

File No. 14b249

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date April 30, 2014

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
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- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- BOS Resolution No. 109-04
- _____
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Completed by: Linda Wong Date April 11, 2014

Completed by: _____ Date _____

1 [Real Property Lease Renewal - Ruth Mellinger - 70 Oak Grove Street - \$37,208.33 Monthly]

2
3 **Resolution authorizing the exercise of an option to extend the lease of 10,000 sq. ft. at**
4 **70 Oak Grove Street with Ruth Mellinger, an unmarried woman, for five years for use**
5 **by the Sheriff's Department at \$37,208.33 monthly, for the period of May 31, 2014,**
6 **through May 30, 2019.**

7
8 WHEREAS, The City and County of San Francisco ("Tenant"), and Ruth Mellinger, an
9 unmarried woman ("Landlord"), executed a lease dated March 25, 2004, (the "Lease"),
10 authorized by Board of Supervisors Resolution No. 109-04 for the entire property (the
11 "Premises") commonly known and numbered as 70 Oak Grove and consisting of
12 approximately 10,000 sq. ft. for use by the Sheriff's Department (SFSD); and

13 WHEREAS, Such Lease currently expires on May 30, 2014, and contains an option
14 to extend the Lease for five (5) years on the same terms and conditions except that during
15 the Extended Term, the Base Monthly Rental is to be adjusted to 95% of the market rental
16 value; and

17 WHEREAS, From 70 Oak Grove, SFSD provides a number of integrated programs
18 including the 5 Keys Charter School, NoVA (the No Violence Alliance), the SWAP (Sheriff's
19 Work Alternative Program), Electronic Monitoring, and Post Release Education Programs
20 (PREP); and

21 WHEREAS, These SFSD programs provide basic education, post-release intensive
22 case management, referrals to services for training, job readiness, health and housing and
23 electronic monitoring (for qualified sentenced and pre-sentenced prisoners) which allows
24 them to work and live in their home; and

1 WHEREAS, The SFSD programs provided at 70 Oak Grove are deemed essential to
2 reduce incarceration and recidivism in the City and County of San Francisco; and

3 WHEREAS, Pursuant to the terms of the Lease, the Real Estate Division and the
4 Landlord have negotiated such 95% of fair market rental, considering all factors, for the five
5 (5) year extension period to be \$37,208.33 per month (approximately \$44.65 per square foot
6 per year) fixed for the entire five year term; and

7 WHEREAS, The Extension Term is subject to enactment of a resolution by the Board
8 of Supervisors and the Mayor, in their respective sole and absolute direction, approving and
9 authorizing such exercise; now, therefore, be it

10 RESOLVED, That the Director of Real Estate is hereby authorized to take all actions,
11 on behalf of the City and County of San Francisco, as Tenant, to extend the lease with Ruth
12 Mellinger, Landlord, for the Premises commonly known as 70 Oak Grove, San Francisco,
13 California, which comprises an area of approximately 10,000 square feet on the terms and
14 conditions contained in the First Lease Amendment (a copy of which is on file with the Clerk
15 of the Board of Supervisors in File No. 140249); and, be it

16 FURTHER RESOLVED, That the Lease extension shall be for a term of five (5) years
17 (through May 30, 2019) at a base rent \$37,208.33 per month, (approximately \$44.65 per sq.
18 ft. annually) and the City shall continue to pay for its own janitorial services and utilities at a
19 current cost of approximately \$1,950.80 per month (approximately \$2.34 per sq. ft. annually)
20 and other typical tenant costs; and, be it

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

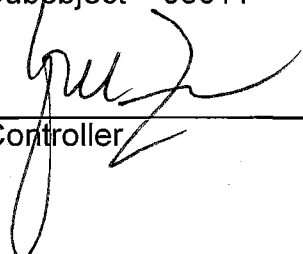
23 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
24 Real Estate to enter into any amendments or modifications to the Lease (including without
25 limitation, the exhibits) that the Director of Real Estate determines, in consultation with the

1 City Attorney, are in the best interest of the City, do not increase the rent or otherwise
2 materially increase the obligations or liabilities of the City, are necessary or advisable to
3 effectuate the purposes of the Lease or this resolution, and are in compliance with all
4 applicable laws, including City's Charter; and, be it

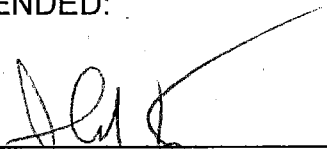
5 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full
6 term of the lease unless funds for rental payments are not appropriated in any subsequent
7 fiscal year at which time City may terminate the lease with ninety (90) days advance written
8 notice to Landlord. Said Lease shall be subject to certification as to funds by the Controller,
9 pursuant to Section 3.105 of the Charter; and, be it

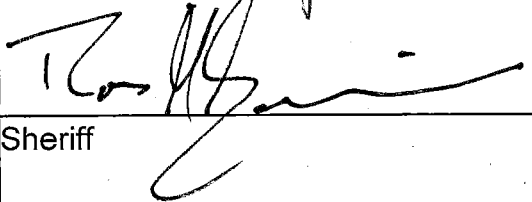
10 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
11 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk
12 of the Board for inclusion into the official file.

13
14 Available: \$37,328.60
15 (1 month plus 1 day of Base Rent in
16 FY13/14)
17 Appropriation No.
18 Index code – 062400
19 Subject – 03011

20 
21 _____
22 Controller

23 RECOMMENDED:

24 
25 _____
26 Director of Real Estate

27 
28 _____
29 Sheriff

<p>Item 1 File 14-0249</p>	<p>Department: Sheriff's Department (Sheriff)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would authorize the exercise of the first of two five-year options to extend the term of the original lease between the Sheriff's Department, as tenant, and Ruth Mellinger, as landlord, for 70 Oak Grove Street from June 2014 through May 2019. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The Sheriff's Department uses the facilities at 70 Oak Grove St (1) for alternatives-to-incarceration programs, including the Sheriff's Work Alternative Program and electronic monitoring; and (2) for reentry programs for released offenders including the Five Keys Charter School, the No Violence Alliance and Post-Release Educational Programs. • The original ten-year lease for 10,000 square feet of building space at 70 Oak Grove Street included two options to extend the term of the lease by five years at the sole discretion of the City. • The Director of Real Estate is proposing to enter into a first amendment to the original lease which (1) extends the term of the lease by five years, (2) increases the rent as discussed below; (3) requires the Landlord to renovate two bathrooms, at no cost to the City, to bring the building at 70 Oak Grove St into compliance with the Americans with Disabilities Act (ADA); and (4) includes a termination clause that may be exercised at the discretion of the City. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Under the proposed amendment, the annual rent per square foot would increase by \$25.64, or 135 percent, from the current rent per square foot of \$19.01 to the proposed rent per square foot of \$44.65, which is 95 percent of the fair market value, as required under the original lease. • The Sheriff's Department will pay \$2,189,250 in rent to the Landlord over the full five-year term of the proposed amendment. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • The Sheriff's Department and the Adult Probation Department provide similar programs to similar clients administered by the same private vendor at both 70 Oak Grove St and at the Community Assessment and Services Center. However, neither department considers it feasible to consolidate programs and services at one location. • Additionally, the Sheriff's Department, Adult Probation Department, Public Defender and District Attorney all provide programs and services to offenders on re-entry into the community, which may overlap and result in increased lease and other costs. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed resolution to request the Controller to evaluate if reentry programs provided by the Sheriff's Department, the Adult Probation Department, the Public Defender and the District Attorney could be consolidated in order to reduce lease and other costs. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval.

Background

In March 2004, the Board of Supervisors approved a ten-year lease between the Sheriff's Department, as tenant, and Ruth Mellinger, as landlord, for the building located at 70 Oak Grove St. The provisions of the original lease are shown in Table 1 below.

Table 1: 70 Oak Grove Original Lease Provisions

Term	Ten years from June 2004 through May 2014
Options to extend the term	Two five-year options at the sole discretion of the City
Premises	10,000 square feet building space plus front and rear parking lots
Base rent	\$169,500 per year (\$16.95 per square foot) for the first five years
Rent increase	One-time increase in June 2009 based on the Consumer Price Index (CPI) but no less than 10 percent and no more than 30 percent of the base rent
One- time base rent payment	\$132,437 one-time payment in June 2004
Termination Clause	None

The Sheriff's Department uses the space located at 70 Oak Grove St for (1) alternatives-to-incarceration programs for low-risk offenders, and (2) education programs and services to ex-offenders. The programs offered at 70 Oak Grove St include:

- (1) The Five Keys Charter School, which offers education programs to incarcerated, paroled, and offenders on probation;
- (2) The No Violence Alliance, which focuses on reducing recidivism for violent ex-offenders upon re-entry;
- (3) Post-Release Educational Programs, which provides services to ex-offenders during re-entry;

- (4) The Sheriff's Work Alternative Program, which is an alternative-to-incarceration where offenders serve on work crews provided they meet certain release criteria; and
- (5) Electronic monitoring, which is an alternative-to-incarceration where offenders are monitored electronically to ensure they adhere to the terms of their release.

