File No. 250162 **Committee Item No.** 2
Board Item No. 5

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date** March 12, 2025
Board of Supervisors Meeting **Date** March 18, 2025

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☒	☒	AIR Commission Resolution No. 23-0091 4/4/2023
☒	☒	AIR Commission Resolution No. 25-0020 2/4/2025
☐	☐	
☐	☐	

Completed by: Brent Jalipa **Date** March 6, 2025
Completed by: Brent Jalipa **Date** March 13, 2025

FILE NO. 250162 RESOLUTION NO.

[Real Property Lease Renewal Amendment - Michael C. Mitchell - 837 Malcolm Road, Burlingame - Annual Base Rent $159,000]

Resolution authorizing a third amendment of Lease No. 09-0023 between Michael C. Mitchell, an individual, as Landlord, and the City and County of San Francisco, acting by and through its Airport Commission, as Tenant, extending the lease term for three years, for the period of May 1, 2025, through April 30, 2028, for a total term of April 21, 2009, through April 30, 2028, with two one-year options to further extend the term, and increasing the annual rental to $159,000 for the first year, and by 3% annual increases thereafter, for use by the San Francisco International Airport Reprographics Department at 837 Malcolm Road, Burlingame.

WHEREAS, The San Francisco International Airport (Airport) Reprographics Department (Reprographics) currently occupies approximately 6,000 square feet of office and industrial space at 837 Malcolm Road, Burlingame (Premises); and

WHEREAS, Reprographics provides full-service design, layout, art, production, large format printing, laminating, and mounting for the extensive graphics seen throughout the Airport; and

WHEREAS, On January 20, 2009, by Resolution No. 09-0023, the Airport Commission (Commission) approved Off-Airport Property Lease No. 09-0023 (Lease), providing the Premises to Reprographics to provide services to the Airport and City, for a base term of five years plus one three-year option to extend; and

WHEREAS, On October 26, 2010, by Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, reducing the base rent and extending the initial five-year term for 14 months, to expire on April 30, 2015; and

WHEREAS, On October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease with a corresponding cost of living rent increase, effective May 1, 2015, through April 30, 2018; and

WHEREAS, On April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease providing for (i) an adjustment of base rent, (ii) a three percent annual base rent increase, (iii) a term extension through April 30, 2023, with two one-year options to extend (Extension Options), and (iv) certain tenant improvements constructed at the cost of the Airport; and

WHEREAS, On May 22, 2018, by Resolution No. 164-18, the Board of Supervisors approved the Second Amendment to the Lease; and

WHEREAS, On April 5, 2022, by Resolution No. 22-0054, the Commission approved the exercise of the first of two Extension Options, and extending the term through April 30, 2024; and

WHEREAS, On May 17, 2022, by Resolution No. 218-22, the Board of Supervisors approved the exercise of the first of two Extension Options; and

WHEREAS, On April 4, 2023, by Resolution No. 23-0091, the Commission approved the exercise of the second of two Extension Options, and extending the term through April 30, 2025; and

WHEREAS, On May 16, 2023, by Resolution No. 260-23, the Board of Supervisors approved the exercise of the second of two Extension Options; and

WHEREAS, The Airport desires to continue the rental of the Premises for use by Reprographics; and

WHEREAS, Airport staff negotiated the terms of the Third Amendment to the Lease (Third Amendment) with the Landlord to further extend the term of the Lease, with appropriate increases in annual base rent; and

WHEREAS, In connection with the negotiation of the Third Amendment, Airport staff consulted with the San Francisco Real Estate Division, which confirmed that the increased annual rental rate reflects fair market value; and

WHEREAS, On February 4, 2025, by Resolution 25-0020 the Commission approved the Third Amendment, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 250162, which is hereby declared to be part of this Resolution as if set forth fully herein; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby approves the Third Amendment to Lease No. 09-0023, between Michael C. Mitchell and the City and County of San Francisco, acting by and through its Airport Commission, to 1) extend the Lease by three years through April 30, 2028, with two one-year options to further extend the term, exercisable by the Airport Commission, and 2) increase the annual rent to $159,000, with 3% annual increases thereafter; and, be it

FURTHER RESOLVED, That within thirty (30) days of the Third Amendment to Lease being fully executed by all parties, the Airport Commission shall provide a copy of the final contract to the Clerk of the Board for inclusion into the official file.

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THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE (this "Amendment"), dated as of the Effective Date (as defined below), is made by and between Michael C. Mitchell, an individual, as landlord ("Landlord"), and the City and County of San Francisco, a municipal corporation acting by and through its Airport Commission, as tenant ("City" or "Tenant").

RECITALS

A. Landlord and City entered into that certain Lease dated January 12, 2009, as amended by: (i) the First Amendment to Lease dated October 1, 2010, and (ii) the Second Amendment to Lease dated March 19, 2018 (the "Existing Lease"). Under the Existing Lease, Landlord leases to City certain Premises, consisting of approximately 6,000 square feet of improvements on approximately 10,500 square feet of land located at 837 Malcom Road, Burlingame, California (as further described in the Lease, the "Premises").

B. The Term of the Existing Lease is scheduled to expire on April 30, 2025.

C. Landlord and City desire to extend the Term of the Existing Lease and amend the Lease upon the terms and conditions as provided below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Landlord and City agree as follows:

1. Defined Terms. Capitalized terms used in this Amendment but not defined shall have the meaning provided for them in the Existing Lease. "Lease" as used in this Amendment shall mean the Existing Lease as amended by this Amendment.

2. Effective Date. This Amendment shall become effective on the date that each of the following have occurred (the "Effective Date"): (i) the Airport Commission and the San Francisco Board of Supervisors shall have finally approved this Amendment ("Final City Approvals"), and (ii) each of the parties shall have executed this Amendment. Landlord shall submit an executed copy of this Amendment in order for City to obtain Final City Approvals. Upon the determination of the Effective Date, City shall enter the date below and deliver a fully executed original copy of this Amendment to Landlord.

Effective Date: _____

3. Extension of Term. The Term of the Existing Lease is extended for three (3) years ("Extension Term"), commencing on May 1, 2025 ("Extension Term Commencement Date") and expiring on April 30, 2028 ("Extension Term Expiration Date"), unless sooner terminated or extended pursuant to the terms of the Lease.

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4. City's Options to Extend the Term. City shall have two (2) options to further extend the Term ("Extension Options") for one (1) year each (the "Option Terms"). The Option Term(s) shall be on all of the terms and conditions contained in the Lease, including but not limited to, the annual adjustment of Base Rent by the three percent (3%). City may exercise the Extension Options, if at all, by giving one (1) year's advance written notice to Landlord (the "Extension Notice"); provided, however, if City is in material default under the Lease on the date of giving such notice and fails to cure such default as provided in the Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after City's failure to cure.

5. Extension Term Base Rent. Commencing on the Extension Term Commencement Date, Base Rent under the Lease shall be paid by City in the monthly amount of $13,250, and otherwise in accordance with Section 4.1 of the Existing Lease. Commencing on May 1, 2026, and annually thereafter until the expiration or sooner termination of the Lease, the monthly Base Rent shall be increased by three percent (3%). For the avoidance of doubt, Sections 4.2 and 4.4 of the Existing Lease shall be of no further force or effect.

6. General Provisions. Section 23.31 (Notification of Limitation on Contributions) of the Existing Lease, as amended by the Second Amendment, is amended and restated in its entirety as follows:

"23.31 Notification of Limitation on Contributions

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

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chief executive officer, chief financial officer, chief operating officer, any person with an ownership interest of more than 10% in Landlord of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for this lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing. Violation of Section 1.126 may result in criminal, civil, or administrative penalties."

7. No Further Modification. Except as specified in this Amendment, all of the terms, covenants and conditions of the Existing Lease shall remain unmodified and in full force and effect. The Existing Lease, as amended by this Amendment, constitutes the entire agreement of the parties concerning the subject matter hereof, and supersedes any and all previous negotiations, agreements, or understandings regarding the matters contained herein. The execution of this Amendment shall not constitute a waiver of relinquishment of any rights that City may have relating to the Existing Lease. Landlord and City hereby ratify and confirm all of the provisions of the Existing Lease as amended by this Amendment.

8. Applicable Law. This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of California and the Charter of the City and County of San Francisco.

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

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS AMENDMENT AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH RESOLUTION, AND THIS AMENDMENT SHALL BE NULL AND VOID UNLESS CITY'S BOARD OF SUPERVISORS APPROVE THIS AMENDMENT, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS AMENDMENT 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.

[SIGNATURES ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the Effective Date.

LANDLORD
Michael E. Mitchell,
an individual

Signed by:
By: Michael C. Mitchell
EC3B49CCA72443C...

CITY
CITY AND COUNTY OF SAN FRANCISCO,
A municipal corporation, acting by and through its Airport Commission

By: _____
Mike Nakornkhet
Airport Director

RECOMMENDED:

By: _____
Andrico Penick
Director of Real Estate

AUTHORIZED BY AIRPORT COMMISSION

Resolution No. _____

Adopted: _____

Attest: _____

APPROVED AS TO FORM:
DAVID CHIU,
City Attorney

By: _____
Christopher W. Stuart
Deputy City Attorney

LEASE

between

MICHAEL C. MITCHELL
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of

837 MALCOLM ROAD
Burlingame, California

January 12, 2009

LEASE

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EXHIBIT A -- Floor Plan(s) of Premises
EXHIBIT B -- Notice of Commencement Date
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LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of January 12, 2009 is by and between MICHAEL C. MITCHELL ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation acting by and through its Airport Commission ("City" or "Tenant").

