's cost.

8.3. Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post

8. REPAIRS AND MAINTENANCE

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(b) Graffiti Removal. Landlord, at Landlord's cost shall promptly cause any Graffiti to be removed from the exterior walls, surfaces or structures of the Premises at all times. As a material consideration for City entering into this Lease, Landlord agrees to use best efforts to remove any graffiti within 3 hours (but not more than 24 hours provided that the period for removal of graffiti shall be extended to 72 hours on a Sunday or public Holiday) of City's faxed notice to Landlord.

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8.3. Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post

on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens.

9. UTILITIES AND SERVICES

9.1. Landlord's Provision of Utilities at City's Cost

On a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis, Landlord shall be responsible for provision at City's Cost of the following utilities and services to the Premises: (a) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, and (b) gas and water for lavatory, locker room, kitchen and drinking purposes. Other than the rent abatement and lease termination as described below, Landlord shall not be responsible for damages, losses, and claims resulting from any disruption in utility services which are caused by black out, brown outs, or other disruption of service caused by the supplier or acts of God.

9.2. Landlord's Provision of Janitorial Services

Landlord shall provide at its cost janitorial service in accordance with the specifications contained in Exhibit C attached hereto.

9.3. Disruption in Essential Utilities

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

Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City or its Agents.

9.4. Security Service

City shall provide at its cost all building security systems as City deems appropriate.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks and drinking fountains and parking areas) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall indemnify City against any and all Claims arising out of any failure of the Property, Building, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section provided that such failure has not been caused by any act or omission of City or its agents or any misrepresentation by Landlord under this Section.

10.2. City's Compliance with Laws; Indemnity

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

11. SUBORDINATION

Prior to Lease Commencement, Landlord shall deliver an executed subordination and nondisturbance agreement with City in a commercially reasonable form for all existing Encumbrances. An "Encumbrance" shall mean: (a) any reciprocal easement agreements and ground leases or other underlying leases that may now exist or hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgage or deed of trust that may now exist or hereafter be executed by Landlord in any amount for which any part of the Property, any ground leases or underlying leases, or Landlord's interest or estate therein, is specified as security.

In the event Landlord desires to make this Lease subject and subordinate to a future Encumbrance as a condition to any such Encumbrance, the holder of the Encumbrance shall enter into another subordination and nondisturbance agreement with City. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, City shall pay subsequent Rent and attorn to and become the tenant of such successor Landlord.

12. DAMAGE AND DESTRUCTION

Landlord acknowledges that the Sheriff's Department use of the Premises in an emergency is an important City function. As a material consideration for City entering into this Lease, Landlord grants City the right to terminate this Lease in the event of property damage which prevents City's reasonable use of more than 25 % of the Premises for a period exceeding ninety (90) days from the date of such damage.

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay, provided that such repairs can be made under applicable laws within ninety (90) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent

shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs ("Landlord's Damage Repairs") shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the City or its Agents.

Within ten (10) days after the date of such damage, Landlord shall notify City in writing whether or not, in Landlord's reasonable judgment made in good faith, Landlord's Damage Repairs repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then City may, by written notice to the Landlord within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

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

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

13. EMINENT DOMAIN

13.1. Definitions

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

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

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

13.2. General

If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Lease, the rights and obligations of the parties hereunder shall be determined pursuant to this Section. City and Landlord intend that the provisions hereof govern fully in the event of a Taking and accordingly, the parties each hereby waive any right to terminate this Lease in whole or in part under Sections 1265.10, 1265.40, 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

13.3. Total Taking; Automatic Termination

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

13.4. Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (A) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises, (B) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (C) City elects to terminate.

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

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

13.5. Rent; Award

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

13.6. Partial Taking; Continuation of Lease

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

13.7. Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease and under applicable zoning, planning and other governmental regulatory provisions. The above notwithstanding, in the event such assignment or subletting increases Landlord's operating costs, City shall pay for any actual increase in Landlord's operating costs due to such transfer.

15. DEFAULT; REMEDIES

15.1. Events of Default by City

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City, City shall have ten (10) days to cure any such nonpayment after written notice thereof from Landlord;

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

(c) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) and to cure such non-performance within thirty (30) days of the date of receipt of notice thereof from Landlord, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if City commences such cure within such period and diligently prosecutes such cure to completion, provided however that if the cure has not been completed within ninety (90) days of the receipt of notice, the non-performance shall be deemed to be non-curable and Landlord shall have the right to exercise such rights and remedies, including termination of this lease, as it may have

15.2. Landlord's Remedies

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

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

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

15.3. Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such 10-day period, such 10-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and substantially and materially impairs

City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such 60-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1. City's Indemnity

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

16.2. Landlord's Indemnity

Landlord shall Indemnify City and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or (b) any negligent acts or omissions of Landlord or its Agents in, on or about the Premises or the Property; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of the Lease.

17. INSURANCE

17.1. City's Self-Insurance

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

17.2. Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a causes of loss-special form property insurance policy in an amount equal to one hundred percent of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days prior written notice to City. Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

17.3. Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, Landlord hereby waives any right of recovery against City for any loss or damage sustained by Landlord with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of City, to the extent (i) such loss or damage is actually recovered from valid and collectible insurance covering the Landlord, and (ii) the Landlord's insurance carrier agrees to its written waiver of right to recover such loss or damage.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (i) inspecting the Premises, (ii) supplying any service to be provided by Landlord hereunder, (iii) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (iv) posting notices of non-responsibility, and (v) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, shall execute, acknowledge and deliver to the other party, or such persons or entities designated by such other party, a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if

so, specifying the same), (d) the date to which Rent has been paid, and (e) any other information that may be reasonably required.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. On or before the Expiration Date or any earlier surrender of possession of the Premises, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements and, at City's option, may leave the back up generator. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1. Definitions

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

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

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

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

21.2. Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, the

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

21.3. Landlord's Environmental Indemnity

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

21.4. City's Covenants

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

21.5. City's Environmental Indemnity

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

22. SPECIAL PROVISIONS

22.1 First Right of Refusal to Purchase. In the event Landlord should decide to sell the Property during the Term of the Lease, Landlord shall first offer the Property to the City at the purchase price that the Property will be offered to the real estate market. Said purchase price shall be contained in a written notice ("Sale Notification") from Landlord to City and said purchase price shall be subject to adjustment as provided below. The City shall have forty five (45) days from the Sale Notification date by Landlord to submit an offer to purchase at the price contained in the notice or counter offer at a lesser price and otherwise upon the other business terms contain herein.

City's offer to purchase shall be subject to (i) City due diligence investigation and (ii) the approval of the Board of Supervisors and the Mayor within seventy five (75) days of execution of a Purchase and Sale Agreement.

Within (3) days of the execution of a Purchase and Sale Agreement, Landlord shall deliver copies of all reports, appraisals and other documents in Landlord's possession. During such due diligence investigation period, Landlord shall cooperate with the City in its due diligence investigation.