Alternatives-to-Incarceration

The Sheriff's Work Alternative Program (SWAP) and the Sheriff's Department's electronic monitoring program are alternatives-to-incarceration programs. These programs offer low-risk offenders who meet the eligibility criteria the opportunity to serve the duration of their sentence outside the county jail system.

The offenders who are serving their sentence under the SWAP program report to 70 Oak Grove Street in the morning on the day of their service and are assigned to work crews at various locations throughout the City. The Sheriff's Department transports the offenders to and from the various work locations and provides supervision during service.

The Sheriff's Department's electronic monitoring program requires one deputy sheriff and two contract employees employed by Leaders in Community Alternatives, Inc. (LCA), to administer the monitoring system. Offenders referred to electronic monitoring rather than incarceration report to 70 Oak Grove Street for their initial orientation, at the end of their sentence and periodically throughout the sentence as required by the electronic monitoring program.

Five Keys Charter School

The Five Keys Charter School (Five Keys) provides access to education to offenders, currently incarcerated in the county jail system, and ex-offenders at either 70 Oak Grove Street or one of the various satellite offices located throughout the City. The Five Keys administrative offices currently are located at 70 Oak Grove Street.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the exercise of the first of two five-year options to extend the term of the original lease between the Sheriff's Department and the Landlord from May 31, 2014 through May 30, 2019.

The Director of Real Estate is proposing to enter into a first amendment to the original lease which (1) requires the Landlord to renovate two bathrooms, at no cost to the City, to bring the building at 70 Oak Grove Street into compliance with the Americans with Disabilities Act (ADA), and (2) includes a termination clause that may be exercised at the discretion of the City.

The provisions of the proposed first amendment, subject of the proposed resolution, are shown in Table 2 below.

Table 2: Provisions of the Proposed First Amendment

Term	Five years from June 1 2014 through May 30, 2019
Options to extend the term	One additional five-year option to extend under the terms of the original lease
Premises	10,000 square feet building space plus front and rear parking lots
Base rent	\$44.65 per square foot per year, totaling \$446,500 per year
Rent during improvements (six months)	\$36.00 per square foot per year, totaling approximately \$180,000 for six months
Improvements	\$300,000 (estimated) for Americans with Disabilities Act (ADA) improvements by the landlord and at no cost to the City
Termination Clause	210 days with written notice by the City
Termination Fee	Unamortized Landlord cost of ADA improvements

Under the terms of the original lease, the Landlord is required to repaint and recarpet the building at the time the City exercises its option to extend.

FISCAL IMPACT

Under the terms of the original lease, the base rent for the first five years of the lease was \$16.95 per square foot per year. In June 2009, the base rent was increased by 12 percent, based on the CPI, to \$19.01 per square foot per year, as shown in Table 3 below.

Table 3: Increase in Rent under Proposed First Amendment

	Annual Rent per Square Foot	Square Feet	Annual Rent	Total over Five Years
Initial Lease				
June 1, 2009 to May 30, 2014 (5 Years)	\$19.01	10,000	\$190,100	\$950,500
Proposed First Amendment				
ADA Construction May 31, 2014 to November 30, 2014 (6 months)	\$36.00	10,000	180,000	180,000
December 1, 2014 to May 30, 2019 (4 years, 6 months)	\$44.65	10,000	446,500	<u>2,009,250</u>
Total (May 31, 2014 to May 30, 2019 (5 years))				2,189,250
Increase				\$1,238,750
Percent Increase				130%

As shown in Table 3 above, the base rent per square foot per year under the proposed first amendment would increase by \$25.64, or 135 percent, from \$19.01 per square foot to \$44.65 per square foot. Under the provisions of the original lease, the base rental rate must be increased or decreased to an amount equal to 95 percent of fair market value, as agreed upon by the Real Estate Division and the Landlord, at the time the City exercises its option to extend the term of the lease. According to Mr. Charles Dunn, Real Estate Division Senior Real Property Officer, the rental rate of comparable buildings near 70 Oak Grove Street, at the time the lease renewal was negotiated, was \$47.00 per square foot.

Under the proposed first amendment, the Sheriff's Department will pay reduced rent beginning May 31, 2014 of \$3.00 per square foot per month (\$36.00 per square foot per year) during construction by the Landlord of restroom improvements to comply with ADA requirements. According to Mr. Dunn, construction is expected to take approximately six months, and will complete in November 2014, which would reduce the total rent paid by \$43,250 for a net rent amount of \$2,189,250 for the five-year term from June 1, 2014 through May 31, 2019.

The total estimated rent during the proposed five-year lease extension of \$2,189,250 is an increase of \$1,238,750 or 130 percent from total rent for the prior five years of \$950,500.

The proposed first amendment allows the City to terminate the lease at any time with a 210 day prior written notice. In the event that the City exercises the termination clause included in the subject amendment to the initial lease, the amended lease would require the City to reimburse the Landlord for any unamortized costs from the required ADA improvements, which are estimated to cost \$300,000.

POLICY CONSIDERATION

Currently, the Adult Probation Department provides similar programs at the Community Assessment and Services Center (CASC) at 564 6th Street¹, which is a leased facility, as the programs provided by the Sheriff's Department at 70 Oak Grove Street. Both locations offer the Five Keys Charter School and other reentry programs for ex-offenders. Leaders in Community Alternatives (LCA) have a contract with the Adult Probation Department to manage the CASC at 564 6th St, and also have a contract with the Sheriff's Department to manage the electronic monitoring program at 70 Oak Grove St. Despite the similarity in programs and the population served, neither the Sheriff's Department nor the Adult Probation Department considered it feasible to consolidate programs and services at one location.

According to Mr. John Updike, Director of Real Estate, the Real Estate Division and staff from the Mayor's Budget Office evaluated possible alternative space to relocate the Sheriff's Department at a lower cost but was unable to identify cost-saving alternatives. According to Mr. Updike, the Real Estate Division and Department of Public Works is currently evaluating a facility master plan for the Sheriff's Department that will consider the space needs for the Sheriff's Department's programs. As noted above, under the proposed first amendment, the City would be able to terminate the lease with 210 days written notice if the facility master plan identifies alternative space.

The Sheriff's Department, Adult Probation Department, Public Defender and District Attorney all provide programs and services at different leased locations for offenders on re-entry into the community, which may overlap and result in increased lease and other costs. The Board of Supervisors should request the Controller to evaluate if reentry programs provided by these four departments could be consolidated in order to reduce lease and other costs.

RECOMMENDATIONS

1. Amend to the proposed resolution to request the Controller to evaluate if reentry programs provided by the Sheriff's Department, the Adult Probation Department, the Public Defender and the District Attorney could be consolidated in order to reduce lease and other costs.
2. Approve the proposed resolution as amended.

¹ 564 6th St consists of 18,400 square feet. The lease for 564 6th St is between the property owner and Leaders in Community Alternatives.



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



John Updike
Director of Real Estate

March 12, 2014

**Sheriff
Renewal of Lease of Real Property
70 Oak Grove
Assignment #6751**

Through Naomi Kelly,
City Administrator

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2014 MAR 17 AM 11:02
AK

Dear Board Members:

Attached for your consideration is a Resolution authorizing the five (5) year extension of an existing lease at 70 Oak Grove, for the continued use by the Sheriff's Department for the 5 Keys Charter School and the Community Programs Division of the San Francisco Sheriff's Department (SFSD- CPD).

According to the Sheriff, the Five Keys Charter School offers a range of educational services for those both in and out of custody and SFSD-CPD combines sworn officers and civilians working together to help individuals to change their lives by providing re-entry programs and alternatives to incarceration. SFSD-CPD programs which operate at 70 Oak Grove include NoVA (the No Violence Alliance), the SWAP (Sheriff's Work Alternative Program), Electronic Monitoring and Post Release Education Programs (PREP). Attachment One provides information on each of the programs.

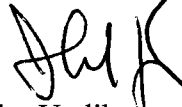
The Sheriff's Department has leased the building at 70 Oak Grove (approximately 10,000 sq. ft.) for the past 10 years pursuant to Board Resolution 109-04. The existing lease expires on May 30, 2014 and includes a five (5) year option to extend the term at 95% of the Fair Market Rent. The Lease extension is subject to authorizing legislation by the Board of Supervisors and the Mayor. The proposed Resolution authorizes the extension of the lease through May 30, 2019.

Pursuant to the terms of the Lease, Landlord and City have negotiated in good faith a determination of the 95% of Fair Market Rent, considering all factors including the parking areas, to be \$446,500 annually or approximately \$44.65 per square foot, annually.