Landlord and City hereby agree as follows:

BASIC LEASE INFORMATION

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

Lease Reference Date:	January 12, 2009
Landlord:	MICHAEL C. MITCHELL
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (Section 2.1):	The office/industrial structure commonly known as 837 Malcolm Road, Burlingame
Premises (Section 2.1):	The entire property (including adjacent areas in front and behind the Building and the roof of the Building) commonly known as 837 Malcolm Road, Burlingame
Rentable Area of Premises (Section 2.1):	Approximately 6,000 rentable square feet of improvements on 10,500 sq. ft. of land.
Term (Section 3):	Commencing upon the later of (i) a fully executed lease and (ii) substantial completion of Landlord's improvements as described below in Section 6. Estimated Commencement Date: March 1, 2009. Actual Commencement Date: April 21, 2009 Expiration date: February 28, 2014 (approximately 5 years).
Extension Option (Section 3.4):	One (1) additional term of 3 years, exercisable by City by notice to Landlord given not less than 180 days in advance, with Base Rent

	Fax: (650) 5709
Key Contact for Landlord:	Michael C Mitchell
Landlord Contact Telephone No.:	(650) 346-4848
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: Director of Property Fax No.: (415) 552-9216
with a copy to:	San Francisco International Airport P.O. Box 8097 San Francisco, CA 94128 Attn. Dorothy Schimke, Aviation Management Fax: (650) 821-4525
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
On Site Contact for Tenant:	Richard Cooper
Tenant Contact Telephone No.:	(650) 821-2151
Alternate Contact for Tenant:	Gary Franzella
Alternate Contact Telephone No.:	(650) 821-4526
Brokers (Section 23.8):	Coldwell Banker Commercial
Other Noteworthy Provisions (Section 22):	

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the industrial structure commonly known as 837 Malcolm Road, 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 Building, the land upon which the Building is located, and all other improvements on or appurtenances to such land are referred to collectively as the "Premises" or the "Property." The Premises contain the rentable area specified in the Basic Lease Information.

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 Condition of the 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). 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, below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term if City exercises the Extension Option 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. 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.

3.3 Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Premises with all of the Condition of the 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,. 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, City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord. If Landlord fails to deliver possession of the Premises as required under this Section and

Landlord's failure to so deliver is caused primarily by strike, lockout, act of God, judicial orders, fire or other casualty, or other causes beyond the control of Landlord ("Events of Force Majeure"), then City's ability to terminate shall be delayed for the period of such force majeure delay. However, City may exercise its right to terminate under the preceding paragraph if Force Majeure delays the delivery of the Premises by three hundred sixty five (365) days or more.

3.4 Extension Option(s)

City shall have the right to extend the Initial Term of this Lease (the "Extension Option") for the additional term specified in the Basic Lease Information (the "Extended Term"). The 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 4.4 (Base Rent During Extension Period). Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to approval by the Director of Property, within sixty (60) days after the date the new Base Rent has been determined pursuant to Section 4.4 (Base Rent During Extension Period).

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 twenty-eight (28), twenty-nine (29), and thirty (30) or thirty-one (31) day month as the case may be..

4.2 Adjustments in Base Rent

Base rent to be increased to the amount specified in the Basic Lease Information commencing in the thirty first month of the Lease.

4.3 Additional Charges.

All taxes, assessments, operating costs, and other charges are included in the Base Rent. City shall not be required to pay any additional charges for the use of the Premises or for the services provided by Landlord under this Lease except as expressly set forth herein to the contrary. Notwithstanding the foregoing, City (acting through the Director of Property) reserves the right to request that Landlord perform, at City's cost, minor lease-related services or incur additional expenses not covered under this Lease. If City requests any such additional services, Landlord and City shall agree, in writing and in advance of any work, on the charges or amounts City shall reimburse Landlord for Landlord's performance of such work. If the parties do not agree upon such amount, then Landlord shall not be required to perform the requested work. If the parties do agree on the amount, then Landlord shall perform the requested work and City shall reimburse Landlord upon completion at the agreed-upon cost.

4.4 Base Rent During Extension Period(s)

During the Extension Term, the Base Rent for the Premises shall be adjusted beginning on March 1, 2014 (the "**Adjustment Date**") 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 most immediately preceding the Adjustment Date (the "**Adjustment Index**"), shall be compared with the Index published most immediately preceding the Commencement Date. (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 more than three percent (3%) of the monthly Base Rent in effect for each year of the initial term.

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Extension Term 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.

5. USE

5.1 Permitted Use

City may use the Premises for offices, warehousing, distribution of materials and printing, general uses by City employees, including, without limitation, parking, and public programs, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord, through its general contractor approved by City, shall construct the Premises, perform the work and make the installations described as Landlord's improvements on Exhibit C hereto 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, together with the Tenant Improvements as defined in Section 6.2 below, are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

(a) Plans and Specifications

Landlord and City have agreed upon a conceptual floor plan and tenant finish specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, all as indicated on the plan and specifications dated January 6, 2009 (the "Work Plan"), prepared by City and attached hereto as Exhibit C.

Immediately following the Effective Date of this Lease (as defined in Section 23.30 hereof), based on the approved Work Plan and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings to City within Thirty (30) days after the Effective Date. Such final working drawings and specifications shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves such final working drawings and specifications, or any portion thereof, then City shall promptly notify Landlord thereof and of the revisions that City reasonably requires in order to obtain City's approval. As soon as reasonably possible thereafter, but in no event later than 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 unreasouably withheld or delayed. The final plans, specifications and working drawings for the Leasehold Improvements approved by City shall be referred to as the "Construction Documents."

(b) Permits

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

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 (Real Estate Division of the Department of Administrative Services) adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Ordinance, if applicable, Landlord shall enter into a First Source Hiring Agreement that meets the applicable requirements of Section 83.9 of the First Source Hiring Ordinance in connection with certain building permit applications.

(c) Construction

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

(d) Construction Schedule; Substantial Completion

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

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

No approval by City or any of its Agents of the Work Plan, 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 Tenant Improvements Constructed by Landlord

Landlord shall provide certain electrical and data service distribution ("the Tenant Improvements), as specified on Work Plan. Certain elements of the work shown on said Work Plan may be eliminated by mutual agreement of the parties, as evidenced by a writing signed by both parties. City shall pay Landlord's actual cost of the Tenant Improvements actually installed, as documented to the satisfaction of City, by amortizing said cost over the five-year lease term with a 6.75% interest rate, and adding the amount as a monthly surcharge to rent not to exceed Ten Cents ($.10) per square foot per month.

6.3 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, except as otherwise provided in the Work Plan 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.

6.4 Intentionally Omitted

7. ALTERATIONS

7.1 Alterations by City

It is the intent of the parties that City shall be permitted to make alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, provided, however, that City shall obtain Landlord's advance written approval for Alterations reasonably anticipated to affect more than ten percent (10%) of the Premises and further provided that City shall give at least fifteen (15) days advance notice to Landlord of any Alterations to be performed by a contractor so that Landlord can post a notice of non-responsibility on the Property. City agrees certain Alterations which are specifically unique to City's use of the Premises shall be removed by City at Lease expiration or any earlier termination. For example, it is the intention of the parties that overhead electrical lines shall be removed but not a conference room, a washroom, or railing. In addition, 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 the Premises shall not require removal. 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.

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain

City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Personal Property from the Premises upon 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.

7.4 Alteration by Landlord

Landlord shall use its best efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

9.2 Additional Services

City reserves the right to request that the Landlord, at City's cost, perform minor Lease related services, including pest control services if needed, or incur additional expenses not covered under the Lease that the City may require from time to time as requested by the City and approved by the Real Estate Division and the Airport Administration, acting through City's Director of Property or his or her designee. The City shall reimburse the Landlord for the pre-approved cost for such expenses as they are incurred.

9.3 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

Landlord warrants that, to the extent of its' knowledge, the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations and ordinances ("Applicable Requirements") that were in effect at the time that each improvement, or portion thereof was constructed. Said warranty does not apply to the use to which City will put Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of City's use or to any alternations or utility installations made or to be made by the City. City is responsible for determining whether the Applicable Requirements are appropriate for City's intended use. If the Premises do not comply with said warranty, Landlord shall, promptly after written receipt from City setting forthwith specificity the nature and extent of such non-compliance, rectify the same at Landlord's expense. If City does not give Landlord written notice of non-compliance with this warranty within three months following the Effective Date, correction of the non-compliance shall be the obligation of the City.

If the Applicable Requirements are changed during the term of this Lease so as to require the construction of an alteration of the Premises, or the reinforcement or other physical modification of the Premises, Landlord and City shall allocate the cost of such work as follows:

(a) If such modifications are necessary solely because of any Alterations to the Premises made by City pursuant to Section 7 hereof; or arise out of City's use of the Premises, City shall be fully responsible for the for the cost thereof, provided that if the expenditure is required during the last two years of this Lease and the cost exceeds 6 months Base Rent, City may elect to terminate this Lease effective 90 days thereafter, unless Landlord notifies City within 10 days of receipt of cancellation notice that Landlord has elected to pay the difference between the actual cost and 6 months Base Rent.

(b) If such modification is not the result of the nature of City use of the Premises (such as governmentally mandated seismic modifications or compliance with any law requiring rapid response sprinklers in commercial buildings), Landlord shall be fully responsible for the cost thereof. If Landlord reasonably determines that such costs are not economically feasible, Landlord shall have the option to terminate this Lease upon 90 days prior written notice to City, unless City notifies Landlord, in writing, within 10 days of receipt of cancellation notice that City has elected to perform the required work at its' sole cost.

(c) These provisions concerning changes in the Applicable Requirements are intended to apply only to non-voluntary, unexpected and new Applicable Requirements. If changes in

Applicable Requirements are triggered by City as a result of an actual or proposed change of use, change in intensity of use or modifications to the Premises, City shall complete such required work at its' sole cost.

10.2 City's Compliance with Laws

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 if such modifications are otherwise Landlord's responsibility under this Lease, unless such modifications are necessary solely because of (a) any Alterations to the Premises made by City pursuant to Section 7 hereof; or (b) for City's use of the Premises. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of 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.