Close of escrow shall occur on or before one hundred and fifty five (155) days from the date of City's notice of the approval by City's Board of Supervisors and Mayor of the purchase.

At closing, City shall pay for the cost of the premium of the extended coverage title insurance policy, one half the escrow fees, and one half of the other typical closing expenses. Landlord shall pay transfer taxes, one half the escrow fees and one half the other typical closing expenses such as notary fees and overnight express charges. Landlord shall deliver the following (among other customary items) through a mutually agreeable escrow company:

- (i) a grant deed conveying ALTA insurable title subject only to taxes not yet due and payable, and other exceptions acceptable to City,
- (ii) a bill of sale for all personal property on the Property, and
- (iii) a written disclosure of all known facts (including any and all property inspection reports) which would affect the marketability or City's intended use of the Property.

If City does not agree to purchase the property upon purchase price contained in the Notification and does not make any counter offer within the forty five (45) day period, then this right of first refusal shall terminate and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City. If, however, City while not accepting the purchase price set forth in the Sale Notification, has made an all-cash-on-closing counter offer (the "City's Counter Offer") within the forty five (45) day period that has not been accepted by Landlord, then Landlord may sell the property, free of any claim of City, to any potential buyer who is willing to pay a gross purchase price (an amount determined without regard to any brokerage commission liability, but reduced by any Landlord credits or give backs to the potential buyer for such items as existing building conditions or improvements herein after to referred to as "Gross Purchase Price") exceeding the amount of City's Counter Offer.

In the event Landlord is unable to sell the Property for more than City Counter Offer, Landlord may give another Sale Notification with a reduced purchase price and the above procedure for City's first right of refusal shall be repeated.

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

23. GENERAL PROVISIONS

23.1. Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received four (4) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail for guaranteed next day delivery service, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2. No Implied Waiver

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

23.3. Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent

breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of Landlord and City and may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (i) changing the legal description of the Premises, (ii) increasing the Term, (iii) increasing the Rent, (iv) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (v) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the City's Board of Supervisors.

23.4. Authority

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

23.5. Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter and Administrative Code.

23.6. Interpretation of Lease

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

construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7. Successors and Assigns

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

23.8. Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9. Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law unless the resulting contract would be fundamentally different from the intent and purpose of the bargain made between the parties as set forth in this lease.

23.10. Governing Law

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

23.11. Entire Agreement

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

(including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

23.12. Attorneys' Fees

In the event that either Landlord or City fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this Lease, reasonable fees of attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

23.13. Holding Over

City has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of the term, unless Landlord expressly consults, in writing, to City's holding over. Should City hold over in possession of the Premises after the expiration of the Term with Landlord's written consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of the Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred twenty percent (120%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such hold over shall otherwise be on the terms and conditions contained herein, except that Landlord shall be entitled to seek possession of the Premises at any time.

23.14. Cumulative Remedies

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

23.15. Time of Essence

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

23.16. Survival of Indemnities

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

23.17. Signs

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

23.18. Quiet Enjoyment and Title

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

23.19. Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein, and that if any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such case or proceeding, or for any other reason, City shall have the right to (i) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (ii) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20. Transfer of Landlord's Interest

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

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

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

23.22. MacBride Principles - Northern Ireland

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, *et seq.* The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Landlord acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

23.23. Controller's Certification of Funds

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

23.24. Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises which Landlord provides under this Lease shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in

any contract for construction of such improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord further agrees that, as to the construction of such improvements under this Lease, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Section 6.22(E) of the San Francisco Administrative Code that relate to payment of prevailing wages. Landlord shall require any contractor to provide, and shall deliver to City every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of any Leasehold Improvements or other improvements to the Premises.

23.25. Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

Landlord does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits specified above within the United States, between employees with domestic partners and employees with spouses, and/or between domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the condition set forth in Section 12.B2(b) of the San Francisco Administrative Code.

(d) HRC Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26. Tropical Hardwood and Virgin Redwood Ban

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

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

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

23.27. Bicycle Storage Facilities

Article 1.5, Section 155.1, of the San Francisco Planning Code ("Code") requires the provision of bicycle storage at City leased buildings at no cost to Landlord and if funds are available. In the event public and/or private donations, grants or other funds become available, at any time during the Term of the Lease including any extension thereof, City may, by giving a

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60-day advanced written notice to Landlord, install Code-complying bicycle storage at the Premises. Landlord, at no cost to Landlord, shall reasonably cooperate with City regarding the location of such spaces in furtherance of the implementation of such requirements of the Code.

23.28. Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Administrative Code Sections 82.1 to 82.8 relating to resource-efficient City buildings and resource-efficient pilot projects. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections, including but not limited to

- (a) Recycling of demolition materials, and
- (b) Use of energy efficient fixtures.

23.29. Counterparts

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

23.30. Effective Date

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

23.31. Notification of Limitations on Contributions

San Francisco Campaign and Governmental Conduct Code (the "Conduct Code") Section 3.700 *et. seq.*, and San Francisco Ethics Commission Regulations 3.710(a)-1 – 3.730-1, prohibit the public officials who approved this contract from receiving (1) gifts, honoraria, emoluments or pecuniary benefits of a value in excess of \$50; (2) any employment for compensation; or (3) any campaign contributions for any elective office for a period of up to six years from individuals and entities who are "public benefit recipients" of the contract. Public benefit recipients of the contract are: (1) the individual, corporation, firm, partnership, association, or other person or entity that is a party to the contract; (2) an individual or entity that has a direct 10% equity, or direct 10% participation, or direct 10% revenue interest in that party at the time the public benefit is awarded; or (3) an individual who is a trustee, director, partner or officer of the contracting party at the time the public benefit is awarded.

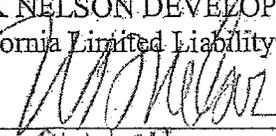
Landlord understands that any public official who approved this contract may not accept campaign contributions, gifts, or future employment from Landlord except as provided under the Conduct Code. Landlord agrees to notify any other individuals or entities that may be deemed "public benefit recipients" under the Conduct Code because of this contract. Upon request, Landlord agrees to furnish, before this contract is entered into, such information as any public official approving this contract may require in order to ensure such official's compliance with the Conduct Code. Upon request, the City agrees to provide, before this contract is entered into,

Landlord with a list of public officials who, under the Conduct Code, approved this contract. Failure of any public official who approved this contract to abide by the Conduct Code shall not constitute a breach by either the City or Landlord of this contract. Notwithstanding anything to the contrary in this contract, neither party shall have the right to terminate the contract due to any failure by the other party to provide the information described in this Section.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL THE CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

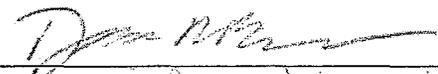
Landlord and City have executed this Lease as of the date first written above.