The proposed Base Rent for the renewal remains fixed for the entire 5 year term. The City shall continue to pay for its own janitorial (provided by SWAP) and utilities at a current cost of approximately \$1,950.80 per month (approximately \$2.34 per sq. ft. annually).

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

Respectfully,

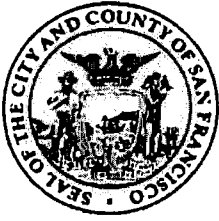


John Updike
Director of Real Estate

cc Ross Mirkarimi, Sheriff
Bree Mawhorter, SFSD

Attachment One

Sherriff's Letter



**OFFICE OF THE SHERIFF
CITY AND COUNTY OF SAN FRANCISCO**

1 DR. CARLTON B. GOODLETT PLACE
ROOM 456, CITY HALL
SAN FRANCISCO, CALIFORNIA 94102



**Ross Mirkarimi
SHERIFF**

March 4, 2014
Reference: 2014-037

John Updike,
Director of Real Estate
25 Van Ness, Suite 400
San Francisco, CA 94102

Dear Mr. Updike:

Seventy (70) Oak Grove is used by the San Francisco Sheriff's Department (SFSD) to house the 5 Keys Charter High School and the Community Programs Division.

5 Keys Charter School

Founded in 2003, by then Sheriff Michael Hennessey, the San Francisco Sheriff's Department Five Keys Charter School holds three charters through the San Francisco Unified School District (SFUSD). This allows the school to operate inside the county jails as well as at thirteen sites throughout the community (in partnership with community-based organizations and adult probation) for transitional aged youth and adults without a General Education Diploma (GED) or high school diploma.

The Five Keys Charter School offers a range of educational services both in and out of custody. These services include high school completion courses; GED preparation and testing; adult basic education; English as a second language; basic literacy classes and vocational training. They also provide assessment and educational services in partnership with the Mayor's Interrupt Predict and Organize Program and is contracted with the Mayor's Office of Economic and Workforce Development to provide educational assessment and/or advisement to San Francisco Access Points. The school provides direct services to one-third of the inmates in the county jail system and serves fifteen hundred community students each year. Annually, the Five Keys Charter School awards one hundred diplomas, GEDs, and Certificates of Completion.

PHONE: 415-554-7225 FAX: 415-554-7050

WEBSITE: WWW.SFSHERIFF.COM

EMAIL: SHERIFF@SFGOV.ORG

Approximately forty-eight (48) students receive regular instruction at the 70 Oak Grove location, with additional students reporting via independent study. The administrative offices of the school are also housed at this location.

Community Programs Division

The mission of the Community Programs Division is:

1. To serve as a gateway to recently incarcerated individuals, connecting them with services that can help them rebuild their lives
2. To reduce recidivism
3. To make San Francisco a safer city by rehabilitating chronic drug users and felony offenders

Community Programs that are based at 70 Oak Grove include NoVA (the No Violence Alliance), the SWAP (Sheriff's Work Alternative Program), Electronic Monitoring and PREP (Post Release Education Programs).

NoVA (The No Violence Alliance)

The No Violence Alliance Project (NoVA) seeks to prevent violent crime on an individual basis by identifying persons with a history of violence and providing post-release intensive case management, housing assistance, and support for the successful community re-entry.

A voluntary program, it provides a variety of rehabilitation services through individual case managers. During 2013, NoVA's active caseload averaged 133 clients per month. The clients report to 70 Oak Grove on an intermittent basis for orientation, evaluation, and completion.

Sheriff's Work Alternative Program (SWAP)

The Sheriff's Work Alternative Work Program (SWAP) provides offenders with the ability to perform meaningful community service as a consequence of their crime. SWAP workers participate in a variety of public works, such as greening the city and graffiti abatement, and have the opportunity to participate in education-enrichment programs such as the Five Keys Charter School.

Approximately 61 individuals per month fulfill their commitment to the community via SWAP. All SWAP participants report directly to 70 Oak Grove for their assignments. SWAP placements occur seven days a week.

Electronic Monitoring

The San Francisco Sheriff's Department Electronic Monitoring program is an alternative to traditional custodial confinement for sentenced and pre-sentenced prisoners who meet the eligibility requirements. By participating in electronic monitoring, the returning citizen maintains the ability to work and communicate with family and the community, while at the same time remaining under the supervision of the sheriff's department.

To be considered for electronic monitoring, current charges must meet eligibility criteria excluding certain violent and sexual charges. Priority is given to candidates who have demonstrated active participation in sheriff's programs while in custody.

Approximately 67 clients a month participate in electronic monitoring. Specifically, approximately 40 persons are evaluated at 70 Oak Grove each month. Approximately 28 clients are oriented and equipment placed at 70 Oak Grove, and 24 clients come in for completion and removal of equipment each month. There is a failure rate of approximately three clients per month, and those clients were brought to 70 Oak Grove in preparation for re-incarceration.

Electronic Monitoring participants are strongly encouraged to participate in the post-release programs conducted at 70 Oak Grove Street and the Women's Resource Center. In some cases, additional services such as residential treatment and mental health referrals are incorporated into the mandatory conditions of the program.

For electronic monitoring participants, the release date remains the same as if time were being served in custody, incorporating all available credits.

Post Release Education Programs (PREP)

Post Release Education Programs (PREP) are re-entry services with intensive case management, education, employment training and counseling. Interventions include ManAlive violence intervention classes, cognitive behavioral change groups, substance abuse classes, life skills and parenting classes.

SFSD Rehabilitation Service Coordinators provide direction and support to community based collaborators who provide the following services. According to the Sheriff, the average daily population of persons served at 70 Oak Grove is 129.

Respectfully,


ROSS MIRKARIMI
Sheriff

PHONE: 415-554-7225 FAX: 415-554-7050

WEBSITE: WWW.SFSHERIFF.COM

EMAIL: SHERIFF@SFGOV.ORG

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "**First Amendment**"), dated for reference purposes only as of February 5, 2014, is by and among Ruth Mellinger, an unmarried woman ("**Landlord**"), and the City and County of San Francisco, a municipal corporation ("**City**").

RECITALS

A. Landlord and City are parties to that certain Lease dated as of March 25, 2004 (the "**Original Lease**").

B. City timely exercised its first option to extend the term of the Original Lease through May 30, 2019, and Landlord and City wish to amend the Original Lease to set forth their agreement with respect to such extension term, as more fully described in this First Amendment.

AGREEMENT

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

1. Definitions. (a) The Original Lease, as amended by this First Amendment, shall be referred to herein as the "**Lease**". (b) All initially-capitalized, undefined terms used herein shall have the same meanings given to them in the Original Lease. (c) All references to the "Extension Period" in the Original Lease shall be replaced with the "Extended Term" as of the Effective Date.
2. First Extended Term. The first Extended Term shall commence on May 31, 2014 and shall terminate on May 30, 2019. The Term shall include the first Extended Term, and is subject to additional extension if City exercises its second Extension Option pursuant to Section 3.4 of the Original Lease.
3. Base Rent. The annual Base Rent during the period between May 31, 2014 and the last day of the month in which the Completion Date (as defined in Section 5(i)) occurs shall be \$360,000 (\$30,000 per month and approximately \$36.00 per square foot annually). Commencing on the first day of the month immediately following the Completion Date, the annual Base Rent shall be \$446,500 (\$37,208.33 per month and approximately \$44.65 per square foot annually).
4. Painting Work. Within the ninety (90) day period immediately following the Effective Date, in lieu of the work described in Section 6.5 of the Original Lease with respect to City's exercise of its first Extension Option, Landlord shall, at its sole cost, repaint all walls within the Building entrance atrium in a color approved in advance and in writing by City. Such repainting work shall include minor patching as required and other paint preparation, and shall be performed after normal business hours or on weekends pursuant to a schedule approved in advance by City.
5. Improvements. Within the one (1) year period immediately following the Effective Date (the "**Construction Period**"), subject to any extension pursuant to Section 5(k), and pursuant to the requirements of this Section, Landlord shall, at its sole cost and through a general contractor approved by City ("**Contractor**"), design and remodel two upper floor restrooms in the Premises

so they comply with Disabilities Laws, and design and install an elevator (collectively, the "**Access Work**"), all in the Building locations depicted on the schematic design plans attached as Exhibit A to this First Amendment (the "**Schematic Plans**"). All improvements, including fixtures, installed at the Premises in connection with the Access Work shall be the "**Barrier Removal Improvements**".

(a) Permit Documents. Based on the Schematic Plans, Landlord shall cause its architect (the "**Architect**") and its qualified and licensed engineer (the "**Engineer**"), each of whom shall be approved in advance by City's Real Estate Division ("**RED**"), to prepare and submit permit plans and specifications (the "**Permit Documents**") to RED for its approval. The Permit Documents shall expand in greater detail the representations of the Schematic Plans and fix and describe the size and character of the Barrier Removal Improvements, including, without limitation, architectural, structural, mechanical, electrical, materials and such other elements as may be appropriate.