11. SUBORDINATION

Prior to Lease Commencement, Landlord shall deliver for execution subordination and nondisturbance agreement with City in a commercially reasonable form for all existing Encumbrances. Landlord and City shall both use reasonable efforts to obtain all necessary signatures on such agreements. 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

If the Premises, the Building or any Building Systems are damaged by earthquake, fire or other casualty, Landlord shall repair the same without delay, provided that such repairs can be reasonably made under applicable laws within one hundred eighty (180) 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.

Within twenty (20) 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 can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then Landlord or City may, by written notice to the other within sixty (60) 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. In the event City or Landlord does not elect to terminate this Lease as provided herein, Landlord shall promptly commence and diligently pursue Landlord's damage repairs within the estimated repair period.

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

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

Taking.

13.4 Partial Taking; Election to Terminate

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

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

(c) Either party electing to terminate under the provisions of this Section 13.4 shall do so by givingwritten 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 (30^{th}) 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 one hundred twenty (120) 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

14,1 Use by Other City Departments

Provided City remains fully liable for the terms of this Lease, 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.

14.2 Assignment and Subletting to Non Profit Businesses

Provided City remains fully liable for the terms of this Lease, City shall have the right from time to time, with the written consent of Landlord which shall not be unreasonably withheld or delayed, to assign this Lease or sublet use and occupancy of all or any of the Premises to any non profit agency for uses permitted under this Lease.

14.3 Assignment and Subletting to For Profit Businesses

Except as provided in this Section, 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 to a For Profit business or permit all or any portion of the Premises to be occupied by any For Profit business or sublet all or any portion of the Premises to a For Profit business, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

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

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such 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 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

therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance which Landlord is required to purchase under this Lease or is otherwise actually recovered from valid and collectible insurance covering the Landlord. Landlord agrees to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to the Building or the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (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 (i) all of City's Personal Property , (ii) City's telecommunications, data and computer facilities and (iii) any specialty Alterations City is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. City'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 Lease, Landlord shall maintain its responsibilities for 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, caused by Landlord or its Agents.

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. City shall promptly notify Landlord of any agency actions, notices, penalties, citations, and/or claims relating to City's use of the Property

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

Intentionally omitted

23. GENERAL PROVISIONS

23.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail 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 be telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2 No Implied Waiver

No failure by either party to insist upon the strict performance of any obligation of the other party under this Lease or to exercise any right, power or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No acceptance of full or partial Rent by Landlord while City is in default hereunder shall constitute a waiver of such default by Landlord. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision

hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Landlord or City given in one instance under the terms of this Lease shall not relieve the other party of any obligation to secure the consent to any other or future instance under the terms of the Lease.

23.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of Landlord and City and may be made upon the sole approval of either the Director of Property or the Director of Transportation, or their designees; 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, (vi) any changes to the material terms of the Purchase Option, including, without limitation, increasing the Purchase Price, and (vii) 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 Municipal Transportation Agency's Board of Directors or the City's Board of Supervisors, as required under applicable law.

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 either City's Director of Property or the Director of Transportation, or their designees, 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

Landlord is solely responsible for payment of any and all brokerage commissions.

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.

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

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of the Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during such holding over shall be one hundred fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term of this Lease.

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 for a period of one year following termination or the applicable statute of limitations whichever is greater, 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. City agrees to remove such signs upon Lease termination and repair all damages from such removal, subject to reasonable wear and damage by fire or other casualty excepted.

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 Sectiou.

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

respective sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date of the Extension Notice. If such approvals and authorizations are not received by Landlord within such ninety (90) day period, at Landlord's option, City's Extension Options shall terminate and City shall have no further option to extend the Term of this Lease.

12. Applicable Law. This Second Amendment shall be governed by, construed and enforced in accordance with the laws of the State of California.

13. Effective Date. The date on which this Second Amendment shall become effective is the date upon which (a) City's Mayor and Board of Supervisors, in their sole and absolute discretion, adopt and approve a resolution approving this Second Amendment in accordance with all applicable laws, (b) City's Airport Commission, in its sole discretion, adopts a resolution approving this Second Amendment, and (c) this Second Amendment is duly executed and exchanged by the parties hereto.

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

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS SECOND AMENDMENT, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS SECOND AMENDMENT AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH RESOLUTION, AND THIS SECOND AMENDMENT SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS SECOND AMENDMENT, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS SECOND AMENDMENT 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.

[SIGNATURES ON FOLLOWING PAGE]

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

"LANDLORD"

Michael C. Mitchell, an individual

By: _____

"CITY"

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Director of Property

Recommended:

By: _____
Ivar C. Satero
Airport Director
Pursuant to San Francisco Airport Commission Resolution 18-0105

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Elizabeth A. Dietrich
Deputy City Attorney

Exhibit A to Second Amendment

LEASEHOLD IMPROVEMENTS

1. Landlord's Obligation to Construct Improvements

Landlord, through its general contractor (the "General Contractor"), shall perform the work and make the installations in the Premises pursuant to the Construction Plans (as defined in this Section below) approved by City, and in accordance with the provisions of this Exhibit A. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements." All costs incurred by Landlord in connection with the Leasehold Improvements and in accordance with this Exhibit A to the Lease shall be reimbursed by City.

(a) Plans and Specifications

Promptly following the mutual execution of the Second Amendment, Landlord shall cause its architect ("Architect") to prepare and submit to City for its approval a space plan for the Leasehold Improvement Work based on City's program requirements for use of the Premises. City shall have ten (10) business days to approve or provide adjustments to the space plan.

Immediately following the City's approval of the space plan (the "Approved Space Plan"), based on the Approved Space Plan and any adjustments authorized by City, Landlord shall cause the Architect and a Leadership in Energy and Environmental Design ("LEED") consultant (if required to meet City's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code), to prepare final plans, specifications and working drawings in form and detail sufficient for purposes of contractor pricing (the "Pricing Plans"). City shall have ten (10) business days to review and either approve of the Pricing Plans (which approval shall not be unreasonably withheld) or provide Landlord with City's adjustments to the Pricing Plans. Provided that the Pricing Plans do not exceed the Maximum Construction Amount (as defined in Section 1(h) below, if the City fails to approve or disapprove the Pricing Plans within such ten-day period the Pricing Plans shall be deemed approved by the City.

Immediately following City's approval (or deemed approval) of the Pricing Plans, based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall use commercially reasonable efforts to submit a copy of such final plans, specifications and working drawings in sufficient detail to define the work (the "Construction Drawings") to City within sixty (60) days after the City's approval of such Pricing Plans. The Construction Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld. City shall have ten (10) business days to review and either approve of the Construction Drawings or provide Landlord with the revisions that City reasonably requires in order to obtain City's approval. If the City fails to approve or disapprove the Construction Drawings within such ten-day period, the Construction Drawings shall be deemed approved. As soon as reasonably possible, and no later than ten (10) business days thereafter, Landlord shall submit to City revised Construction Drawings that incorporate the revisions required by City. City shall have five (5) business days to review and approve the revisions to the Construction Drawings (which approval shall not be unreasonably withheld). If the City fails to approve or disapprove the revisions to the Construction Drawings within such five-day period, the revisions to the Construction Drawings shall be deemed approved. The final Construction Drawings approved by City shall be referred to as the "Construction Documents."

(b) **Permits**

Landlord shall secure any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work. Promptly following City's approval of the Construction Plans and Construction Budget, as defined in the following subparagraph, Landlord shall apply for any permits, approvals or licenses necessary to complete the construction shown on the Construction Plans and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by any governmental agency or department (such as a Department of Building Inspection) with jurisdiction over the construction ("DBI"). Payments for such permits and approvals shall be paid as costs of the Leasehold Improvements.

(c) **City's Approval of Costs**

Upon completion of the Pricing Plans, General Contractor shall prepare a good faith initial construction budget ("ROM") which includes all project hard and soft costs. City shall have the right to request (3) competitive bids from subcontractors from each trade in a revised ROM in connection with all work performed by Landlord or General Contractor hereunder. If necessary, the Construction Plans shall be revised and completed such that the cost of the Leasehold Improvement Work does not exceed the approved ROM.

Prior to commencing construction of the Leasehold Improvement Work, Landlord shall prepare and submit to City, based on the Construction Plans, a good faith budget for the Leasehold Improvement Work, showing all costs to be paid by City, including a contractor contingency of three percent (3%) (the "Construction Budget") or such other contingency reasonably approved by City. Provided the Construction Budget does not exceed the ROM, City shall have five (5) business days to review and approve or disapprove the Construction Budget. If City fails to approve or disapprove the Construction Budget that does not exceed the ROM within such five-day period, the Construction Budget shall be deemed approved.

If such Construction Budget exceeds the ROM, Architect, General Contractor, and City shall at City's option diligently pursue reductions in scope so that the Construction Budget can be equal to or less than the ROM.

If during the course of construction, the Leasehold Improvement Work cannot be completed in conformity with the most recently City approved Construction Budget, Landlord shall immediately submit to City for its approval a revised Construction Budget and shall identify to City changes in line items and the reasons for the changes. City acknowledges that renovation or improvement of existing facilities inherently involves risk of unanticipated costs necessary to obtain a Final Certificate of Occupancy. If further changes are required, Landlord shall seek City's approval, following the same procedures. If costs exceed the approved Construction Budget, the parties agree to meet and confer in good faith to either (i) obtain City approval of any increased costs, with an appropriation for such amount or (ii) revise the Leasehold Improvement Work so that it does not exceed the most recently City approved Construction Budget. City shall have the right to reasonably approve or disapprove any Construction Budget or revised Construction Budgets in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed, but any such revised Construction Budget shall be deemed approved if City does not approve or disapprove the revised Construction Budget within ten (10) business days after request for such approval. The most recent City approved Construction Budget shall supersede all previous City approved Construction Budgets.