LANDLORD: MARK NELSON DEVELOPMENT, LLC
a California Limited Liability Company

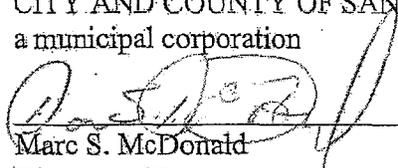
BY: 
ITS: OWNER

and

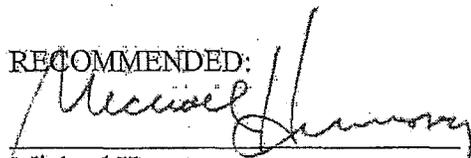
NEW CALIFORNIA LAND COMPANY
a California General Partnership

BY: 
ITS: general partner

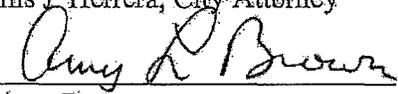
CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation


Marc S. McDonald
Director of Property
Pursuant to Resolution 356-02

RECOMMENDED:


Michael Hennessey
Sheriff

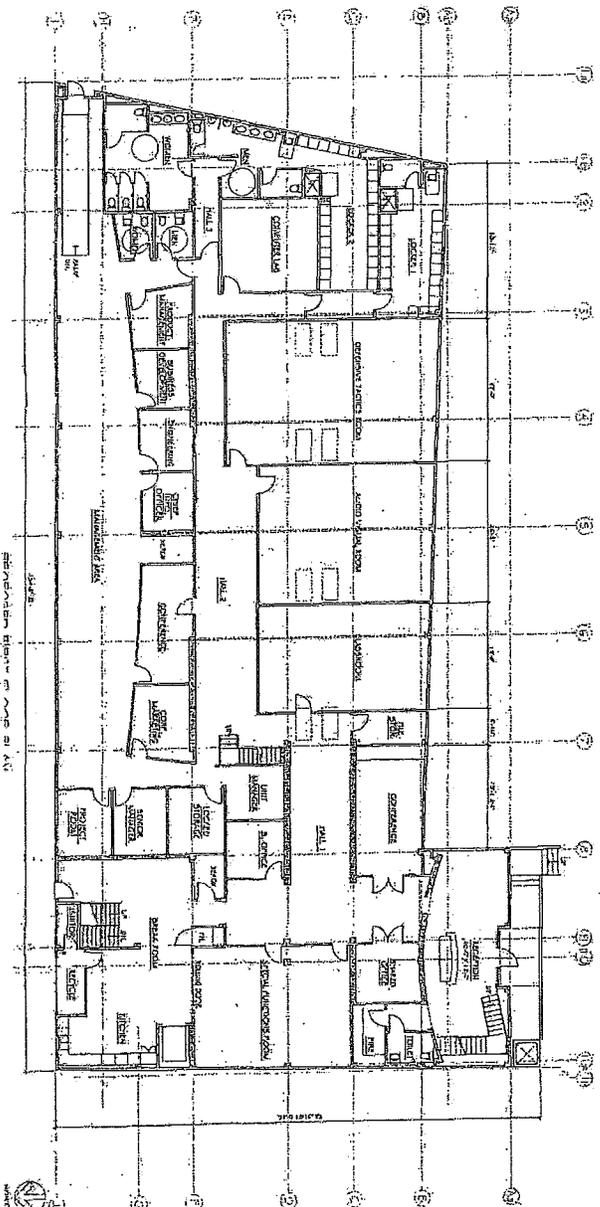
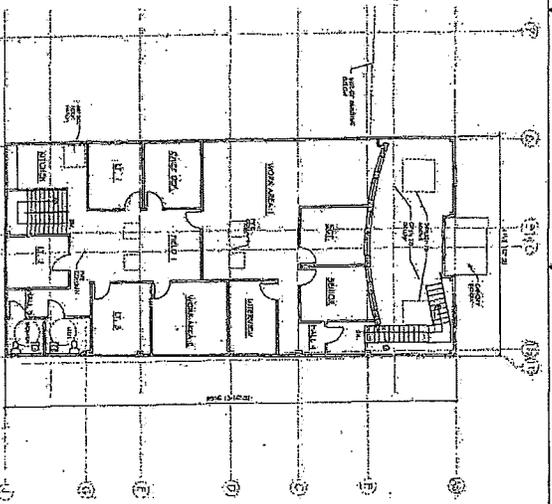
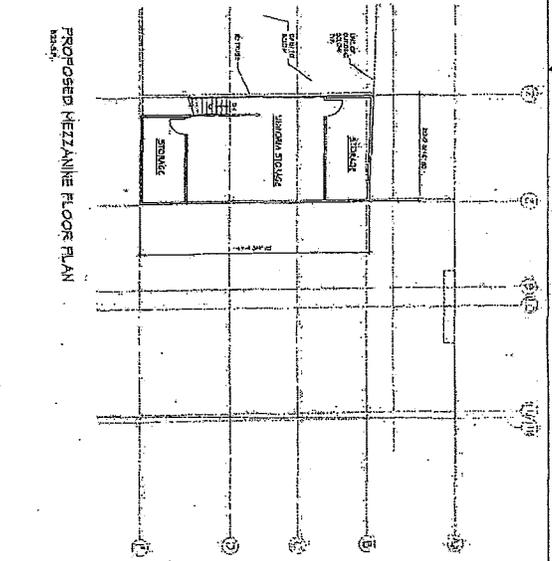
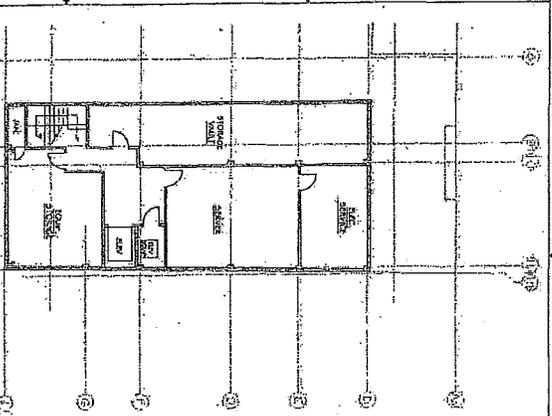
APPROVED AS TO FORM:
Dennis J. Herrera, City Attorney

By 
Amy Brown,
Deputy City Attorney

LEASE

EXHIBIT A

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



HTAI
HOOD TRUCKS ARCHITECTS

1400 GARDEN STREET, SUITE 100
SAN FRANCISCO, CA 94102
415.774.8888

DATE: 5-24-12
PROJECT: 101
S.F. SHERIFF'S DEPT
DEPT. HEADQUARTERS
SAN FRANCISCO, CA 94102

APPROVED FOR SHEET #11

PROJECT CONSULTANT

PROJECT TITLE

PROPOSED FLOOR PLANS
SHEET #4

A3

SCALE: 1/8" = 1'-0"

EXHIBIT B

[Date]

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

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

Dear Mr. McDonald:

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

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

Very truly yours,

By _____
Title: _____

Accepted and Agreed:

By _____
Director of Property

Dated _____

EXHIBIT C

STANDARDS FOR JANITORIAL SERVICE
1740 FOLSOM

I. SPECIFICATION OF SERVICES TO BE PERFORMED - SCOPE OF WORK

- A. Landlord's Contractor shall furnish all labor, materials and equipment required to perform exterior and interior janitorial service five days a week, Monday through Friday, excluding holidays, at the above location in accordance with these specifications:
- B. All windows and glass broken by Landlord's Contractor will be replaced at its expense.
- C. Landlord's Contractor must, at all times, maintain adequate staffing meet these specifications. All employees must wear uniforms (See Section II). Tenant may request Landlord to remove any janitor from the Premises at any time it desires and for any reason whatsoever, and an immediate replacement will be provided. All written notice are to be submitted to:
- City and County of San Francisco
DEPARTMENT
ADDRESS
San Francisco, CA 941
Attn.: Chief Deputy Carl Koehler
- D. All services must be performed after:00 p.m.
- E. All employees of Landlord's Contractor shall be fully trained and experienced in the custodial service trade.
- F. City will assign space in the Building to Contractor for the storage of supplies and equipment. Materials and equipment shall be neatly stored only in areas provided by the Landlord. No supplies or equipment will be stored in the Premises without the prior approval of Tenant.
- G. City's Recycling Program includes recycling multiple materials from the Building. City shall be responsible for individual recycling in the Central Building. Bins for recyclable materials can be obtained from the refuse company.
- H. Landlord's Contractor will provide, upon Lease Commencement, a schedule for all periodic services specified herein.

EXHIBIT D
PERSONAL PROPERTY

1740 Folsom Furniture Inventory

2 Drawer Lateral File	15
2 Drawer Standard File	18
3 Drawer Desk Organizer	48
Floor Lamp	2
Reception Couches	2
Large Bookcases	4
Round Conference Table	1
Long Folding Table	6
Desk Chair	65
Small Trash Can	15
Large Trash Can	7
Fan	1
Office Divider	1
Desks	60
Paper shredder	2
refrigerator	2
Toaster oven	1
Beverage cooler	1
Bulletin Board	3
Ladder	1
TV Monitor	1

I. Janitorial Service Specifications for Offices and Interior Common Areas.

1. Nightly Services

- a. Secure all lights as soon as possible each night.
- b. Vacuum all carpets. Move vacuum electric cords to prevent damage to furniture, doors and to the corner bead.
- c. Dust mop all resilient and composition floors with treated dust mops. Spot clean or damp mop to remove spills and water stains as required.
- d. Dust all counters, file cabinets, desks and office furniture with treated dust cloths. However, papers and folders on desks are not to be moved.
- e. Empty all waste paper baskets and other trash containers to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by the Refuse Company.
- f. Return chairs and waste baskets to proper positions.
- g. Clean, sanitize and polish drinking fountains.
- h. Check for burned out lights and replace from building stock (supplied by Landlord).

2. Weekly Services

- a. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
- b. Spot clean any stains on carpet.
- c. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, interior windows, light switches, and interior walls.
- d. Dust inside of all door jambs.
- e. Clean and polish all metal door thresholds.
- f. Wipe clean and polish all brightwork
- g. Edge all carpeted areas.
- h. Spot clean vinyl bases as required.

- i.
3. Monthly Services
 - a. Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
 - b. Vacuum upholstered furniture.
 - c. Clean and buff all building standard resilient and/or composite flooring.
4. Quarterly Services
 - a. Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
5. Annual Services
 - a. Vacuum all window coverings.
 - b. Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
 - c. Shampoo carpets (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.

J. Rest Room Service Specifications

1. Daily Service
 - a. Re-stock all rest rooms with supplies from the Landlord's stock, including paper towels, toilet tissue, seat covers and hand soap, as required.
 - b. Re-stock all sanitary napkin and tampon dispensers from Landlord's stock, as required.
 - c. Wash and polish all mirrors, dispensers, faucets, flushometers and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
 - d. Wash and sanitize all toilets, toilet seats, urinals and sinks with non-scratch disinfectant cleaner.
 - e. Remove stains, scale toilets, urinals and sinks, as required.

- f. Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
- g. Empty and sanitize all waste and sanitary napkin and tampon receptacles.
- h. Remove all rest room trash.
- i. Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.
- j. Check for burned out lights and replace from building stock (supplied by Landlord).

2. Weekly Services

- a. Dust all low reach and high reach areas, including but not limited to, structural ledges, mirror tops, partition tops and edges, air conditioning diffusers and return air grilles.

3. Monthly Services

- a. Wipe down all walls and metal partitions. Partitions shall be left clean and not streaked after this work.
- b. Clean all ventilation grilles.
- c. Dust all doors and door jambs.

4. Quarterly Services

- a. Thoroughly clean and reseal all ceramic tile floors, using approved sealers.

K. Exterior Structure and Grounds Services Specifications

1. Daily Service

- a. Spot clean accumulations of dirt, papers and leaves in all corner areas where winds tend to cause collections of debris.
- b. Spot clean all exterior glass at building entrances.
- c. Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.
- d. Clean sidewalk, steps and landscaped area, walks and benches; including gum removal.

2. Annual Weekend Services

- a. Steam clean exterior sidewalk and walk way areas.

L. Window Cleaning

1. All work to be performed in accordance with generally accepted industry standards.
2. Proper safety standards are to be maintained at all times, including but not limited to, use of proper warning signs and clean up of water in compliance with all City, State and Federal laws (OSHA).
3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.
5. Interior and exterior window washing shall be scheduled immediately prior to Lease Commencement. Interior glass shall be cleaned not less than once per year. Exterior glass shall be cleaned as needed, but not less than once every six months, including May of each year.
6. Contractor to notify the Tenant for specific scheduling of window washing one week prior to scheduled cleaning.
7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
8. Exterior surfaces of windows are not be washed when it is raining.
9. The words "window" and "light" as used herein are synonymous and are to be construed to mean any pane of glass, or glass substitute.

II. UNIFORMS

- A. Janitors must wear their uniform whenever on duty.
- B. All personnel, including the coordinator and supervisors, will be uniformed. All personnel shall have a visible company name, logo, badge, etc., on their uniform.

III. EMPLOYEE SAFETY

Landlord's Contractor shall accept responsibility for determining that all necessary safeguards for protection of Contractor's employees are available, or will be furnished. All work performed must conform to CAL-OSHA standards.

IV. SUPPLIES

Landlord or its Contractor shall supply floor wax, wax stripper, and other expendable supplies required for daily cleaning and maintenance, as well as janitorial supplies such as hand soap, paper hand towels, paper toilet tissue, paper seat covers and deodorants. Furthermore, Landlord or its Contractor shall supply all equipment including, but not limited to, ladders, vacuum cleaners, extractors, floor machines, mops and buckets.

V. APPROVAL OF PRODUCTS

City shall have the right to prohibit the use of any product proposed or being used by Landlord's Contractor should the City deem the product to be unsafe or harmful to those items being cleaned or to City's staff. In this regard, Landlord must provide upon request a complete list of products to be used in the course of this Contract, together with Material Safety Data Sheets for each cleaning chemical.