(b) Mayor's Office of Disability Review. Once RED approves of the submitted Permit Documents, Landlord shall cause the Architect to submit the approved Permit Documents for review and approval by the San Francisco Mayor's Office of Disability ("**MOD**") for compliance with Disabilities Laws. Landlord acknowledges such MOD review and approval is required before Landlord can submit the Permit Documents to the San Francisco Department of Building Inspection ("**DBI**") for the Access Work construction permits. If MOD requires revisions to the Permit Documents or modifications or additional improvements to the Premises (collectively, the "**MOD Identified Work**"), Landlord shall cause Architect to revise the Permit Documents and/or design and prepare all additional plans and specifications as needed for the MOD Identified Work.

Once approved by MOD, the Permit Documents, as modified pursuant to MOD's requirements, and any approved plans and specifications for MOD Identified Work shall be collectively referred to as the "**Construction Plans**." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to deliver a copy of the Construction Plans to RED and identify the MOD Identified Work, if any, specified therein.

(c) Permits. Promptly following MOD's approval of the Construction Plans, Landlord shall obtain all governmental permits and approvals required to commence and complete the construction of the Barrier Removal Improvements and any other work shown on the Construction Plans (collectively, the "**Improvements**"). The construction of the Improvements shall be referred to as the "**Work**". Landlord shall keep City apprised of the status of all permit and approval applications and the issuance thereof, use its best efforts to obtain all such approvals and permits in a timely manner to allow for the substantial completion of the Work during the Construction Period, and have the responsibility of arranging for all inspections for the Work required by DBI.

(d) MOD Additional Work. Any MOD Identified Work that is part of the Access Work shall be the "**MOD Basic Work**" and any MOD Identified Work that is not part of the Access Work shall be the "**MOD Additional Work**". Landlord shall be responsible for all costs associated with the Access Work and any MOD Basic Work. If there is any MOD Additional Work, Landlord shall perform such work at City's sole cost. By way of example, if any MOD Identified Work includes modifications on the ground floor restrooms of the Premises, this would be MOD Additional Work to be performed by Landlord at City's sole cost. If any MOD Identified Work includes modifications to the elevator shaft being installed as part of the Access Work, this would be MOD Basic Work that is performed by Landlord at its sole cost.

If there is any MOD Additional Work, prior to commencing the construction of the Improvements, Landlord shall deliver a detailed construction budget for the MOD Additional Work (including the related fees of Contractor, Architect, and Engineer, any related fees paid by Landlord in preparing and submitting any plans and specifications for the MOD Additional

Work, and the estimated costs to obtain any regulatory permits required for the MOD Additional Work) to City for its approval, which budget shall restrict all costs to line items in cost categories. Any submitted construction budget for the MOD Additional Work approved by City in writing shall be the "**Budget**". If the MOD Additional Work cannot be completed in strict conformity with the 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. If further changes are required, Landlord shall seek City's approval, following the same procedures. City shall have the right to approve or disapprove any submitted construction budget or proposed revisions in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed. The most recently approved Budget shall supersede all previously approved Budgets. The total costs incurred by Landlord in performing the Work, to the extent approved by City pursuant to the final approved Budget, shall be the "**City Construction Costs**".

Landlord shall provide City with copies of all invoices received by Landlord from the Contractor, Architect, and Engineer in connection with the construction of any MOD Additional Work and satisfactory evidence of payment of such invoices, if requested. City shall pay to Landlord the City Construction Costs within the later to occur of (i) thirty (30) days of the Completion Date or (ii) City's receipt of the items described in the foregoing sentence.

(e) Construction Status Reports. Following Landlord's receipt of all governmental permits and approvals needed to construct the Improvements in compliance with all applicable Laws and the approved Construction Plans, Landlord shall (i) cause the Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Plans and the requirements of this Section, (ii) diligently pursue construction to completion in an effort to substantially complete the Work within the Construction Period, and (iii) keep City apprised of the progress of construction and shall furnish City with biweekly reports on the construction. City shall not have any obligation with respect to any such work other than as provided in this Section.

(f) General Conditions. The performance of all Work and any Additional Upgrades (as defined in Section 5(g)) by Landlord shall be subject to the following terms and conditions:

i. All of the Work and any Additional Upgrades shall be performed in compliance with all applicable Laws (including all Disabilities Laws). Landlord shall promptly notify City in writing of any written communication that Landlord may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Premises, Building, Improvements, or Additional Upgrades fail in any respect to comply with applicable Laws.

ii. Landlord and its Contractor shall be responsible for all required insurance.

iii. Landlord shall cooperate at all times with City in bringing about the timely completion of the Improvements and any Additional Upgrades, and shall resolve any and all disputes arising out of the such work in a manner which will reasonably allow the continuation of City's normal business within the Premises and allow work to proceed expeditiously.

iv. At City's request, Landlord shall require at least three (3) competitive bids from subcontractors in each trade in connection with all Additional MOD Work performed by Landlord or its Contractor hereunder.

v. In the performance of the Landlord's obligations under this Section, Landlord shall follow the non-discrimination requirements as further provided in Section 23.25 of the Original Lease (as amended by this First Amendment), shall pay prevailing wages as further provided in Section 8 below, shall not use tropical hardwood wood products or virgin redwood wood products, as further provided in Section 10 below, shall comply with any applicable green building requirements, as further provided in Section 12 below, shall not use

any preservative-treated wood products containing arsenic, as further provided in Section 13 below.

(g) Building Upgrades. If City, acting in its regulatory capacity, notifies Landlord that installing the Improvements would trigger other San Francisco Municipal Code upgrades to the Premises that were not contemplated in the Schematic Plans or in the MOD Identified Work ("**Additional Upgrades**"), the Additional Upgrades shall be performed by Landlord at its sole cost unless, if applicable, Landlord timely exercises its termination right pursuant to Section 6. By way of example, if DBI determines that the construction of the Improvements would require a full seismic upgrade of the Premises, such full seismic upgrade would be Additional Upgrades.

Unless Landlord timely exercises the Landlord Termination Right, if applicable, Landlord shall, at its sole cost, cause its Architect and Engineer to prepare all plans and specifications needed for the Additional Upgrades and acceptable to RED (the "**Additional Plans**"), to obtain all governmental permits and approvals needed to construct the Additional Upgrades in compliance with all applicable Laws and the Additional Plans, and to perform the Additional Upgrades in compliance with the Additional Plans and all applicable Laws. Following Landlord's receipt of all governmental permits and approvals needed to perform the Additional Upgrades in compliance with all applicable Laws and the approved Additional Plans, Landlord shall (i) cause the Additional Upgrades to be performed in a good and professional manner in accordance with sound building practice and in conformity with the Additional Plans and the requirements of this Section, (ii) diligently pursue construction to completion, and (iii) keep City apprised of the progress of construction and provide City with biweekly construction reports. City shall not have any obligation with respect to any such work other than as provided in this Section.

Promptly following the substantial completion of the Additional Upgrades in compliance with the Additional Plans (the "**Upgrade Date**") or any earlier termination of the Lease by City pursuant to Section 7, Landlord shall provide City with a summary of Landlord's cost of performing the Additional Upgrades ("**Upgrade Costs**"), a copy of all invoices received by Landlord from the Contractor, Architect, and Engineer in connection with the performance of the Additional Upgrades, and if requested by City, satisfactory evidence of payment of the Additional Upgrades. The Upgrade Costs may include all "soft" and "hard" costs typical and reasonable for the construction of commercial improvements similar to the Additional Upgrades.

(h) Removal or Disturbance of Paint. Landlord, on behalf of itself and its agents, employees, officers and contractors, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration performed by Landlord that disturbs or removes exterior or interior lead based or "presumed" lead-based paint (as defined below). Landlord, its agents, employees, officers and contractors shall give to City three (3) business days prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to DBI regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under the Lease and similarly that notice under the Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its agents, employees, officers and contractors, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (i) acetylene or propane burning and torching; (ii) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (iii) hydroblasting or high-pressure wash without containment barriers; (iv) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (v) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or

eliminate lead hazards. Under this subsection, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this subsection, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

(i) Substantial Completion of Improvements. The Improvements shall be deemed to be "**Substantially Completed**" for purposes of this First Amendment when the Improvements are sufficiently completed in accordance with the Construction Plans and any Additional Upgrade Plans, together with any change orders approved by Landlord and City, so that City can use the Improvements for their intended uses and City, through the Director of Property, has approved the constructed Improvements. The date the Work is Substantially Completed shall be the "**Completion Date**".

City may, at its option, approve the constructed Improvements even though there may remain minor details that would not interfere with City's use. In such event, Landlord shall diligently pursue to completion all such remaining details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the constructed Improvements, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Plans, together with any change orders approved by Landlord and City. 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 construct the Improvements in accordance with the Construction Plans, together with any change orders approved by Landlord and City, nor constitute any waiver of any latent defects.