(d) **Construction**

Immediately upon City's approval of the Construction Plans and the Construction Budget and Landlord's procurement of all necessary permits and approvals for the Leasehold Improvement Work, Landlord shall cause the General Contractor to commence, the construction of the Leasehold Improvements. Landlord shall require in any contract issued in connection with the Leasehold Improvement Work that General Contractor shall (i) cause the Leasehold Improvement Work to be completed in a good and professional manner in accordance with sound building practice, (ii) 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 Improvement Work (iii) comply strictly with all applicable disabled access laws, including, without limitation, the most stringent requirements of the ADA, Title 24 of the California Code of Regulations (or its successor) and (iv) pay prevailing wages as provided in Section 23.24 (Prevailing Wages) of the Existing Lease, below, and shall not use tropical hardwood wood products, or virgin redwood wood products as provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), of the Existing Lease. Landlord shall use commercially reasonable efforts to enforce such requirements.

(e) **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. City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Leasehold Improvement Work. When construction progress so permits, but not less than fifteen (15) days in advance of Substantial Completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be Substantially Completed in accordance with the Construction Plans. 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. On the Substantial Completion Date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord or Architect on an inspection of the Leasehold Improvement Work.

"Substantial Completion" or "Substantially Completed" shall be when the Leasehold Improvement Work is sufficiently completed in accordance with the approved Construction Documents and Construction Plans except for finishing details, decorative items, minor omissions, mechanical adjustments, and similar items of the type customarily found on an architectural punch-list, the correction or completion of which items collectively will not substantially interfere with Tenant's occupancy and use of the Premises (such items generally, "Punch-List Items") and Architect has provided an AIA G704 certificate of substantial completion with respect to the Leasehold Improvement Work. Landlord and Tenant shall cooperate to facilitate completion of any Punch-List Items as quickly as possible.

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

(f) **Appointment of Representatives**

City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to the Leasehold Improvement Work. Landlord

and City shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party. The initial Representatives and Alternates shall be:

City: Representative -- _____
Alternate -- _____

Landlord: Representative – _____
Alternate -- _____

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

(g) **Changes to Construction Plans**

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

(h) **Payment for Other Leasehold Improvement Work;**

Subject to Landlord's obligations in subparagraph (h) above, Landlord shall pay for the cost of constructing and installing the Leasehold Improvements (as defined below) up to a total sum of Six Hundred Sixty-Nine Thousand Seven Hundred Two Dollars ($669,702) (the "Maximum Construction Amount"). City shall pay Landlord upon receipt of required documentation in accordance with subparagraph (i) below. Notwithstanding anything to the contrary in this Section 1, City's reimbursement of the Leasehold Improvement Costs in no event shall exceed the Maximum Construction Amount and to the extent it appears that there may be an excess cost, City shall revise the Leasehold Improvement Work to eliminate such excess cost. City shall not be responsible for any supervision or management fee by Landlord, but the Leasehold Improvement Costs may include a commercially reasonable third party project manager fee for a project manager retained by Landlord.

Throughout the course of construction, City shall make equal monthly payments to Landlord based on a payment schedule agreed upon concurrently with the approval of the initial ROM Construction Budget divided by the Construction Schedule. Such payment schedule shall be designed to permit timely payments to the Architect and General Contractor of the costs of constructing the Leasehold Improvement Work based on the approved Construction Budget and Construction Schedule, in conformance with the payment obligations under Landlord's contracts with the Architect and General Contractor and subject to adjustments resulting from any Change Orders. By way of example, if the ROM is $200,000 and the construction will take 5 months, City shall pay Landlord $40,000 per month for 5 months beginning upon commencement of the Leasehold Improvements. City's payments of the cost of constructing the Leasehold Improvement Work shall be due as Additional Charges and payment shall be made monthly together with payment of Base Rent hereunder.

(i) **Required Documentation of Costs**

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

(j) **No Waiver of Conditions.** Each waiver by City of a condition of payment must be expressly made by City in writing. If City makes a payment before fulfillment of one or more required conditions, that payment alone shall not be a waiver of such conditions, and City reserves the right to require its fulfillment before making any subsequent payments. If all conditions are not satisfied, City, acting in its reasonable judgment, may make payment as to certain items or categories of costs and not others.

(k) **City's Cure Right.** If Landlord does not make timely payment to General Contractor, Architect, or any of its subcontractors or material suppliers, City may, but shall not be obligated to, advance City's funds directly to General Contractor or its subcontractors or material suppliers to pay the cost of the Leasehold Improvement Work, and any such advance shall be payable to City by Landlord immediately upon demand, with interest at a rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law.

(l) **Restoration of the Premises**

City shall not be required to remove the Leasehold Improvements and to restore the affected area of Premises to its previous condition upon the expiration or sooner termination of the Lease except those improvements specifically identified on the Approved Space Plans .

23. GENERAL PROVISIONS

23.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: **(a)** City at Tenant's address set forth in the Basic Lease Information; or **(b)** Landlord at Landlord's address set forth in the Basic Lease Information; or **(c)** such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given be telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2 No Implied Waiver

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

23.3 Amendments

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

23.4 Authority

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

23.5 Parties and Their Agents; Approvals

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

23.6 Interpretation of Lease

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

23.7 Successors and Assigns

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

23.8 Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability

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

23.9 Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

23.10 Governing Law

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

23.11 Entire Agreement

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

23.12 Attorneys' Fees

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

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy

shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

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

23.18 Quiet Enjoyment and Title

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

23.19 Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein, and that if

any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such case or proceeding, or for any other reason, City shall have the right to **(a)** contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and **(b)** offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20 Transfer of Landlord's Interest

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

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles - Northern Ireland

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

23.23 Controller's Certification of Funds

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

23.24 Prevailing Wages and Working Conditions

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to require its Contractors and Subcontractors performing **(i)** labor in the construction of a "public work" as defined in California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or **(ii)** Covered Construction at the Premises to **(1)** pay workers performing such work not less than the Prevailing Rate of Wages, **(2)** provide the same hours, working conditions and benefits as in each case are provided for similar work performed

in San Francisco County, and **(3)** employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

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

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26 Tropical Hardwood and Virgin Redwood Ban

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

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

(c) In the event Landlord fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Landlord shall be liable for liquidated damages for each violation in an amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Landlord acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any monies due to Landlord from any contract with the City and County of San Francisco.

23.27 Bicycle Parking Facilities

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

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Landlord, at no cost to Landlord, hereby agrees that it shall reasonably cooperate with City in the compliance with all applicable provisions of such code sections.

23.29 Sunshine Ordinance

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

23.30 Conflicts of Interest

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

23.31 Notification of Limitations on Contributions

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

23.32 Preservative-Treated Wood Containing Arsenic

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

immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

23.33 Cooperative Drafting

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

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 09-0023

APPROVE AND AUTHORIZE DIRECTOR TO EXECUTE A LEASE FOR OFFICE/LIGHT INDUSTRIAL SPACE AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, TO ACCOMMODATE THE RELOCATION OF AIRPORT REPROGRAPHICS

WHEREAS, The Airport currently leases a warehouse facility 245 South Spruce Avenue, South San Francisco, which lease shall expire on May 9, 2009; and

WHEREAS, Airport Reprographics is currently housed in said South San Francisco warehouse facility and, along with other Airport functions and subtenants must be relocated prior to the expiration of that lease; and

WHEREAS, Airport Staff has identified a suitable facility for Reprographics use, comprising approximately 6,000 square feet of office/light industrial space, at 837 Malcolm Road in Burlingame (Malcolm Road Facility); and

WHEREAS, together with the City Real Estate Division, Staff has negotiated a lease for the Malcolm Road Facility for a five-year term, with one option to extend for an additional three-year term, at an initial rent of $7,080 per month, with a mid-term adjustment to $7,440 per month; now, therefore be it

RESOLVED, that the Airport Commission hereby approves and authorizes the Director to execute a lease with Michael C. Mitchell for the premises located at 837 Malcolm Road, Burlingame, California, in accordance with the terms set forth above and in the Director's Memorandum.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of JAN 2 0 2009

Secretary

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

MEMORANDUM

January 20, 2009

09-0023

JAN 2 0 2009

TO: MEMBERS, AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns
Hon. Richard J. Guggenhime

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

GAVIN NEWSOM
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN
AIRPORT DIRECTOR

FROM: Airport Director

SUBJECT: Approval of Lease of Property at 837 Malcolm Road, Burlingame, for Relocation of Airport Reprographics Section.

DIRECTOR'S RECOMMENDATION: APPROVE AND AUTHORIZE DIRECTOR TO EXECUTE A LEASE OF APPROXIMATELY 6,000 SQUARE FEET OF OFFICE/LIGHT INDUSTRAL SPACE LOCATED AT 837 MALCOLM ROAD, BURLINGAME, FOR A FIVE-YEAR TERM WITH ONE THREE-YEAR OPTION, AT AN INITIAL ANNUAL RENT OF $84,960, TO ACCOMMODATE THE RELOCATION OF THE AIRPORT'S REPROGRAPHICS SECTION FROM THE 245 SOUTH SPRUCE AVENUE WAREHOUSE FACILITY.

Executive Summary

The Airport's Reprographics unit, along with other Airport functions and subtenants, is currently housed in the warehouse facility leased by the Airport at 245 South Spruce Avenue, South San Francisco. We are in the process of vacating the Spruce Avenue Facility prior to the expiration of that lease on May 9, 2009, and, together with City Real Estate, have identified a suitable facility proximate to the Airport for the relocation of Reprographics. We have negotiated a lease for the facility for a five(5)-year term with one option for a three(3)-year extension term, at initial annual rent of $84,960 ($1.18 per square foot per month). Financial terms include a surcharge, not to exceed $600 ($0.10 per square foot) per month for the 60-month initial term, for construction by Landlord of certain tenant improvements which are the City's responsibility under the lease.