VI. DISPOSITION OF REFUSE & RECYCLING

All trash and refuse collected by the custodians shall be neatly deposited in a debris box or recycling bins as the case may be in the area designated.

VII. MAINTENANCE PROBLEMS

Employees of Landlord's Contractor shall note maintenance problems (such as broken glass, light bulbs missing or burned out, inoperative fixtures, etc.) and report them to the Landlord. Any problem which prevents performance must be noted in the log (Section VIII) before the end of the shift. Contractor shall not claim, and Tenant will not entertain any claim that such problems prevented Contractor's performance if said claim is not entered in the log.

VIII. CONTRACTOR CONTACT

Landlord's Contractor shall provide the Tenant with a telephone number where Contractor may be reached at any time during normal business hours (Monday - Friday, 8:00 a.m. - 5:00 p.m.). Contractor must respond to calls relating to deficiency of service by correcting said deficiency within twenty-four (24) hours of receipt of the call.

IX. PERFORMANCE

Landlord and its Contractor shall guarantee that workmanship required for the performance of these specifications shall be in accordance with highest level of workmanship and accomplished according to the highest professional standards. The determination as to the adequacy of performance shall be made by the Tenant or the Director of Property, City and County of San Francisco. Contractor or Contractor's agent must be available at reasonable intervals during regular business hours as requested by Tenant, to participate in inspection walk through. Contractor will supervise all janitors during all shifts.

X. HOLIDAY SCHEDULE FOR TENANT

New Year's Day
Martin Luther King Day
President's Day
Memorial Day
Independence Day
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Friday after Thanksgiving Day
Christmas Day

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- f. Return chairs and waste baskets to proper positions.
- g. Clean, sanitize and polish drinking fountains.
- h. Check for burned out lights and replace from building stock (supplied by Landlord).

2. Weekly Services

- a. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
- b. Spot clean any stains on carpet.
- c. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, interior windows, light switches, and interior walls.
- d. Dust inside of all door jambs.
- e. Clean and polish all metal door thresholds.
- f. Wipe clean and polish all brightwork.
- g. Edge all carpeted areas.
- h. Spot clean vinyl bases as required.

i.

3. Monthly Services

- a. Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
- b. Vacuum upholstered furniture.
- c. Clean and buff all building standard resilient and/or composite flooring.

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- a. Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.

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- a. Vacuum all window coverings.
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- e. Remove stains, scale toilets, urinals and sinks, as required.

- f. Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
- g. Empty and sanitize all waste and sanitary napkin and tampon receptacles.
- h. Remove all rest room trash.
- i. Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.
- j. Check for burned out lights and replace from building stock (supplied by Landlord).

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Martin Luther King Day
President's Day
Memorial Day
Independence Day
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Friday after Thanksgiving Day
Christmas Day

EXHIBIT D

PERSONAL PROPERTY

1740 Folsom Furniture Inventory

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2 Drawer Standard File	18
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Long Folding Table	6
Desk Chair	65
Small Trash Can	15
Large Trash Can	7
Fan	1
Office Divider	1
Desks	60
Paper shredder	2
refrigerator	2
Toaster oven	1
Beverage cooler	1
Bulletin Board	3
Ladder	1
TV Moniter	1

FILE NO. 020708

RESOLUTION NO. 356-02

1 [Lease of Real Property]

2

3 Resolution authorizing the lease of 18,862 sq. ft. of space at 1740 Folsom Street for the
4 Sheriff's Department to consolidate training facilities.

5

6 BE IT RESOLVED, That in accordance with the recommendation of the Sheriff of the
7 City and County of San Francisco and the Director of Property, the Director of Property is
8 hereby authorized to take all actions, on behalf of the City and County of San Francisco, as
9 tenant, to execute a written lease (copy of which is on file with the Clerk of the Board) and
10 other related documents with Mark Nelson Development, LLC and New California Land
11 Company as Landlord, for the building commonly known as 1740 Folsom Street, San
12 Francisco, California, which comprises an area of approximately 18,862 square feet on the
13 terms and conditions herein and on a form approved by the City Attorney; and, be it

14 FURTHER RESOLVED, That the lease shall commence upon substantial completion
15 of tenant improvements (expected to be about July 1, 2002) and terminate June 30, 2012.
16 The monthly rent shall be \$31,436.67. Beginning July 1, 2007, the monthly Base Rent shall
17 be increased by the proportional increase in the Consumer Price Index. However, in no event
18 shall such increased Base Rent be more than \$40,867.67 more less than \$36,152.17. The
19 City shall pay \$71,104 for the construction of a portion of the specialty tenant improvements.
20 The City shall pay for utilities and other typical tenant costs including data,
21 telecommunications and moving expenses; and, be it

22 FURTHER RESOLVED, That the lease shall include a clause approved by the City
23 Attorney, indemnifying and holding harmless the Landlord, from and agreeing to defend the
24 Landlord against any and all claims, costs and expenses, including, without limitation,
25 reasonable attorney's fees, incurred as a result of City's use of the premises, any default by

1 the City in the performance of any of its obligations under the lease, or any acts or omissions
2 of City or its agents, in, on or about the premises or the property on which the premises are
3 located, excluding those claims, costs and expenses incurred as a result of the active
4 negligence or willful misconduct of Landlord or its agents; and, be it

5 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
6 with respect to such lease are hereby approved, confirmed and ratified; and, be it

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

14 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term
15 of the lease unless funds for the Sheriff's Department rental payments are not appropriated in
16 any subsequent fiscal year at which time City may terminate the lease with ninety (90) days
17 advance written notice to Landlord. Said Lease shall be subject to certification as to funds by
18 the Controller, pursuant to Section 6.302 of the Charter.

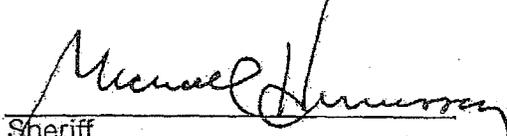
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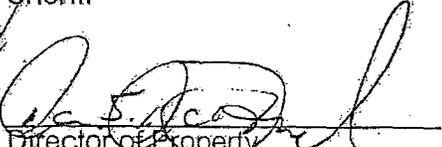
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21 Controller
22 Subject to the Annual Appropriation Ordinance
23 for Fiscal Year 2002/2003
24 and Subject to Enactment Companion
25 Supplemental Appropriation Ordinance

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RECOMMENDED:


Sheriff


Director of Property
Real Estate Division



City and County of San Francisco

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

Tails
Resolution

File Number: 020708

Date Passed:

Resolution authorizing the lease of 18,862 sq. ft. of space at 1740 Folsom Street for the Sheriff's Department to consolidate training facilities.