(j) Approvals. Landlord understands and agrees that City is entering into this First Amendment in its proprietary capacity and not as a regulatory agency with certain police powers. No approval by City or any of its Agents of the constructed Improvements or Additional Upgrades for purposes of this First Amendment shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises or the construction of the Improvements or Additional Upgrades, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

(k) Force Majeure. Any material prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond Landlord's reasonable control that prevent the timely construction of the Improvements (collectively, the "**Force Majeure**") shall extend the Construction Period for a period equal to any such prevention, delay or stoppage.

(l) Documentation of Improvement Costs: Promptly following the Completion Date, or any earlier termination of the Lease by City pursuant to Section 7, Landlord shall provide City with a summary of Landlord's cost of constructing the Improvements ("**Construction Costs**"), a copy of all invoices received by Landlord from the Contractor, Architect, and Engineer in connection with the construction of the Improvements, and if requested by City, satisfactory evidence of payment of the Construction Cost. The Construction Cost may include all "soft" and "hard" costs typical and reasonable for the construction of commercial improvements similar to the Improvements.

6. Landlord Termination Right. If City, acting in its regulatory capacity, notifies Landlord that installing the Improvements would trigger any Additional Upgrades and Landlord's

reasonable estimate of the cost to perform the Additional Upgrades exceeds \$50,000, Landlord shall have the right to terminate the Lease by delivering written notice of such termination to City within forty-five (45) days of receiving notice of such required Additional Upgrades.

If Landlord timely delivers such termination notice to City, then (a) the Term shall terminate as of the later date to occur of (i) May 30, 2014, or (ii) one hundred eighty (180) days following Landlord's delivery of such termination notice to City, (b) City shall be deemed to be holding over with Landlord's consent pursuant to Section 23.13 of the Original Lease following such termination of the Term on a month-to-month basis, (c) the annual Base Rent shall continue to be \$360,000 (\$30,000 per month and approximately \$36.00 per square foot annually), and (d) Section 5 of this First Amendment shall be automatically rescinded and Landlord shall have no obligation to perform the Work or the Additional Upgrades pursuant to this First Amendment.

7. City Termination Right.

(a) Termination Notice. City shall have the right to terminate the Lease at any time by providing no less than two hundred ten (210) days prior written notice of the early termination date (the "**City Termination Notice**"). If City delivers the City Termination Notice to Landlord during the period prior to the five (5) year anniversary of the Completion Date, if any, City shall pay Landlord the Termination Fee (defined in Section 7(b)) on or before the termination date specified in the City Termination Notice.

(b) Termination Fee.

(i) The "**Termination Fee**" shall be an amount equal to the unamortized amount of the Construction Costs incurred by Landlord on the date the City Termination Notice is delivered to Landlord (the "**Termination Notice Date**"), based on a straight amortization of such Construction Costs over a five (5) year period without interest.

(ii) If City delivers the City Termination Notice prior to the commencement of construction of the Improvements, Landlord shall promptly terminate the Work. In such event, the Termination Fee may include Landlord's costs, as of the Termination Notice Date, to prepare the Schematic Plans, the Permit Documents, and the Construction Plans, to obtain the permits or approvals required for the Work, and to obtain any materials ordered for the Work at such time (to the extent such materials cannot be returned or such orders cannot be cancelled).

(iii) If City delivers the City Termination Notice after commencement of construction of the Improvements, Landlord shall use good faith efforts to promptly terminate the Work. In such event, the Termination Fee may include the costs described in the foregoing subsection (ii) and Landlord's commercially reasonable costs to repair and restore the Premises to a leasable condition to the extent such condition is negatively affected by the incomplete Work. By way of example, if the City Termination Notice is delivered to Landlord after additional power facilities are installed, and a portion of the Property is excavated, for the elevator, but before the elevator is actually installed, City shall be responsible for all of the Incurred Costs for installing such power facilities and excavation work and Landlord's commercially reasonable costs to restore the excavated area to its original state, but not for the cost of removing such power facilities or for the elevator parts if the elevator parts have not been yet ordered or if ordered but such order can be cancelled or elevator parts returned.

(iv) If City delivers the City Termination Notice to Landlord during the period between the commencement of any Additional Upgrades and the five (5) year anniversary of the Upgrade Date, if any, the "Termination Fee" shall include the City Upgrade Share (defined as follows) on or before the termination date specified in the City Termination Notice. The "**City Upgrade Share**" shall be an amount equal to the unamortized amount of the lesser of the (i) Upgrade Costs incurred by Landlord as of the Termination Notice Date and (ii) \$50,000, based on a straight amortization over a five (5) year period without interest.

(c) Controller's Certification. City acknowledges that it may not exercise its early termination right pursuant to this Section unless, prior to such exercise and pursuant to Section 3.105 of the Charter of the City and County of San Francisco, it receives City Controller certification that there is a valid appropriation from which the Termination Fee may be made and that unencumbered funds are available from the appropriation to pay the Termination Fee. Landlord acknowledges that City's early termination right pursuant to this Section is in addition to, and does not modify, City's termination right under Section 23.23 of the Original Lease.

8. Prevailing Wages. As of the Effective Date, Section 23.24 of the Original Lease shall be deleted in its entirety. Landlord agrees that any person performing labor in the construction of the Improvements or other improvements to the Premises, which Landlord provides under the Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Landlord shall include, in any contract for construction of the Improvements or other improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of the Improvements or other improvements to the Premises performed by Landlord or its contractors.

9. Covenant Not to Discriminate. As of the Effective Date, Section 23.25(a) of the Original Lease shall be deleted in its entirety and replaced with the following language: "In the performance of the 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."

10. Tropical Hardwood and Virgin Redwood Ban. As of the Effective Date, Section 23.26 of the Original Lease shall be deleted in its entirety. 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 Improvements or otherwise in the performance of the Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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. 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."

11. Bicycle Storage. As of the Effective Date, Section 23.27 of the Original Lease shall be deleted in its entirety. Article 1.5, Section 155.3 of the San Francisco Planning Code requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. City shall have the right to install such bicycle parking in the Premises; provided, however, that if any such parking will be an Alteration, City shall obtain Landlord's prior written consent to such installation.

12. Green Building Requirements. As of the Effective Date, Section 23.28 of the Original Lease shall be deleted in its entirety. Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 7013 relating to green building requirements for the design, construction, and operation of City owned and leased buildings. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

13. Preservative-Treated Wood Containing Arsenic. Landlord may not purchase preservative-treated wood products containing arsenic in the performance of the 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.

14. Accessibility Inspection. California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. City is hereby advised that the Premises have not been inspected by a CASp.

15. Conflicts of Interest. Through its execution of this First Amendment, Landlord acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Landlord becomes aware of any such fact during the Term, Landlord shall immediately notify City.

16. Notification of Limitations on Contributions. Through its execution of this First Amendment, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits 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 chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) 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.

17. No Broker. Neither party has had any contact or dealings regarding this First Amendment, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with this First Amendment. If any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes its claim shall be responsible for such commission or fee and shall indemnify the other party from any and all claims or losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination or nullification of this First Amendment.

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

19. Miscellaneous. (a) Except as expressly modified by this First Amendment, the terms, covenants and conditions of the Original Lease shall remain unmodified and in full force and effect. (b) The Lease constitutes the entire agreement of the parties concerning the subject matter hereof, and supersedes and conceals any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein. (c) The execution of this First Amendment shall not constitute a waiver of relinquishment of any rights which City or Landlord may have relating to the Original Lease. (d) City and Landlord hereby ratify and confirm all of the provisions of the Original Lease. Except as amended by this First Amendment, the Original Lease shall continue in full force and effect and in accordance with all of its terms. (e) If there is any conflict between this First Amendment and the Original Lease, this First Amendment shall control. If any one or more of the provisions in this First Amendment is invalid, illegal or unenforceable in any respect, the remaining provisions contained herein shall not be affected in any way thereby. (f) This First Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. (g) This First Amendment shall be governed by, construed and enforced in accordance with the laws of the State of California and the City's Charter. (h) Time is of the essence with respect to all provisions of this First Amendment in which a definite time for performance is specified, including, without limitation, the substantial completion of the Work within the Construction Period. (i) This First Amendment shall be effective as of the Effective Date. (j) Each party represents and certifies that the individual signing on behalf of such party is duly authorized to do so.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

LANDLORD:

Ruth Mellinger

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
John Updike, Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Carol Wong
Deputy City Attorney

EXHIBIT A

Schematic Plans

LEASE

between

Ruth Mellinger
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of

70 OAK GROVE
San Francisco, California

March 25, 2004

LEASE
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LIST OF EXHIBITS:

EXHIBIT A -- Floor Plan(s) of Premises

EXHIBIT B -- Notice of Commencement Date

LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of March 25, 2004 is by and between Ruth Mellinger, an unmarried woman, her successors or assigns ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	March 25, 2004
Landlord:	Ruth Mellinger, an unmarried woman
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Premises (Section 2.1):	The entire property including the roof of the Property commonly known as 70 Oak Grove Street and the front and rear parking lots.
Rentable Area of Premises (Section 2.1):	Approximately 10,000 rentable square feet
Term (Section 3):	Estimated commencement date: June 1, 2004 Expiration date: May 30, 2014 (Approximately 10 years)
Extension Options (Section 3.4):	Two (2) additional terms of 5 years each, exercisable by City by notice to Landlord given not more than 270 days nor less than 180 days in advance, with rent adjusted to 95% of the then prevailing rent for similar premises. Landlord shall repaint and recarpet the Premises at the beginning of each option period.
Base Rent (Section 4.1):	Annual Base Rent: \$169,500 (Approximately \$16.95 per sq. ft.)