THIS PRINT COVERS CALENDAR ITEM NO. 22

Background

Since May 1999, the Airport has leased a 560,000 square foot warehouse facility at 245 South Spruce Avenue, South San Francisco that houses various Airport functions and a number of subtenants. We currently pay more than $6 Million per year in rent, taxes, and maintenance charges for that facility. The lease will expire on May 9, 2009. Airport Reprographics is one of the functions that we must relocate from the facility prior to the lease expiration.

We explored a number of on-Airport locations for the relocation of Reprographics, but found the development costs to be prohibitive. Therefore, together with City Real Estate, we sought and have identified a suitable facility proximate to the Airport, at 837 Malcolm Road in Burlingame, for Reprographics' use. At a maximum rental cost of $471,600 (including maximum rental surcharge) over the proposed 5-year term, leasing the Malcolm Road facility will be significantly less costly than improving available Airport property to accommodate Reprographics.

Proposal

The following are the basic terms of the proposed lease:

Landlord	Michael C. Mitchell
Tenant	City and County of San Francisco, acting by and through its Airport Commission
Premises	Building comprising approximately 6,000 square feet of office/light industrial space and adjacent areas in front and around the Building, located at 837 Malcolm Road, Burlingame, California.
Term	Five (5) years, commencing upon substantial completion of Landlord's Improvements and Tenant Improvements. Estimated commencement date: March 1, 2009.
Option	City has one (1) option to extend term for an additional three (3) years.
Base Rent	Monthly rent of $7,080 ($1.18/sq. ft.) for months 1 – 30 and $7,440 ($1.24/sq. t.) for months 31 – 60. Should the City exercise its extension option, rent shall be adjusted in accordance with the Consumer Price Index, but no more than 3% per year, for the option period.

Tenant Improvements Surcharge	City shall pay the actual cost of Tenant Improvements (as described below) installed by Landlord, amortized over sixty (60) months with a 6.75% interest rate, as a monthly surcharge not to exceed $0.10 per square foot, or $600.00, per month.
Landlord Improvements	Landlord to provide, at Landlord's expense, improvements necessary for the City's occupancy and use of the premises.
Tenant Improvements	In addition to Landlord Improvements Landlord shall provide electrical and data service distribution within the Premises to City specification at City's expense, payable by City through the Tenant Improvements Surcharge.
Maintenance and Repairs	Landlord is responsible for the exterior and structural portions of the building and for all utility lines to the building. City is responsible for routine maintenance of the interior of the building and exterior premises; provided, however, that Landlord shall be responsible for any capital repairs that should be required.

Recommendation

I recommend adoption of the accompanying Resolution approving and authorizing me to execute a Lease with Michael C. Mitchell for the premises located at 837 Malcolm Road, Burlingame, California, to accommodate Airport Reprographics, in accordance with the Lease Terms outlined above.

John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachment

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0325

MODIFICATION NO. 1 OF LEASE L09-0023 FOR OFF-AIRPORT PROPERTY AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA TO REDUCE THE RENT AND EXTEND THE TERM OF THE LEASE

WHEREAS, On January 20, 2009, pursuant to Resolution No. 09-0023, the Airport Commission approved an off-Airport property lease L09-0023 (the "Lease") with Michael C. Mitchell (the "Landlord"), for six thousand (6,000) square feet of industrial space suitable for the Airport's Reprographics Department, located at 837 Malcolm Road, Burlingame, California; and

WHEREAS, The Lease provides for an annual Base Rent of $84,960 and a term of five (5) years, expiring on February 28, 2014. The Airport also pays $7,200 per year to reimburse the Landlord for certain tenant improvements (the "TI Surcharge"); and

WHEREAS, Due to the City's current budget deficit, the City's Real Estate Division has asked each City department to consider renegotiation of any active leases to reduce City paid rents; and

WHEREAS, The Real Estate Division has offered, and the Landlord has accepted, a rent reduction equal to $4,608 per year ($384 per month) for the remainder of the Term, as modified, based on a five percent (5%) reduction in the Base Rent and TI Surcharge effective November 1, 2010 in exchange for a fourteen (14) month extension of the Term of the Lease through April 30, 2015, pursuant to Modification No. 1 to the Lease; and

WHEREAS, The cumulative savings to the Airport will be approximately $20,736, assuming an effective date of November 1, 2010 through April 30, 2015, the expiration of the Term; and

WHEREAS, The proposed Modification No. 1 is deemed to be in the best interest of the City; now therefore be it

RESOLVED, that the Airport Commission hereby approves Modification No. 1 to the Lease with Michael C. Mitchell to reduce the Base Rent and TI Surcharge and extend the Term of the Lease by fourteen (14) months, effective November 1, 2010, in accordance with terms set forth above and in the Director's Memorandum.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of OCT 26 2010

Jean Caramatti

Secretary

San Francisco International Airport

MEMORANDUM

April 3, 2018

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenhime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Second Amendment of Off-Airport Property Lease L09-0023 with Michael C. Mitchell, at 837 Malcolm Road, Burlingame, California, to Extend the Term and Modify the Rent

DIRECTOR'S RECOMMENDATION: APPROVE THE SECOND AMENDMENT OF LEASE L09-0023 FOR OFF-AIRPORT PROPERTY AT 837 MALCOLM ROAD, BURLINGAME, TO MODIFY THE ANNUAL RENT AND EXTEND THE TERM OF THE LEASE, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE SECOND AMENDMENT TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Pursuant to Lease No. L09-0023 (the "Lease") between Michael C. Mitchell ("Landlord") and the San Francisco International Airport (the "Airport" or "City"), the Airport's Reprographics Department ("Reprographics") occupies approximately 6,000 square feet of off-Airport office/industrial space at 837 Malcolm Road, Burlingame ("837 Malcolm Road"), situated on approximately 10,500 square feet of land. The Lease expires on April 30, 2018, and Reprographics wishes to continue occupancy of the space until such time as it can move into the Airport's Consolidated Administration Campus, Phase II or other suitable Airport facility. The proposed Second Amendment will: 1) adjust the annual rent to $126,000, 2) extend the Term by five years, with two options to extend the Term by one-year each, 3) grant an early termination right, and 4) provide for certain tenant improvement work, collectively (the "Second Amendment"). The two one-year options and the early termination right are at the Airport's discretion.

Background

On January 20, 2009, pursuant to Resolution No. 09-0023, the Commission approved a Lease for an off-Airport facility comprised of approximately 6,000 square feet of office and industrial

THIS PRINT COVERS CALENDAR ITEM NO. 16

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

MARK FARRELL *MAYOR* | LARRY MAZZOLA *PRESIDENT* | LINDA S. CRAYTON *VICE PRESIDENT* | ELEANOR JOHNS | RICHARD J. GUGGENHIME | PETER A. STERN | IVAR C. SATERO *AIRPORT DIRECTOR*

space situated on 10,500 square feet of land located at 837 Malcolm Road, to accommodate Reprographics. The Lease provided for an initial annual rent of $84,960 and a Term of approximately five years, which expired on February 28, 2014. The Lease also obligated the Airport to pay $600 per month to reimburse the Landlord for certain tenant improvements.

In the fall of 2010, all City departments were asked to renegotiate their property leases in light of a City budget deficit at that time. On October 26, 2010, pursuant to Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, which reduced the rent by $4,608 per year in exchange for a 14-month Term extension, through April 30, 2015.

The original Lease also provided for a three-year option to extend the Term, effective May 1, 2015, with a corresponding rent adjustment by cost of living increase, resulting in an annual rent of $87,212. The Airport exercised this option on October 14, 2014.

Over the years, Reprographics has expanded the services it provides to the Airport and other City departments, which requires new technology equipment and, therefore, a larger facility. The Airport contacted the City's Real Estate Department ("RED") in September 2017 to request its services to identify a larger facility for Reprographics and to negotiate a new lease. RED undertook a search for facilities in the range of 10,000 square feet; however, due to the extremely tight real estate market in the vicinity of the Airport, a suitable facility has not been identified.

The Airport and RED have concluded that the best course of action is to have Reprographics remain at 837 Malcolm Road. Therefore, the Airport authorized RED to open negotiations with the Landlord regarding an extension of the Term by a lease amendment. The structure of the proposed amendment will provide flexibility regarding the Term. In the interim, Reprographics is requesting that certain tenant improvement work be completed at 837 Malcolm Road, at the Airport's sole cost and expense, to support new equipment and the growth in operations. The preliminary cost of such work is estimated at a not to exceed amount of $669,702. RED is working with the Landlord to finalize the scope and cost of such work, which will be performed by the Landlord and reimbursed by the Airport.

Proposal

RED has negotiated a lease amendment with the Landlord wherein the City offered, and the Landlord accepted, a five-year extension of the Term, from May 1, 2018 through April 30, 2023, with two one-year options to extend the Term at the Airport's discretion. In addition, the proposed amendment includes an early termination right wherein, at the Airport's discretion, the Airport may terminate the Lease after Year Three of the extension term, to be effective April 30, 2021, conditioned upon one-year's advance written notice to the Landlord that the Airport is exercising its early termination right. RED negotiated a fair market rent of $126,000 per year based on a rate of $1.75/square foot/year. This rent will be subject to a fixed three percent increase annually. The Landlord has agreed to undertake construction and installation of the improvement work. The Airport will reimburse the Landlord by making equal monthly payments based on a payment schedule, to be agreed upon by the parties, once the cost and duration of the improvement work is finalized.

After surveying the available space market and consulting with RED, it has been determined that this lease amendment is in the City's best interest. This amendment will be approved by the City Attorney's Office as to form.