May 28, 2002 Board of Supervisors — ADOPTED

Ayes: 11 - Ammiano, Daly, Gonzalez, Hall, Leno, Maxwell, McGoldrick,
Newsom, Peskin, Sandoval, Yee

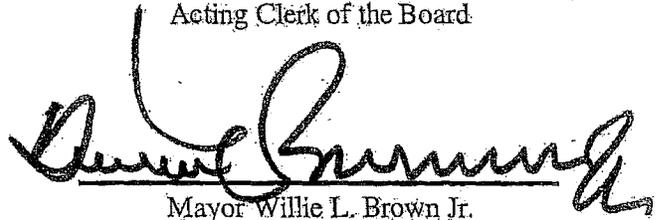
File No. 020708

I hereby certify that the foregoing Resolution
was ADOPTED on May 28, 2002 by the
Board of Supervisors of the City and County
of San Francisco.


Madeleine Licavoli
Acting Clerk of the Board

JUN 07 2002

Date Approved


Mayor Willie L. Brown Jr.

FILE NO. 020704

ORDINANCE NO. 93-02
RO#01059
SA#22

[To appropriate funding for moving the Sheriff to 1740 Folsom Street].

Ordinance appropriating \$351,858 from Federal funding for housing prisoners for one-time expenses associated with moving the Sheriff's training and other departmental services to 1740 Folsom Street fiscal year 2001-02.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Funds are hereby appropriated for FY 2001-02 as follows:

Department And Number	Sources of Funds and Purpose of Appropriation	Debit	Amount Credit
<u>Fund</u>	<u>Department</u>	<u>Program</u>	
2S-PPF-SHS	SHF	AXX	
Public Protection	Sheriff	Non Program	
Special Revenue			
Fund			
<u>Funding Sources</u>			
600-60702	Boarding Prisoners of	\$351,858	
(065004)	Other Counties		

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Department And Number	Sources of Funds and Purpose of Appropriation	Debit	Credit
<u>Fund</u>	<u>Department</u>	<u>Program</u>	
2S-PPF-SHS	SHF	AXX	
Public Protection	Sheriff	Non Program	
Special Revenue			
Fund			
<u>Funding Uses</u>			
091-0931G	Operating Transfer Out to		\$351,858
(XXXXXXXXXXXXXX)	1G-AGF-AAA		
	Total 2S-PPF-SHS	\$351,858	\$351,858

<u>Fund</u>	<u>Department</u>	<u>Program</u>	
1G-AGF-AAA	SHF	AKR	
General Fund	Sheriff	Recruitment and Training	

<u>Funding Sources</u>			
095-0951G	Operating Transfer In	\$351,858	
(XXXXXXXXXXXXXX)	from 2S-PPF-SHS		

<u>Funding Uses</u>			
021-0261	Systems Consulting		\$8,550
(060302)	Services		
021-02899	Other Building		\$41,104
(060302)	Maintenance Services		

Michael Hennessey/Sheriff
BOARD OF SUPERVISORS

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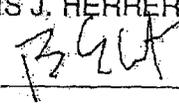
Department And Number	Sources of Funds and Purpose of Appropriation	Debit	Credit
<u>Fund</u>	<u>Department</u>	<u>Program</u>	
1G-AGF-AAA General Fund	SHF Sheriff	AKR Recruitment and Training	
<u>Funding Uses</u>			
021-02911 (060302)	DP/WP Equipment Maintenance		\$5,250
021-03521 (060302)	Freight/Moving		\$30,000
040-04941 (060302)	Minor Furnishings		\$8,807
040-04A01 (060302)	Equipment (\leq 5K – controlled asset)		\$3,195
060-06041 (060302)	Shop, Building & Field Maintenance Equipment		\$30,000
060-06051 (060302)	Communications Equipment		\$10,200
060-06061 (060302)	Data Processing Equipment		\$39,752
081-081C5 (060302)	IS-TIS-ISD Services		\$150,000

Michael Hennessey/Sheriff
BOARD OF SUPERVISORS

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Department And Number	Sources of Funds and Purpose of Appropriation	Debit	Credit
<u>Fund</u>	<u>Department</u>	<u>Program</u>	
1G-AGF-AAA General Fund	SHF Sheriff	FCZ General City Responsibility	
<u>Funding Uses</u>			
081-081RE (060302)	Real Estate Service		\$25,000
	Total 1G-AGF-AAA	<u>\$351,858</u>	<u>\$351,858</u>

FUNDS AVAILABLE

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

EDWARD M. HARRINGTON
Controller
By: 



City and County of San Francisco

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

Tails

Ordinance

File Number: 020704

Date Passed:

Ordinance appropriating \$351,858 from Federal funding for housing prisoners for one-time expenses associated with moving the Sheriff's training and other departmental services to 1740 Folsom Street fiscal year 2001-02.

May 28, 2002 Board of Supervisors — PASSED, ON FIRST READING

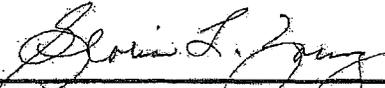
Ayes: 11 - Ammiano, Daly, Gonzalez, Hall, Leno, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee

June 3, 2002 Board of Supervisors — FINALLY PASSED

Ayes: 9 - Ammiano, Daly, Gonzalez, Hall, Leno, Maxwell, Newsom, Peskin, Yee
Absent: 2 - McGoldrick, Sandoval

File No. 020704

I hereby certify that the foregoing Ordinance
was FINALLY PASSED on June 3, 2002 by
the Board of Supervisors of the City and
County of San Francisco.



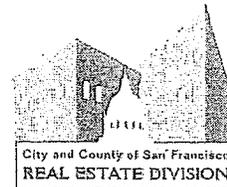
Gloria L. Young
Clerk of the Board

JUN 14 2002

Date Approved



Mayor Willie L. Brown Jr.



John Uptike
Acting Director of Real Estate

December 6, 2011

Sheriff
 1740 Folsom St.
 Lease Renewal
 # 6608

MARK NELSON DEVELOPMENT, LLC &
 NEW CALIFORNIA LAND COMPANY,
 2214 Greenwich
 San Francisco, CA 94123

Subject: Renewal of Lease at 1740 Folsom St.

Dear Mr. Nelson:

This letter shall serve to (1) exercise the City's first option to extend the term of the lease dated June 26, 2002 for premises commonly known and numbered 1740 Folsom St and 120 14th St. pursuant to Section 3.4 of the Lease for an additional 5 year period through June 30, 2017, and (2) confirm the agreement between Landlord and City for 95% of prevailing market rate pursuant to Section 4.3.

Landlord and City hereby agree that 95% of prevailing market rent for the Premises, considering all factors, is as follows:

<u>Lease Year</u>		<u>Monthly Rent</u>	<u>PSF</u>
July 1, 2012- June 30, 2013	(Yr 1)	\$39,578.76	(Approx. \$25.18 PSF)
July 1, 2013- June 30, 2014	(Yr 2)	\$41,150.60	(Approx. \$26.18 PSF)
July 1, 2014- June 30, 2015	(Yr 3)	\$42,722.43	(Approx. \$27.18 PSF)
July 1, 2015- June 30, 2016	(Yr 4)	\$44,294.26	(Approx. \$28.18 PSF)
July 1, 2016- June 30, 2017	(Yr 5)	\$45,866.10	(Approx. \$29.18 PSF)

The renewal shall be on all of the other terms and conditions of the Lease. Pursuant to Section 6.6, Landlord shall promptly submit carpet and paint color samples for City's approval.