Monthly payments: \$14,125.00
(Approximately \$1.41 per sq. ft.)

City shall pay to Landlord as Additional Base Rent \$132,437 upon the Commencement Date.

Adjustment Date (Section 4.2)

On June 1, 2009, there shall be a one time adjustment to Base Rent based on the proportional increase in the CPI. However, such adjustment shall in no event increase the monthly Base Rent by more than 30% (\$18,362.50) nor less than 10% (\$15,537.50).

Use (Section 5.1):

Court ordered Alternative Programs including Computer Training, Public Programs, and administrative offices for the Sheriff's Department and its educational subcontractor.

Leasehold Improvements (Section 6)

Turnkey improvements pursuant to Martinkovic Design plans dated March 25, 2004 and March 25 Specifications R2.

Utilities (Section 9.1):

All utilities shall be Landlord provided and City paid

Services (Section 9.2):

City shall provide refuse removal and janitorial services.

Landlord shall provide annual spring window cleaning and routine pest control services.

Notice Address of Landlord (Section 23.1):

Ruth Mellinger
88 Entrada Court
San Francisco, CA 94127

with a copy to

Randy Mellinger
40 Bonnie Brae Drive
Novato, CA 94949

Key Contact for Landlord: Randy Mellinger

Landlord Contact Telephone No.: (415) 883-8499

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

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

On Site Contact for Tenant: Franz Fuetche

Tenant Contact Telephone No.: 850-6974

Alternate Contact for Tenant: Jean Mariani

Alternate Contact Telephone No.: 554-4316

Brokers (Section 23.8): Triton Commercial & Cushman & Wakefield
of California

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

2. PREMISES

2.1. Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the exclusive right to use those premises, including the roof areas, identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area specified in the Basic Lease Information. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

3. TERM

3.1. Term of Lease

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

3.2. Commencement Date and Expiration Date

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

3.3. Delay in Delivery of Possession

Landlord shall use its reasonable efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property pursuant to Section 6.1 (Landlord's Obligation to Construct Improvement) on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease, unless the delay in completion of the Leasehold Improvements is caused solely by City Change Order(s) pursuant to Section 6.4, in which event City shall be obligated to pay Base Rent based on the delay dates agreed upon in such Change Orders. If the Term commences later or earlier than the Estimated Commencement

Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred eighty (180) days after the Estimated Commencement Date, then, provided that Landlord's inability to deliver possession to City within said period is not caused solely by City's Change Orders pursuant to Section 6.4, City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord. 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(s)") for the additional term(s) specified in the Basic Lease Information (the "Extended Term(s)"). Each Extension Option shall be on all of the terms and conditions contained in this Lease except that the Base Rent shall be adjusted pursuant to Section 4.3 (Base Rent During Extension Periods) and within 30 days of the commencement of the first Extension Period, Landlord shall repaint and recarpet the Premises pursuant to Section 6.5 (Landlord's Obligation to Repaint and Recarpet) during First Option Period. City may exercise an Extension Option, if at all, by giving written notice to Landlord no earlier than two hundred seventy (270) days and no later than one hundred eighty (180) days prior to expiration of the term to be extended. However, if (i) City is in material default under this Lease on the date of giving such notice or between the date of giving such notice and the date of expiration of the Initial Term and fails to cure such default as provided in this Lease, or (ii) City has been in material default more than twice in any 12 month period or more than six times during the Lease Term, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Further, if City has fully assigned the Lease to a third party as provided in Section 14.3 (Assignment and Subletting to For Profit Businesses), Landlord may reject such exercise by delivering written notice thereof to City within ten (10) days of Landlord's receipt of such notice. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within sixty (60) days after the date the new Base Rent has been determined pursuant to Section 4.3 (Base Rent During Option Period(s)).

4. RENT

4.1. Base Rent

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

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

In addition to City's payment of monthly Base Rent, City shall make a one-time payment to Landlord of \$132,437 as Additional Base Rent upon the Commencement Date.

4.2. Adjustments in Base Rent

On June 1, 2009 (the "Adjustment Date"), the Base Rent payable under Section 4.1 shall be adjusted as follows:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published for February 2009 (the "Adjustment Index"), shall be compared with the Index published for February 2004 (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 increase in the monthly Base Rent on or after the Adjustment Date be less than ten (10%) nor more than thirty (30%) of the monthly Base Rent in effect for the last full month immediately prior to the Adjustment Date.

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

4.3. Base Rent During Extension Period(s)

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

Fair Market Rent shall be the prevailing market rate for space of comparable size and location to the Premises having recently been leased or then being offered for rent in other buildings similar in age, seismic condition, location and quality to the Property. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account all factors to make such spaces comparable to the Lease Premises, including but not limited to (i) any expense adjustments such as utilities paid, (ii) any additional rental and all other payments and escalations payable, (iii) floor location, access to natural light and size of the premises of such comparable space, (iv) the duration of the renewal term and the term of such

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

Within thirty (30) days of Landlord's receipt of City's notice of its intent to exercise an Extension Option, Landlord shall provide written notice to City of Landlord's determination of its prevailing market rate along with reasonable substantiation for such rate, including, but not limited to at least three (3) recent comparable lease transactions.

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

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

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

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

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

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

5. USE

5.1. Permitted Use

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

5.2. Interference with Access

Landlord shall provide to City at all times use of the Premises and uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all reasonable necessary steps to correct such condition. In the event such condition impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and substantially and materially impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1. Landlord's Obligation to Construct Improvements

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

(a) Plans and Specifications

Before the Reference Date of this Lease, Landlord has caused its architect or space planner approved by City to prepare and submit to City for its approval an architectural plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. City hereby approves the preliminary plans (A132, A131, A Z-1, A Z-2) and specifications (R2) dated March 25, 2004 (the "Pricing Plans"), prepared by Martinkovich Design, Architects.

Immediately following the Effective Date of this Lease (as defined in Section 23.30 hereof), based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings to City. Such final working drawings and specifications shall be subject to City's approval within ten (10) days,

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

(b) HVAC

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

(c) Parking Lot and Fencing

The parking areas of the Property shall be resurfaced and repainted and the fencing shall be repaired, as required, to be secure, straight, sturdy and gates fully operable.

(d) 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.

(e) First Source Hiring

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

(f) Construction

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

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

(h) 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 (the "Construction Schedule"). Landlord shall provide City with written monthly estimates of the status of permit approval, Events of Force Majeure (if any) and the progress of construction, at Landlord's cost, if any. From time to time during the design and construction of the Leasehold Improvements, City shall have the right on a weekly basis to meet with the architect and contractor and to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the Construction Documents. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed and the Premises are ready for occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City and its Director of Property or his/her authorized representatives shall accompany Landlord or its architect on an inspection of the Premises.

The Leasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed in accordance with the approved Construction Documents so that (i) City can occupy the Premises and conduct its business for its intended uses, (ii) Landlord has delivered a final, HVAC balance report showing that the HVAC system meets designed specifications, as provided in Section 6.1 (b), HVAC (iii) Landlord has procured a temporary or final certificate

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

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

6.2. Installation of Telecommunications and Other Equipment

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

6.3. City Change Orders.

If following its approval of the Construction Documents, City requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("City Change Order"), within three (3) days of City's request, Landlord shall notify City of the approximate but not to exceed cost that would be incurred by reason of such proposed City Change Order, the delay if any, and any cost, if any, due to the delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the cost of the City Change Order within five (5) days of receipt from Landlord, then Landlord shall cause the Architect or Engineer, as applicable, to prepare plans and

specifications with respect to such change, addition or alteration and Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. City shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of cost estimates and plans and specifications relating to any City Change Order and in the construction of any change order, as evidenced by invoices or other substantiation reasonably required by City. Only the City's Director of Property is authorized to request or approve any change order and all City Change Orders shall be in writing signed by the Director of Property or his/her designee. City agrees to pay Landlord the cost of such City Change Order together with the first month's payment of Rent or before.