Recommendation

I recommend adoption of the accompanying resolution approving the Second Amendment to Lease L09-0023, between the Airport and Michael C. Mitchell, to: 1) adjust the annual rent to $126,000, which will be subject to a fixed three percent increase annually, 2) extend the Term by five years, with two one-year options to extend the Term, 3) grant an early termination right, and 4) provide for certain tenant improvement work. I further recommend that the Commission direct the Commission Secretary to forward the Second Amendment to the Lease to the Board of Supervisors for approval.

Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachment

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 18-0105

SECOND AMENDMENT OF OFF-AIRPORT PROPERTY LEASE L09-0023 WITH MICHAEL C. MITCHELL, AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, TO EXTEND THE TERM OF THE LEASE AND MODIFY THE RENT, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE SECOND AMENDMENT TO THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL

WHEREAS, on January 20, 2009, pursuant to Resolution No. 09-0023, the Airport Commission approved Off-Airport Property Lease L09-0023 (the "Lease") with Michael C. Mitchell (the "Landlord"), for approximately 6,000 square feet of office and industrial space situated on approximately 10,500 square feet of land located at 837 Malcolm Road, Burlingame, California ("837 Malcolm Road"), to be occupied by the Airport's Reprographics Department; and

WHEREAS, the Lease provided for an annual Base Rent of $84,960 and a Term of five years, which expired on February 28, 2014; and

WHEREAS, on October 26, 2010, pursuant to Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, which reduced the rent by $4,608 per year in exchange for a 14-month Term extension through April 30, 2015; and

WHEREAS, the original Lease also provided for one three-year option to extend the Term, which the Airport exercised on October 14, 2014, becoming effective on May 1, 2015, with a corresponding rent adjustment to $87,212 per year; and

WHEREAS, the Lease will expire on April 30, 2018; and

WHEREAS, Reprographics has expanded the services it provides to the Airport and City and wishes to relocate to a larger facility; and

WHEREAS, due to current market conditions, no suitable facilities are on the market; and

WHEREAS, it has been determined that the best course of action is for Reprographics to remain at 837 Malcolm Road for an interim period, pursuant to an amendment to the Lease; and

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 18-0105

WHEREAS, the City's Real Estate Division has negotiated a second amendment to the Lease with the Landlord that will: 1) adjust the annual rent to $126,000, 2) extend the Term by five years, with two one-year options to extend the Term at the Airport's discretion, 3) provide for an early termination right at the Airport's discretion, and 4) provide for certain tenant improvement work, collectively (the "Second Amendment"); and

WHEREAS, the proposed Second Amendment is deemed to be in the best interest of the City; now, therefore, be it

RESOLVED, that the Airport Commission hereby approves the Second Amendment to the Lease with Michael C. Mitchell to: 1) adjust the annual rent to $126,000 subject to a fixed three percent increase annually, 2) extend the Term by five years, with two one-year options to extend the Term at the Airport's discretion, 3) grant an early termination right at the Airport's discretion, and 4) provide for certain tenant improvement work at a not to exceed cost of $669,702, collectively the Second Amendment, in accordance with terms set forth above and in the Director's Memorandum; and, be it further

RESOLVED, that the Airport Commission hereby directs the Commission Secretary to forward the Second Amendment to the Lease to the Board of Supervisors for approval.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of APR 03 2018

Jean Caramatti

Secretary

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 22-0054

EXERCISE OF THE FIRST OF TWO 1-YEAR EXTENSION OPTIONS UNDER OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, FOR THE SAN FRANCISCO INTERNATIONAL AIRPORT REPROGRAPHICS DEPARTMENT

WHEREAS, on January 20, 2009, by Resolution No. 09-0023, the Airport Commission (Commission) approved Off-Airport Property Lease No. 09-0023 (Lease) with Michael C. Mitchell, as landlord, for approximately 6,000 square feet of office and industrial space located at 837 Malcolm Road, Burlingame, California, occupied by the San Francisco International Airport Reprographics Department for a base term of five years plus one 3-year option to extend; and

WHEREAS, on October 26, 2010, by Resolution No. 10-0325, the Commission approved Modification No. 1 to the Lease, which reduced the rent and extended the initial five-year term for an additional 14 months, through April 30, 2015; and

WHEREAS, on October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease with a corresponding cost of living rent increase, effective May 1, 2015 through April 30, 2018; and

WHEREAS, on April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent to $126,000, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with two 1-year options to extend (Extension Options), and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment); and

WHEREAS, on May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease; and

WHEREAS, Airport staff recommends exercising the first of two Extension Options exercisable at the Commission's discretion and subject to approval by the Board, which continues the fixed three percent (3%) increase of annual base rent; now, therefore, be it

RESOLVED, that this Commission hereby exercises the first of two Extension Options for a new expiration date of April 30, 2024, on the terms and conditions set forth in the Director's Memorandum affixed to this resolution; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary requests the approval of the exercise of the first of two Extension Options with the Board of Supervisors under Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of APR 5 2022

Secretary

San Francisco International Airport

MEMORANDUM
April 5, 2022

TO: AIRPORT COMMISSION
Hon. Eleanor Johns, President
Hon. Malcolm Yeung, Vice President
Hon. Everett A. Hewlett, Jr.
Hon. Jane Natoli
Hon. Jose F. Almanza

22-0054

APR 5 2022

FROM: Airport Director

SUBJECT: Exercise of the First of Two 1-Year Extension Options under Off-Airport Property Lease No. 09-0023 with Michael C. Mitchell for 837 Malcolm Road, Burlingame, California, for the San Francisco International Airport Reprographics Department

DIRECTOR'S RECOMMENDATION: EXERCISE THE FIRST OF TWO 1-YEAR EXTENSION OPTIONS UNDER OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, FOR THE SAN FRANCISCO INTERNATIONAL AIRPORT REPROGRAPHICS DEPARTMENT, FOR A NEW LEASE EXPIRATION DATE OF APRIL 30, 2024, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE EXERCISE OF THE EXTENSION OPTIONS TO THE BOARD OF SUPERVISORS FOR APPROVAL UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Executive Summary

San Francisco International Airport (SFO or Airport) Reprographics Department (Reprographics) currently occupies approximately 6,000 square feet of off-Airport office/industrial space at 837 Malcolm Road, Burlingame pursuant to Off-Airport Property Lease No. 09-0023 (Lease), between Michael C. Mitchell, as landlord (Landlord), and the Airport, as tenant. The Lease is set to expire on April 30, 2023. Airport staff recommends the Airport Commission (Commission) exercise the first of two 1-year options to extend the term of the Lease (Extension Options), from May 1, 2023 to April 30, 2024.

Background

On January 20, 2009, by Resolution No. 09-0023, the Commission approved the Lease to accommodate Reprographics. The Lease provides approximately 6,000 square feet of off-Airport office/industrial space at an initial annual base rent of $84,960 and annual Tenant Improvement

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO
LONDON N. BREED *MAYOR* | ELEANOR JOHNS *PRESIDENT* | MALCOLM YEUNG *VICE PRESIDENT* | EVERETT A. HEWLETT, JR. | JANE NATOLI | JOSE F. ALMANZA | IVAR C. SATERO *AIRPORT DIRECTOR*

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

Surcharge of $7,200 to reimburse Landlord for certain tenant improvements. The base term is five years with one three-year option to extend.

On October 26, 2010, by Resolution No. 10-0325, the Commission approved Modification No. 1 to the Lease, which reduced the rent by $4,608 per year in exchange for a 14-month term extension, through April 30, 2015.

On October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease with a corresponding cost of living increase, for a new annual base rent of $87,212, effective May 1, 2015 through April 30, 2018.

On April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent to $126,000, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with Extension Options, and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment). On May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease.

Reprographics provides full-service design, layout, art, production, large format printing, laminating, and mounting for the extensive graphics program seen throughout the Airport. They also provide services to other City departments, such as the Board, San Francisco Film Commission, San Francisco Public Utilities Commission, and regular services for the Port of San Francisco. The costs and expenses of which are reimbursed to the Airport.

During the COVID-19 pandemic, Reprographics was critical in disseminating information by providing:

- Multi-lingual health screening signage;
- Facial covering posters, web graphics, flyers, maps, and post cards;
- Rapid testing site directional signage, web graphics, flyers, maps, and post cards;
- Vaccination and booster directional signage, web graphics, and FAQs;
- Physical distancing signage, posters, and web graphics; and
- Quarantine travel advisories/flyers and safety precaution signage

Additionally, Reprographics manages all updates and production of the Airport's Wayfinding Signage Program, airlines and concession marketing campaigns, and the Airport Museum's exhibit images, murals, and labels.

Proposal

According to the Second Amendment, the Extension Options is exercisable by the Airport Commission and is subject to approval by the Board. Staff has determined the Airport does not have suitable facilities available on-Airport to accommodate Reprographics prior to the Lease expiration of April 30, 2023. Staff recommends the Commission exercise the first of two Extension Options, which includes the three percent (3%) annual base rent increase to

approximately $146,000. The additional one-year extension will provide the time necessary for Airport staff to consider potential relocation options for Reprographics on the Airport campus.

Recommendation

I recommend adoption of the attached resolution exercising of the first of two 1-year Extension Options to extend the term of the Off-Airport Property Lease No. 09-0023 with Michael C. Mitchell, for an extension term of May 1, 2023 through April 30, 2024. I further recommend directing the Commission Secretary to forward the exercise of the Extension Options to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.