Pursuant to Section 3.4, Landlord acknowledges that City's agreement hereto is subject to enactment of a Resolution by the City's Board of Supervisors and Mayor, in their respective sole and absolute discretion, authorizing the extension period prior to March 1, 2011. Please be aware that no City Officer or employee has authority to commit City until such authorizing Resolution is duly enacted.

If the above accurately represents your understanding of our agreement, please execute below and we will proceed with submitting a Resolution to the Board of Supervisors. If you have any questions regarding this matter contact Charlie Dunn at 554-9861.

Sincerely,

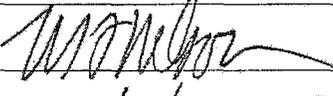


John Updike
Acting Director of Real Estate

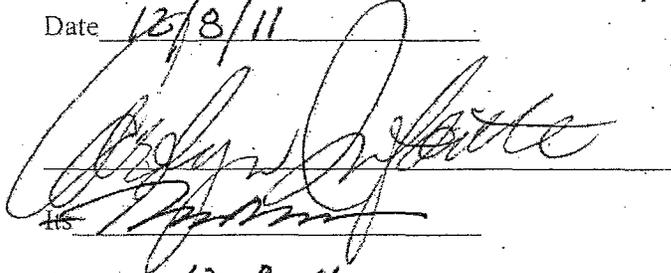
Agreed, Accepted, and Receipt Acknowledged

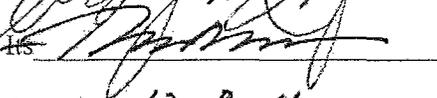
Landlord
~~MARK NELSON DEVELOPMENT, LLC &~~
~~NEW CALIFORNIA LAND COMPANY~~

FOURTEENTH STREET PARTNERSHIP

Its  Its Managing General Partner

Date 12/8/11



Its 
Date 12-8-11

cc: Sheriff Hennessey
Maureen Gannon, SFSD



John Updike
Acting Director of Real Estate

February 28, 2012

Sheriff
1740 Folsom St.
Lease Renewal
6608

MARK NELSON DEVELOPMENT, LLC &
NEW CALIFORNIA LAND COMPANY,
2214 Greenwich
San Francisco, CA 94123

Subject: Renewal of Lease at 1740 Folsom St.

Dear Mr. Nelson:

The City's exercise of its option to extend (dated December, 6, 2011) for an additional 5 year period through June 30, 2017 was subject to enactment of a Resolution by the City's Board of Supervisors and Mayor. Attached for your files is a copy of such authorizing Resolution making our agreement effective.

On behalf of the Real Estate Division and Sheriff's Department, we would like to thank you for your cooperation in this lease extension.

If you have any questions regarding this matter contact Charlie Dunn at 554-9861.

Sincerely,

John Updike
Acting Director of Real Estate

cc: Sheriff Mirkarimi
Maureen Gannon, SFSD

1 [Real Property Lease - Sheriff's Department - 1740 Folsom Street]

2

3 Resolution authorizing the exercise of a five year option to extend the lease of
4 approximately 18,862 square feet of space at 1740 Folsom Street for the Sheriff's
5 Department with Mark Nelson Development and New California Land Company.

6

7 WHEREAS, The City and County of San Francisco, tenant, and Mark Nelson
8 Development, LLC & New California Land Company a California general partnership,
9 collectively Landlord, executed a lease dated June 26, 2002, authorized by Resolution 356-02
10 for Premises consisting of 18,862 sq. ft. in the building commonly known as 1740 Folsom
11 Street; and

12 WHEREAS, Fourteen Street Partnership, LLC is successor in interest to Mark Nelson
13 Development, LLC & New California Land Company a California general partnership, as
14 Landlord; and

15 WHEREAS, Such Lease expires on June 30, 2012 and contains an option to extend
16 the terms for another five years on the same terms and conditions except that the Base
17 Monthly Rental is to be adjusted to 95% of the market rental value; and

18 WHEREAS, Pursuant to the terms of such option, the Real Estate Division and the
19 Landlord have negotiated such 95% of fair market rental, considering all factors; and

20 WHEREAS, Such terms for the option are subject to enactment of a resolution by the
21 Board of Supervisors and the Mayor, in their respective sole and absolute direction, approving
22 and authorizing such exercise; now, therefore, be it

23 RESOLVED, That in accordance with the recommendation of the Sheriff and the
24 Director of Property, the Director of Property is hereby authorized to take all actions on behalf
25 of the City and County of San Francisco, as tenant, to extend the Lease (copy of original

1 lease on file with the Clerk of the Board) with Mark Nelson Development, LLC & New
2 California Land Company a California general partnership., collectively Landlord, ("Landlord"),
3 for the building commonly known as 1740 Folsom Street, San Francisco, California, for the
4 area of approximately 18,862 sq. ft. (the "Premises") on the terms and conditions set forth
5 herein; and, be it

6 FURTHER RESOLVED, That the Lease extension shall be for a term of 5 years
7 through June 30 2017 at the base rent as follows:

8 July.1, 2012- June. 30, 2013	(Yr 1)	\$39,578.76	(Approx. \$25.18 PSF)
9 July.1, 2013- June. 30, 2014	(Yr 2)	\$41,150.60	(Approx. \$26.18 PSF)
10 July.1, 2014- June. 30, 2015	(Yr 3)	\$42,722.43	(Approx. \$27.18 PSF)
11 July.1, 2015- June. 30, 2016	(Yr 4)	\$44,294.26	(Approx. \$28.18 PSF)
12 July.1, 2016- June. 30, 2017	(Yr 5)	\$45,866.10	(Approx. \$29.18 PSF)

13 The City shall continue to pay for utilities; and, be it

14 FURTHER RESOLVED, That the Lease shall continue to include the lease clause,
15 indemnifying, holding harmless, and defending Landlord and its agents from and against any
16 and all claims, costs and expenses, including without limitation, reasonable attorneys' fees,
17 incurred as a result of any default by the City in the performance of any of its material
18 obligations under the Lease, or any negligent acts or omissions of the City or its agents, in,
19 on, or about the Premises or the property on which the Premises are located, excluding those
20 claims, costs and expenses incurred as a result of the negligence or willful misconduct of the
21 Landlord or its agents; and, be it

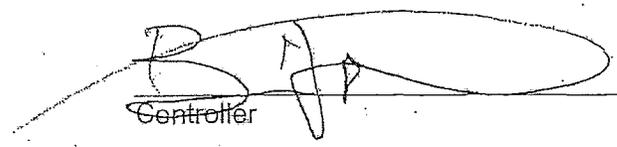
22 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
23 with respect to such Lease are hereby approved, confirmed and ratified; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
25 Property to enter into any amendments or modifications to the Lease (including, without