6.4. Landlord Change Orders.

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

6.5. Landlord's Obligation to Repaint and Recarpet during each Option Period(s)

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

7. ALTERATIONS

7.1. Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. As part of Landlord's written consent Landlord may designate certain Alterations to be removed by City at Lease expiration or any earlier termination. Landlord may only designate for removal those Alterations which are specialty to City's use of the Premises. For example, it is the intention of the parties that Landlord as part of its consent would have the right to designate a holding cell to be removed but not a conference room. 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 constitute Alterations requiring Landlord's consent or 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. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

7.2. Title to Improvements

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

7.3. City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within ten (10) days after the City's surrender of the Premises (but if it does not remove City's Personal

Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of a supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within ten (10) days after the City's surrender of the Premises.

7.4. Alteration by Landlord

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

8. REPAIRS AND MAINTENANCE

8.1. Landlord's Repairs

(a) **Building.** Landlord shall repair and maintain, at its cost and in substantially the same condition as on the date of Tenant's acceptance of possession of the Premises, except for reasonable wear and tear, (a) the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls, exterior doors, window frames and subflooring, (b) all interior systems and services including but not limited to the all heating, ventilating, air conditioning, all concealed plumbing lines, main electrical service, all fire protection & life safety, and other mechanical, and electrical systems of the Building (collectively, the "Building Systems"), and (c) the main utility lines to and from the Building including but not limited to water, sewer, gas, and electric.

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

8.2. City's Repairs

(a) **Interior.** Subject to Landlord's warranty under Section 10.1 (Premises Compliance), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, except for the Heating Ventilating & Air Conditioning and the Fire & Life Safety systems, City shall maintain at its cost the interior portions of the Premises including the fencing and parking areas in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. By way of example, it is the intent of the parties, that the Landlord shall be responsible for a broken or collapsed sewage line but the City shall be responsible for unstopping toilets or any foreign obstruction to the sewage line. Further, it is the intent of the parties, that the Landlord shall be responsible for dry rotted or corroded window frames but the City shall be responsible for routine broken window glass and that the Landlord

shall be responsible for the main electrical service panels and City shall be responsible for routine light fixture ballast replacements.

City shall make any such required repairs and replacements required hereunder (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. Upon City's request and provided that Landlord and City each approve Landlord's actual cost plus fifteen percent (15%) administrative fee to Landlord, Landlord agrees to perform such repairs and maintenance at City's expense.

8.3.Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens.

9. UTILITIES AND SERVICES

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

On a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis, Landlord shall be responsible for the provision of the following utilities and services from the street to the Building: (a) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, and (b) gas and water for lavatory, locker room, kitchen and drinking purposes. City shall be responsible for distribution of such stubbed utilities within the Premises. City shall arrange for direct billing and payment of all such utilities.

9.2. Disruption in Essential Utilities

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, fire protection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business day if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the

option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City or its Agents.

9.3. 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; Indemnity

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's actual knowledge without duty of inquiry or investigation: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, lobbies, and drinking fountains and parking areas) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building and Building Systems serving the Premises as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building and Building Systems serving the Premises as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property,

Building and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section provided that such failure has not been caused by any act or omission of City or its agents or any misrepresentation by Landlord under this Section.

10.2. City's Compliance with Laws; Indemnity

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

11. SUBORDINATION

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

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

12. DAMAGE AND DESTRUCTION

Landlord acknowledges that the Sheriff's Department use of the Premises in an emergency is an important City function. As a material consideration for City entering into this

Lease, Landlord grants City the right to terminate this Lease in the event of property damage which prevents City's reasonable use of more than 33% of the Premises for a period exceeding one hundred fifty (150) days from the date of such damage.

If more than 33% of the Premises are damaged by earthquake, fire or other casualty, Landlord may terminate this Lease by (i) giving City written notice within ten (10) days after the date of such damage and (ii) paying City the unamortized portion using straight line depreciation and the initial term of 10 years of \$132,437 within thirty (30) days after the date of such damage.

If less than 33 % of the Premises, the Building or any Building Systems are damaged by earthquake, fire or other casualty or more than 33% of the Premises are damaged and Landlord desires to repair, Landlord shall repair the same without delay, provided that such repairs can be made under applicable laws within one hundred fifty (150) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs ("Landlord's Damage Repairs") shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the City or its Agents. Landlord's Damage Repairs shall also not include City's Alterations.

Within ten (10) days after the date of such damage, Landlord shall notify City in writing whether or not, in Landlord's reasonable judgment made in good faith, Landlord's Damage Repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then City may, by written notice to the Landlord within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination. In the event City does not elect to terminate this Lease as provided herein, Landlord shall promptly commence and diligently complete Landlord's Damage Repairs within the 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 1265.10, 1265.40, 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

13.3. Total Taking; Automatic Termination

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

13.4. Partial Taking; Election to Terminate

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

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

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

13.5. Rent; Award

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

13.6. Partial Taking; Continuation of Lease

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

13.7. Temporary Taking

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to the Premises for a limited period of time not in excess of 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 Assignment and Subletting to 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 transfer this

Lease or 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. In the event of such a sublet or assignment to a for Profit business, Landlord shall be entitled to fifty percent (50%) of any profits (amounts over the City's base rent and recapture of operating expenses) derived from such assignment or sublet after City has first recaptured any and all costs including but not limited to improvements, related soft costs, attorney fees, commissions, etc. If such assignment and sublet is for more than ninety percent (90%) of the Premises, Landlord may terminate this Lease by giving City written notice within ten (10) days of City notice of its intent to sublet or assign.

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. Also notwithstanding the foregoing, City's right to recover damages due to Landlord's breach/default shall be limited to Landlord's equity in the Property.

16. INDEMNITIES

16.1. City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees, (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents

to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

16.2. Landlord's Indemnity

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

17. INSURANCE

17.1. City's Self-Insurance

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

17.2. Landlord's Insurance

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

17.3. Waiver of Subrogation

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

18. ACCESS BY LANDLORD

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

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, shall execute, acknowledge and deliver to the other party, or such persons or entities designated by such other party, a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), (d) the date to which Rent has been paid, and (e) any other information that may be reasonably required.

20. SURRENDER OF PREMISES

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

Alterations, designate as required to be removed. 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 actual knowledge without duty of inquiry or investigation, 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. The foregoing notwithstanding, Landlord's responsibilities hereunder are limited to those required by applicable regulatory authorities and agencies.

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

22.1 First Right of Refusal to Purchase. In the event Landlord should decide to sell the Property during the Term of the Lease, Landlord shall first offer the Property to the City at the purchase price that the Property will be offered to the real estate market. Said purchase price shall be contained in a written notice ("Sale Notification") from Landlord to City and said purchase price shall be subject to adjustment as provided below. Landlord shall include in the Sale Notification a copy of a current (within 120 days) "Phase I" Environmental Report. The City shall have thirty (30) days from the Sale Notification date by Landlord to submit an offer to purchase at the price contained in the notice or counter offer at a lesser price and otherwise upon the other business terms contain herein.

City's offer to purchase shall be subject to (i) City due diligence investigation and (ii) the approval of the Board of Supervisors and the Mayor both within sixty (60) days of execution of a Purchase and Sale Agreement.

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

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

At closing, City shall pay for the cost of the premium of the extended coverage title insurance policy, one half the escrow fees, and one half of the other typical closing expenses. Landlord shall pay transfer taxes if applicable (and if not applicable City shall receive a credit at close of Escrow in the amount of the Transfer Tax), one half the escrow fees and one half the other typical closing expenses such as notary fees and overnight express charges. Landlord shall deliver the following (among other customary items) through a mutually agreeable escrow company:

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

If City does not agree to purchase the property upon purchase price contained in the Notification and does not make any counter offer within the thirty (30) day period, then this right of first refusal shall terminate, forever, and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City. If, however, City while not accepting the purchase price set forth in the Sale Notification, has made an all-cash-on-closing counter offer (the "City's Counter Offer") within the thirty (30) day period that has not been accepted by Landlord, then Landlord may sell the property, free of any claim of City, to any potential buyer who is willing to pay a gross purchase price (an amount determined without regard to any brokerage commission liability, but reduced by any Landlord credits or give backs to the potential buyer for such items as existing building conditions or improvements herein after to referred to as "Gross Purchase Price") exceeding the amount of City's Counter Offer.

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

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

In addition, City's First Right of Refusal shall not be assignable other than to any entity set up by City to effectuate the City's purchase of the property.

Lastly, City's First Right of Refusal shall be null and void if (i) City is in material default under this Lease on the date of giving such Sale Notification or during the period between such Sale Notification and close of escrow and fails to cure such default as provided in this Lease or (ii) City has been in material default more than twice in any 12 month period or more than six times during the Lease Term

23. GENERAL PROVISIONS

23.1. Notices

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

23.2. No Implied Waiver

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

23.3. Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter 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 the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (i) changing the legal description of the Premises, (ii) increasing the Term, (iii) increasing the Rent, (iv) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (v) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the City's Board of Supervisors.

23.4. Authority

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

23.5. Parties and Their Agents; Approvals

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

23.6. Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be

unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7. Successors and Assigns

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

23.8. Brokers

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

23.9. Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law.

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 written consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of the Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the first thirty (30) day period of such holding over shall be one hundred twenty percent (125%) of the monthly Base Rent in effect during the last month of the Term of this Lease, during the next sixty (60) day period of 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, during the next sixty (60) day period of such holding over shall be two hundred percent (200%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and thereafter shall be two hundred fifty percent (250%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such hold over shall otherwise be on the terms and conditions contained herein.

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

In addition to any signs included as part of the Leasehold Improvements, City may erect or post additional signs on or about the Premises subject to all government approvals and Landlord's prior written approval which shall not be unreasonably withheld or delayed. City agrees to remove such additional 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 Section.

23.19. Bankruptcy

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

to obtain the same, and (ii) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20. Transfer of Landlord's Interest

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

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

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

23.22. MacBride Principles - Northern Ireland

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

23.23. Controller's Certification of Funds

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

23.24. Prevailing Wages for Construction Work

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

23.25. Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

Landlord does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits specified above within the United States, between employees with domestic partners and employees with spouses, and/or between domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state

or local law authorizing such registration, subject to the condition set forth in Section 12.B2(b) of the San Francisco Administrative Code.

(d) HRC Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26. Tropical Hardwood and Virgin Redwood Ban

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

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

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

23.27. Bicycle Storage Facilities

Article 1.5, Section 155.1, of the San Francisco Planning Code ("Code") requires the provision of bicycle storage at City leased buildings at no cost to Landlord and if funds are available. In the event public and/or private donations, grants or other funds become available, at any time during the Term of the Lease including any extension thereof, City may, by giving a 60-day advanced written notice to Landlord, install Code complying bicycle storage at the Premises. Landlord, at no cost to Landlord, shall reasonably cooperate with City regarding the location of such spaces in furtherance of the implementation of such requirements of the Code.

23.28. Resource-Efficient City Buildings and Pilot Projects

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

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

23.29. Counterparts

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

23.30. Effective Date

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

23.31. Notification of Limitations on Contributions

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

Landlord understands that any public official who approved this contract may not accept campaign contributions, gifts, or future employment from Landlord except as provided under the Conduct Code. Landlord agrees to notify any other individuals or entities that may be deemed "public benefit recipients" under the Conduct Code because of this contract. Upon request, Landlord agrees to furnish, before this contract is entered into, such information as any public official approving this contract may require in order to ensure such official's compliance with the Conduct Code. Upon request, the City agrees to provide, before this contract is entered into, Landlord with a list of public officials who, under the Conduct Code, approved this contract. Failure of any public official who approved this contract to abide by the Conduct Code shall not constitute a breach by either the City or Landlord of this contract. Notwithstanding anything to the contrary in this contract, neither party shall have the right to terminate the contract due to any failure by the other party to provide the information described in this Section.

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

(REST OF PAGE LEFT INTENTIONALLY BLANK)

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

LANDLORD:

Ruth Mellinger

By: _____

Its: _____

and

BY: _____

ITS: _____

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

Steve Legwith

Director of Property
Pursuant to Resolution 109-04

RECOMMENDED:

Michael Hennessey
Michael Hennessey
Sheriff

APPROVED AS TO FORM:

Dennis J. Herrera, City Attorney

By Amy L Brown

Amy Brown,
Deputy City Attorney

LEASE

EXHIBIT A

FLOOR PLAN(S)
CONSISTING OF 2 PAGE(S)

EXHIBIT B

[Date]

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

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

Dear Director of Property:

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

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

Very truly yours,

By _____
Title _____

Accepted and Agreed:

By _____
Director of Property

Dated _____

FILE NO. 040015

RESOLUTION NO. 109-04

CD

1 [Lease of Real Property]

2
3 **Resolution authorizing the lease of 10,000 sq. ft. of space at 70 Oak Grove Street for the**
4 **Sheriff's Department's Alternative Programs.**

5
6 BE IT RESOLVED, That in accordance with the recommendation of the Sheriff of the
7 City and County of San Francisco and the Director of Property, the Director of Property is
8 hereby authorized to take all actions, on behalf of the City and County of San Francisco, as
9 tenant, to execute a written lease (copy of which is on file with the Clerk of the Board) and
10 other related documents with Ruth Mellinger, an unmarried woman, her successors or assigns
11 ("Landlord"), for the building commonly known as 70 Oak Grove Street, San Francisco,
12 California, which comprises an area of approximately 10,000 square feet on the terms and
13 conditions herein and on a form approved by the City Attorney; and, be it

14 FURTHER RESOLVED, That the lease shall commence upon substantial completion
15 of tenant improvements (expected to be about June 1, 2004) and terminate May 31, 2014.
16 The monthly rent shall be \$14,125.00. Beginning June 1, 2009, the monthly Base Rent shall
17 be increased by the proportional increase in the Consumer Price Index. However, in no event
18 shall such increased Base Rent be more than \$18,362.50 nor less than \$16,243.75. The City
19 shall pay \$132,435 for the construction of a portion of the specialty tenant improvements. The
20 City shall pay for utilities, janitorial and other typical tenant costs including data,
21 telecommunications and moving expenses; and, be it

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

Supervisors Sandoval, Peskin, McGoldrick
Real Estate Division

BOARD OF SUPERVISORS

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

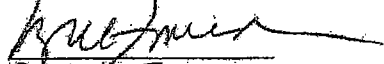
5 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
6 with respect to such lease are hereby approved, confirmed and ratified; and, be it

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

14 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term
15 of the lease unless funds for the Sheriff's Department rental payments are not appropriated in
16 any subsequent fiscal year at which time City may terminate the lease with ninety (90) days
17 advance written notice to Landlord. Said Lease shall be subject to certification as to funds by
18 the Controller, pursuant to Section 3.105 of the Charter.

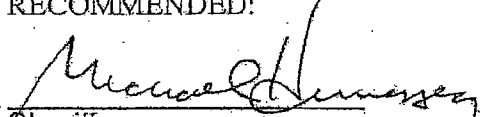
19 \$14,125 Available
20 Appropriation No.
21 2SPPFSHI
PSHSIP


22 \$132,435 Available
23 Appropriation No.
24 2SPPFGNC
SFCOPS0484

25 
Controller

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RECOMMENDED:


Sheriff


Director of Property
Real Estate Division



City and County of San Francisco

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

Tails

Resolution

File Number: 040015

Date Passed:

Resolution authorizing the lease of 10,000 sq. ft. of space at 70 Oak Grove Street for the Sheriff's Department's Alternative Programs.

February 24, 2004 Board of Supervisors — ADOPTED

Ayes: 9 - Alioto-Pier, Ammiano, Daly, Duffy, Gonzalez, Hall, Ma, Peskin,
Sandoval

Absent: 1 - Maxwell

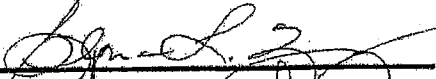
Excused: 1 - McGoldrick

File No. 040015

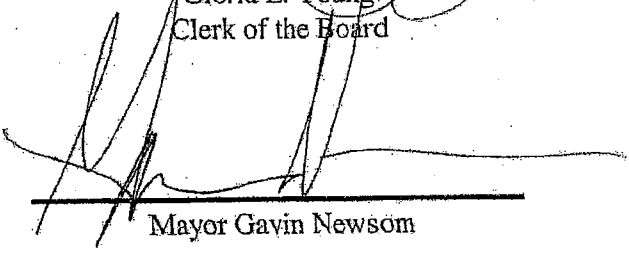
I hereby certify that the foregoing Resolution was ADOPTED on February 24, 2004 by the Board of Supervisors of the City and County of San Francisco.

MAR 04 2004

Date Approved



Gloria L. Young
Clerk of the Board



Mayor Gavin Newsom

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

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): SF Board of Supervisors	City elective office(s) held: City and County of San Francisco; SF Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Ruth Mellinger, an unmarried woman	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
1. None 2. None. 3. None 4. None 5. None.	
Contractor address: 88 Entrada Ct, San Francisco, CA 94127	
Date that contract was approved:	Amount of contract: \$2,300,000 over 5 years
Describe the nature of the contract that was approved: Lease Renewal for the San Francisco Sheriff's Department at 70 Oak Grove	
Comments:	

This contract was approved by (check applicable):

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

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

Print Name of Board

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

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer:	Contact telephone number:
Address:	E-mail:

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

Date Signed

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

Date Signed