Ivar C. Satero
Airport Director

Prepared by: Kevin Bumen
Chief Commercial Officer

Attachment

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0091

EXERCISE THE SECOND OF TWO 1-YEAR EXTENSION OPTIONS UNDER OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, FOR THE SAN FRANCISCO INTERNATIONAL AIRPORT REPROGRAPHICS DEPARTMENT, FOR A NEW LEASE EXPIRATION DATE OF APRIL 30, 2025, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE EXERCISE OF THE EXTENSION OPTION TO THE BOARD OF SUPERVISORS FOR APPROVAL UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO

WHEREAS, on January 20, 2009, by Resolution No. 09-0023, the Airport Commission (Commission) approved Off-Airport Property Lease No. 09-0023 (Lease) with Michael C. Mitchell, as landlord, for approximately 6,000 square feet of office and industrial space located at 837 Malcolm Road, Burlingame, California occupied by the San Francisco International Airport Reprographics Department for a base term of five years plus one 3-year option to extend; and

WHEREAS, on October 26, 2010, by Resolution No. 10-0325, the Commission approved Modification No. 1 to the Lease, which reduced the rent by $4,608 per year and extended the initial five-year term for an additional 14 months through April 30, 2015; and

WHEREAS, on October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease, effective May 1, 2015 through April 30, 2018, with a corresponding cost of living rent increase; and

WHEREAS, on April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent to $126,000, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with two 1-year options to extend (Extension Options), and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment); and

WHEREAS, on May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease; and

WHEREAS, On April 5, 2022, by Resolution No. 22-0054, the Commission approved the exercise of the first Extension Option, which (i) increased the annual base rent by three percent (3%) to approximately $146,000, and (ii) extended the term through April 30, 2024; and

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0091

WHEREAS, On May 17, 2022, by Resolution No. 218-22, the Board approved the exercise of the first Extension Option.

WHEREAS, Airport staff recommends exercising the second Extension Option for a new expiration date of April 30, 2024 and an increase in annual base rent of three percent (3%) to approximately $150,450; now, therefore, be it

RESOLVED, that this Commission exercises the second of two Extension Options, on the terms and conditions set forth in this Resolution and the Director's Memorandum affixed to this Resolution; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary to request the approval of the exercise of the second Extension Option with the Board of Supervisors under Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of APR 4 2023

Secretary

San Francisco International Airport

MEMORANDUM
April 4, 2023

TO: AIRPORT COMMISSION
Hon. Eleanor Johns, President
Hon. Malcolm Yeung, Vice President
Hon. Everett A. Hewlett, Jr.
Hon. Jane Natoli
Hon. Jose F. Almanza

23-0091

APR 4 2023

FROM: Airport Director

SUBJECT: Exercise of the Second of Two 1-Year Extension Options Under Off-Airport Property Lease No. 09-0023 with Michael C. Mitchell for 837 Malcolm Road, Burlingame, California for the San Francisco International Airport Reprographics Department

DIRECTOR'S RECOMMENDATION: EXERCISE THE SECOND OF TWO 1-YEAR EXTENSION OPTIONS UNDER OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, FOR THE SAN FRANCISCO INTERNATIONAL AIRPORT REPROGRAPHICS DEPARTMENT, FOR A NEW LEASE EXPIRATION DATE OF APRIL 30, 2025, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE EXERCISE OF THE EXTENSION OPTION TO THE BOARD OF SUPERVISORS FOR APPROVAL UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Executive Summary

San Francisco International Airport (SFO or Airport) Reprographics Department (Reprographics) currently occupies approximately 6,000 square feet of off-Airport office/industrial space at 837 Malcolm Road, Burlingame pursuant to Off-Airport Property Lease No. 09-0023 (Lease) between Michael C. Mitchell, as landlord (Landlord), and the City and County of San Francisco, acting by and through its Airport Commission (Commission), as tenant (City). The Lease is set to expire on April 30, 2024. Airport staff recommends the Commission exercise the second of two 1-year options to extend the term of the Lease (Extension Options), from May 1, 2024 to April 30, 2025.

Background

Reprographics provides full-service design, layout, art, production, large format printing, laminating, and mounting for the extensive graphics program seen throughout the Airport. They also provide services to other City departments, such as the Board of Supervisors, San Francisco

THIS PRINT COVERS CALENDAR ITEM NO. 12

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED *MAYOR* | ELEANOR JOHNS *PRESIDENT* | MALCOLM YEUNG *VICE PRESIDENT* | EVERETT A. HEWLETT, JR. | JANE NATOLI | JOSE F. ALMANZA | IVAR C. SATERO *AIRPORT DIRECTOR*

Film Commission, San Francisco Public Utilities Commission, and regular services for the Port of San Francisco. The costs and expenses of which are reimbursed to the Airport.

On January 20, 2009, by Resolution No. 09-0023, the Commission approved the Lease to accommodate the space needs of Reprographics. The Lease provides approximately 6,000 square feet of off-Airport office/industrial space at an initial annual base rent of $84,960 and an annual Tenant Improvement Surcharge of $7,200 to reimburse Landlord for certain tenant improvements. The base term was five years with one three-year option to extend.

On October 26, 2010, by Resolution No. 10-0325, the Commission approved Modification No. 1 to the Lease, which reduced the rent by $4,608 per year in exchange for a 14-month term extension through April 30, 2015.

On October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease with a corresponding cost of living increase, for a new annual base rent of $87,212 effective May 1, 2015 through April 30, 2018.

On April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent to $126,000, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with the Extension Options, and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment). On May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease.

On April 5, 2022, by Resolution No. 22-0054, the Commission approved the exercise of the first Extension Option, which (i) increased the annual base rent by 3% to approximately $146,000, and (ii) extended the term through April 30, 2024. On May 17, 2022, by Resolution No. 218-22, the Board approved the exercise of the first Extension Option.

Proposal

According to the Second Amendment, the Extension Options are exercisable by the Airport Commission and are subject to approval by the Board. Staff has determined the Airport does not have suitable facilities available on-Airport to accommodate Reprographics prior to the Lease expiration date of April 30, 2024. Staff recommends the Commission exercise the second of the two Extension Options, which includes the three percent (3%) annual base rent increase to approximately $150,450. The additional one-year extension will provide the time necessary for Airport staff to consider potential relocation options for Reprographics on the Airport campus.

Recommendation

I recommend adoption of the attached Resolution exercising the second of two 1-year Extension Options to extend the term of the Off-Airport Property Lease No. 09-0023 with Michael C. Mitchell, for an extension term of May 1, 2024 through April 30, 2025. I further recommend directing the Commission Secretary to forward the exercise of the second Extension Option to

the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.

Ivar C. Satero
Airport Director

Prepared by: Kevin Bumen
Chief Financial and Commercial Officer

Attachment

Docusign Envelope ID: 1FB28EE4-70C0-43A2-A712-B1A21747FA8D

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 25-0020

APPROVAL OF THE THIRD AMENDMENT TO OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WTH MICHAEL C. MITCHELL FOR THE AIRPORT REPROGRAPHICS FACILITY LOCATED AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, TO EXTEND THE TERM AND MODIFY THE RENT

WHEREAS, on January 20, 2009, by Resolution No. 09-0023, the Airport Commission (Commission) approved Off-Airport Property Lease No. 09-0023 (Lease) with Michael C. Mitchell, as landlord (Landlord), for approximately 6,000 square feet of office and industrial space located at 837 Malcolm Road, Burlingame, California occupied by the San Francisco International Airport (SFO or Airport) Reprographics Department for a base term of five years with one 3-year option to extend; and

WHEREAS, on October 26, 2010, by Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, which reduced the rent by and extended the initial five-year term for an additional 14 months through April 30, 2015; and

WHEREAS, on October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease, effective May 1, 2015 through April 30, 2018, with a corresponding cost of living rent increase; and

WHEREAS, on April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with two 1-year options to extend the term (Extension Options), and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment); and

WHEREAS, on May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease; and

WHEREAS, on April 5, 2022, by Resolution No. 22-0054, the Commission exercised the first Extension Option, which (i) increased the annual base rent, and (ii) extended the term through April 30, 2024; and

WHEREAS, on May 17, 2022, by Resolution No. 218-22, the Board approved the exercise of the first Extension Option; and

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 25-0020

WHEREAS, on April 4, 2023, by Resolution No. 23-0091, the Commission exercised the second Extension Option, which (i) increased the annual base rent, and (ii) extended the term through April 30, 2025; and

WHEREAS, on May 16, 2023, by Resolution No. 260-23, the Board approved the exercise of the second Extension Option; and

WHEREAS, Airport staff and Landlord negotiated the Third Amendment to the Lease that will (i) adjust the annual rent to $159,000, (ii) extend the Term by three years, with two 1-year options to extend the Term at the sole discretion of the Commission; now, therefore, be it

RESOLVED, that the Commission hereby approves the Third Amendment to the Lease with Michael C. Mitchell in accordance with terms set forth above and in the Director's Memorandum; and, be it further

RESOLVED, that the Commission hereby directs the Director of Commission Affairs to forward the Third Amendment to the Lease to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of FEB 4 2025

Secretary

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SAN FRANCISCO INTERNATIONAL AIRPORT

MEMORANDUM
February 4, 2025

TO: AIRPORT COMMISSION
Hon. Malcolm Yeung, President
Hon. Jane Natoli, Vice President
Hon. Jose F. Almanza
Hon. Mark Buell
Hon. Susan Leal

25-0020
FEB 4 2025

FROM: Airport Director

SUBJECT: Approval of the Third Amendment to Off-Airport Property Lease No. L09-0023 with Michael C. Mitchell for the Airport Reprographics Facility located at 837 Malcolm Road, Burlingame, California, to Extend the Term and Modify the Rent

DIRECTOR'S RECOMMENDATION: APPROVE THE THIRD AMENDMENT TO OFF-AIRPORT PROPERTY LEASE NO. L09-0023 FOR THE REPROGRAPHICS FACILITY LOCATED AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA TO MODIFY THE ANNUAL RENT AND EXTEND THE TERM OF THE LEASE, AND DIRECT THE DIRECTOR OF COMMISSION AFFAIRS TO FORWARD THE THIRD AMENDMENT TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

San Francisco International Airport (SFO or Airport) Reprographics Department (Reprographics) currently occupies approximately 6,000 square feet of off-Airport office/industrial space at 837 Malcolm Road, Burlingame, California pursuant to Off-Airport Property Lease No. 09-0023 (Lease) between Michael C. Mitchell, as landlord (Landlord), and the City and County of San Francisco, acting by and through its Airport Commission (Commission), as tenant (City). The Lease is set to expire on April 30, 2025, and the Airport wishes to continue occupancy of the space for use as the Reprographics facility until such time as it can move into the Airport's Consolidated Administration Campus, Phase II or other suitable Airport facility. The Third Amendment will extend the current term by three years, with two options to extend, exercisable at the discretion of the Commission, and increase the base rent, subject to an annual increase throughout the term and all extension options.

Background

Reprographics is a department of the Airport that provides full-service design, layout, art, production, large format printing, laminating, and mounting for the extensive graphics program seen throughout the Airport. They also provide services to other City departments, such as the

THIS PRINT COVERS CALENDAR ITEM NO. 7

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Board of Supervisors, the San Francisco Film Commission, the San Francisco Public Utilities Commission, and the Port of San Francisco. The costs and expenses of services provided to non-Airport departments of the City are reimbursed to the Airport.

On January 20, 2009, by Resolution No. 09-0023, the Commission approved the Lease to accommodate the space needs of Reprographics. The Lease provides approximately 6,000 square feet of off-Airport office/industrial space, with a base term of five years with one 3-year option to extend.

On October 26, 2010, by Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, which reduced the rent in exchange for a 14-month term extension through April 30, 2015.

On October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease with an increase in the base rent, effective May 1, 2015 through April 30, 2018.

On April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with two extension options of one year each, and (iv) provided for certain tenant improvements constructed at the cost of the Airport. On May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease.

On April 5, 2022, by Resolution No. 22-0054, the Commission exercised the first Extension Option, which extended the term through April 30, 2024. On May 17, 2022, by Resolution No. 218-22, the Board approved the exercise of the first Extension Option.

On April 4, 2023, by Resolution No. 23-0091, the Commission exercised the second Extension Option, which extended the term through April 30, 2025. On May 16, 2023, by Resolution No. 260-23, the Board approved the exercise of the second Extension Option.

Proposal

Airport staff has determined the Airport does not have suitable facilities available on-Airport to accommodate Reprographics prior to the Lease expiration date of April 30, 2025. Airport staff recommends the Commission approve the Third Amendment, for a three-year extension of the Term, from May 1, 2025 through April 30, 2028, with two 1-year options to extend the Term with 12 months prior written notice, exercisable at the sole discretion of the Commission. Airport staff negotiated a fair market rent of $159,000 per year based on a rate of $26.50/square foot/year. This rent will be subject to a fixed three percent (3%) increase annually.

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Recommendation

I recommend adoption of the attached Resolution approving the Third Amendment to Off-Airport Property Lease No. L09-0023 for the Reprographics Facility, and directing the Director of Commission Affairs to forward the Third Amendment to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.

Mike Nakornkhet
Airport Director

Prepared by: Kevin Bumen
Chief Financial and Commercial Officer

Attachment

SAN FRANCISCO INTERNATIONAL AIRPORT

February 7, 2025

Ms. Angela Calvillo
Clerk of the Board
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: Real Property Lease Renewal and Amendment Under Off-Airport Property Lease No. 09-0023 Between Michael C. Mitchell and the City and County of San Francisco, Acting By and Through Its Airport Commission

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval the proposed Resolution, which approves the third amendment to Off-Airport Property Lease No. 09-0023 (Lease) between the City and County of San Francisco, acting by and through its Airport Commission, as Tenant, and Michael C. Mitchell, as Landlord.

The following is a list of accompanying documents:

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 25-0020 with accompanying Memorandum;
- Copy of SFEC-126(f) Submittal;
- Copy of Off-Airport Property Lease No. 09-0023;
- Copy of First Amendment to Lease No. 09-0023;
- Copy of Second Amendment to Lease No. 09-0023; and
- Copy of Third Amendment to Lease No. 09-0023.

The following person may be contacted regarding this matter:

Steve Lash
Senior Property Manager
(650) 821-4525
steve.lash@flysfo.com

Very truly yours,

Kantrice Ogletree /s/

Kantrice Ogletree
Commission Secretary

Enclosures

cc: Steve Lash, Aviation Management
Cathy Widener, Government Affairs

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

DANIEL LURIE MAYOR | **MALCOLM YEUNG** PRESIDENT | **JANE NATOLI** VICE PRESIDENT | **JOSE F. ALMANZA** | **MARK BUELL** | **SUSAN LEAL** | **MIKE NAKORNKHET** AIRPORT DIRECTOR

POST OFFICE BOX 8097 SAN FRANCISCO, CA 94128 TEL 650.821.5000 FAX 650.821.5005 **FLYSFO.COM**

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Incomplete - Pending Signature

San Francisco Ethics Commission
25 Van Ness Avenue, Suite 220, San Francisco, CA 94102
Phone: 415.252.3100 . Fax: 415.252.3112
ethics.commission@sfgov.org . www.sfethics.org

Received On:

File #: 250162

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4
(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)
A Public Document

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

1. FILING INFORMATION

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

2. CITY ELECTIVE OFFICE OR BOARD

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

3. FILER'S CONTACT

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

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Dyanna Volek	650-821-4005
FULL DEPARTMENT NAME	**DEPARTMENT CONTACT EMAIL**
AIR Airport Commission	dyanna.volek@flysfo.com

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Incomplete - Pending Signature

5. CONTRACTOR	
NAME OF CONTRACTOR Michael C. Mitchell	**TELEPHONE NUMBER** 650-346-4848
STREET ADDRESS (including City, State and Zip Code) 480 Alameda Avenue, Half Moon Bay, CA 94019	**EMAIL**

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	**ORIGINAL BID/RFP NUMBER**	**FILE NUMBER (*If applicable*)** 250162
DESCRIPTION OF AMOUNT OF CONTRACT Per Formula		
NATURE OF THE CONTRACT *(Please describe)* On 2/4/2025, by Resolution No. 25-0020, the Airport Commission approved Amendment #3 to Lease No. 09-0023 between Michael C. Mitchell and the City and County of San Francisco, acting by and through its Airport Commission, for (1) a three-year extension, for a new expiration date of April 30, 2028, with two 1-year options to extend the Term with 12 months prior written notice, exercisable at the sole discretion of the Commission, and (2) an annual rent of $159,000 per year based on a rate of $26.50/square foot/year subject to a fixed three percent (3%) increase annually.		

7. COMMENTS
Lease No. 09-0023 is for the rental of approximately 6000 sf of office/warehouse space, which houses Airport Reprographics. Michael C. Mitchell is the sole property owner.

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

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9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	MITCHELL	Michael	Other Principal Officer
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Incomplete - pending signature

9. AFFILIATES AND SUBCONTRACTORS			
List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.			
#	**LAST NAME/ENTITY/SUBCONTRACTOR**	**FIRST NAME**	**TYPE**
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9. AFFILIATES AND SUBCONTRACTORS			
List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.			
#	**LAST NAME/ENTITY/SUBCONTRACTOR**	**FIRST NAME**	**TYPE**
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☐	Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.		

10. VERIFICATION	
I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete. **I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.**	
SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK BOS Clerk of the Board	**DATE SIGNED**

From:	Karen Ng (AIR)
To:	BOS Legislation, (BOS)
Cc:	Kantrice Ogletree (AIR); Carolyn Jayin (AIR); Dyanna Volek (AIR); Cathy Widener (AIR)
Subject:	BOS E-FILE SUBMITTAL: Off-Airport Property Lease No. 09-0023
Date:	Friday, February 7, 2025 2:08:54 PM
Attachments:	BOS-Resolution_SFO-Reprographics_Third_Amendment-CWS012925.docx 25-0020_APPROVAL_of_3rd_Amendment_Off-Airport_Property_Lease_L09-0023_-_Michael_C._Mitchell.pdf SFEC_Form_126f4BOS_(amended)---Notification_of_Contract_for_Michael_C._Mitchell_Amend__3.pdf Michael Mitchell Lease 1-12-09.pdf Reprographics Lease - First Amendment.pdf Reprographics Lease - Second Amendment.pdf Reprographics_Lease_-_Third_Amendment.pdf Reprographics_Cover_Letter Signed KO.docx image002.png

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CITY AND COUNTY OF SAN FRANCISCO

AIRPORT COMMISSION

BOARD OF SUPERVISORS LEGISLATION

To: BOS Legislation

Date: February 7, 2025

RE: Real Property Lease Renewal and Amendment Under Off-Airport Property Lease No. 09-0023 between Michael C. Mitchell and the City and County of San Francisco, Acting By and Through Its Airport Commission

Attached is proposed legislation concerning approval of Amendment No. 3 to Off-Airport Property Lease No. 09-0023 between the City and County of San Francisco, acting by and through its Airport Commission, and Michael C. Mitchell, an individual.

The electronic attachments are listed below:

- Cover Letter to Angela Calvillo;
- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 25-[____] with accompanying Memorandum;
- Copy of SFEC-126(f) Submittal;
- Copy of Off-Airport Property Lease No. 09-0023;
- Copy of First Amendment to Lease No. 09-0023;
- Copy of Second Amendment to Lease No. 09-0023; and
- Copy of Third Amendment to Lease No. 09-0023.

Staff Contacts:

Dyanna Volek, Government Affairs Administrator
650-821-4005

Steve Lash, Senior Property Manager, Aviation Management
650-821-4525

Thank you.

Karen Ng
Executive Secretary | External Affairs
San Francisco International Airport | P.O. Box 8097 | San Francisco, CA 94128
Office: 650.821.5126 | flysfo.com
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