1 limitation, the exhibits) that the Director of Property determines, in consultation with the City
2 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially
3 increase the obligations or liabilities of the City, are necessary or advisable to effectuate the
4 purposes of the Lease renewal or this resolution, and are in compliance with all applicable
5 laws, including the City Charter; and, be it

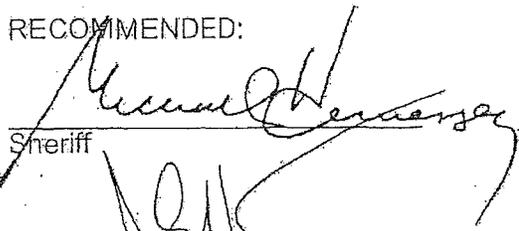
6 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term
7 of the Lease unless funds for the Sheriff Department's rental payments are not appropriated in
8 any subsequent fiscal year at which time the City may terminate the Lease with advance
9 notice to Landlord. Said Lease shall be subject to certification as to funds by the Controller,
10 pursuant to Section 3.105 of the City Charter.

11
12 \$474,945.12 Available
Index code 062610 subobject 03011

13
14 
15 Controller

16 Subject to the enactment of the Annual Appropriation
Ordinance for Fiscal Year 2012/2013.

17 RECOMMENDED:

18 
19 Sheriff

20
21 
22 Acting Director
Real Estate Division

23
24
25
Real Estate Division
BOARD OF SUPERVISORS

Page 3



City and County of San Francisco

Tails
Resolution

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

File Number: 120038

Date Passed: February 14, 2012

Resolution authorizing the exercise of a five year option to extend the lease of approximately 18,862 square feet of space at 1740 Folsom Street for the Sheriff's Department with Mark Nelson Development and New California Land Company.

February 08, 2012 Budget and Finance Committee - RECOMMENDED

February 14, 2012 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Campos, Chiu, Cohen, Elsbernd, Farrell, Kim, Mar, Olague and Wiener

Absent: 1 - Chu

File No. 120038

I hereby certify that the foregoing Resolution was ADOPTED on 2/14/2012 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

Date Approved



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

John Uppdike
Director of Real Estate

January 19, 2017

Through Naomi Kelly
City Administrator

Lease Renewal
1740 Folsom Street
Sheriff
Assignment #7117

2017 JAN 23 AM 9:19
OK

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

Dear Board Members:

Attached for your consideration is a Resolution authorizing the exercise of a five (5) year option to extend a lease of approximately 18,862 square feet at 1740 Folsom Street for the Sheriff's Department for ongoing use as an emergency response center, a training facility, and for public programs.

In 2002, the City leased the entire property at 1740 Folsom Street (also known as 120 14th Street) pursuant to Board of Supervisors' Resolution 356-02. The lease was extended for another 5 years by Board of Supervisors' Resolution 47-12. The current lease expires June 30, 2017 and includes a further option to extend the term of the lease for five years at 95% of Fair Market Rent. The proposed Resolution exercises the option to extend the term.

The facility serves as the Sheriff Department's emergency response center and is equipped with the necessary building infrastructure. The Sheriff also manages training at this facility in accordance with State mandates for annual training certified by STC (Standards for Training and Corrections) for all personnel responsible for inmate supervision and bi-annual training to comply with POST (Peace Officer Standards and Training), for the department's approximately 820 sworn officers. This training consists of Defensive Tactics, First Aid, CPR, department policies and procedures, and any training mandated by changes in state, federal or local law. The Sheriff also uses this facility to manage Crisis Intervention Training and Gender Awareness Training for both sworn and non-sworn personnel.

In addition to training and Department Operations Center facilities, the Sheriff uses this facility to manage approximately 200 comprehensive background investigations annually for prospective candidates for positions in the department, and to manage approximately 2500 jail clearance checks annually for both City staff and the public involved in providing programs and services to the jails.

Pursuant to the terms of the lease, the rent during the five-year option period is 95% of the fair market rent.

Pursuant to Administrative Code Section 23, a Fair Market Rent appraisal by MAI appraisers Watts Cohn and Partners, Inc. established the 95% of Fair Market Rent as \$47.50 per square foot or \$896,000 annually with market rate increases of 3% annually.

In addition, the Landlord has agreed to a 3% rental abatement for the first 6 months of the term to help the Sheriff make City requested budget cuts. Thus, reducing the proposed base rent in the initial year from \$896,000 to \$882,560.04. The proposed base rent is as follows

<u>Lease Year</u>		<u>Monthly Rent</u>	<u>PSF</u>
July 1, 2017- Dec 31, 2017	(1/2 yr)	\$72,426.67	(Approx. \$46.08 PSF)
Jan 1, 2018- June 30, 2018	(1/2 yr)	\$74,666.67	(Approx. \$47.50 PSF)
July 1, 2018- June 30, 2019	(Yr 2)	\$76,906.67	(Approx. \$48.93 PSF)
July 1, 2019- June 30, 2020	(Yr 3)	\$79,213.87	(Approx. \$50.40 PSF)
July 1, 2020- June 30, 2021	(Yr 4)	\$81,590.28	(Approx. \$51.91 PSF)
July 1, 2021- June 30, 2022	(Yr 5)	\$84,037.99	(Approx. \$53.46 PSF)

The lease is fully serviced except for utilities. Utilities are estimated to add approximately \$3,142.09 per month or \$37,705 annually (approximately \$1.99 psf annually).

Attachment #1 provides a "Before and After" table.

We recommend approval of the proposed lease extension. If you have any questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully



John Updike
Director of Real Estate

cc: Sheriff Hennessy
Crispin Hollings, SHF CFO

Attachment #1
1740 Folsom Lease

	Current	Proposed
Premises	18,862 SF plus 19 car parking lot	18,862 SF plus 19 car parking
Base Rent	\$45,866.10 monthly (approx. \$29.18 psf)	\$72,426.67 monthly (approx. \$46.08 psf) first 6 months, \$74,666.67 monthly (approx. \$47.50 psf) the next 6 months
Operating Expenses	\$3,142.09 monthly (approx. \$1.99 psf annually)	No change
Base Rent Increase Date	Annually on July 1	Annually on July 1
Base Rent Increase Amount	3%	3%
Term	June 30, 2017	June 30, 2022

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

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: 120 14 th Street LLC, a California limited liability company	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
(1) Maurice Casey (2) N/A (3) N/A (4) N/A (5) N/A	
Contractor address: 260 Magellan Ave, San Francisco CA 94116	
Date that contract was approved:	Amount of contract: \$4,743,545.76 over 60 months
Describe the nature of the contract that was approved: Lease renewal at 1740 Folsom St for the San Francisco Sheriff Department	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form (Mayor, Edwin Lee)

a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: 415-554-5184
Address: City Hall, Room 244, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

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

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed