

BOARD of SUPERVISORS



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MEMORANDUM

GOVERNMENT AUDIT AND OVERSIGHT COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Dean Preston, Chair
Government Audit and Oversight Committee

FROM: John Carroll, Assistant Clerk

DATE: June 4, 2021

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, June 8, 2021

The following file should be presented as COMMITTEE REPORT at the regular Board meeting on Tuesday, June 8, 2021. This ordinance was acted upon at the regular Government Audit and Oversight Committee meeting on Thursday, June 3, 2021, at 10:00 a.m., by the votes indicated.

Item No. 21 File No. 210391

Resolution approving and authorizing the Director of Property, on behalf of the Department of Public Health, to lease real property located at 1076 Howard Street, for an initial term of eight years and six months, from 1076 Howard Street LLC, at a base rent of \$854,235 per year with 3% annual increases, and the City will contribute up to an additional \$1,888,990 in tenant improvements; authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the Lease and this Resolution, as defined herein; finding the proposed transaction is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and adopting findings under the California Environmental Quality Act.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Dean Preston - Aye
Supervisor Connie Chan - Aye
Supervisor Rafael Mandelman - Aye

Cc: Board of Supervisors
Angela Calvillo, Clerk of the Board
Alisa Somera, Legislative Deputy
Anne Pearson, Deputy City Attorney

File No. 210391

Committee Item No. 2

Board Item No. 21

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: June 3, 2021

Board of Supervisors Meeting:

Date: June 8, 2021

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement/LEASE |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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OTHER

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| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>DPH Presentation – June 3, 2021</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Planning General Plan Referral – April 12, 2021</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Transfer Memo – May 6, 2012</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Committee Report Request Memo – June 3, 2021</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | <u>_____</u> |

Prepared by: John Carroll

Date: May 28, 2021

Prepared by: John Carroll

Date: June 4, 2021

Prepared by: John Carroll

Date: _____

1 [Lease of Real Property - 1076 Howard Street LLC - 1076 Howard Street - \$854,235 Per Year
2 in Base Rent - Up to \$1,888,990 in Tenant Improvements]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Public Health, to lease real property located at 1076 Howard Street, for**
5 **an initial term of eight years and six months, from 1076 Howard Street LLC, at a base**
6 **rent of \$854,235 per year with 3% annual increases, and the City will contribute up to**
7 **an additional \$1,888,990 in tenant improvements; authorizing the Director of Property**
8 **to execute documents, make certain modifications and take certain actions in**
9 **furtherance of the Lease and this Resolution, as defined herein; finding the proposed**
10 **transaction is in conformance with the General Plan, and the eight priority policies of**
11 **Planning Code, Section 101.1; and adopting findings under the California**
12 **Environmental Quality Act.**

13
14 WHEREAS, The Department of Public Health (“DPH”) strives to protect and promote
15 the health of all San Franciscans by providing a wide range of public health services and
16 programs; and

17 WHEREAS, On December 6, 2019, the San Francisco Board of Supervisors passed an
18 Ordinance amending the Administrative Code to establish Mental Health San Francisco (Mental
19 Health SF); this new program will provide access to mental health services, substance use
20 treatment, and psychiatric medications to all adult San Francisco residents with mental illness
21 and/or substance abuse who are homeless, uninsured, or enrolled in Midi-Cal or Healthy San
22 Francisco; and

23 WHEREAS, Mental Health SF directed DPH to develop “at least one Drug Sobering
24 Center” to offer clinical support and beds for clinically appropriate levels of care for individuals
25 who are experiencing psychosis due to drug use; and

1 WHEREAS, The City’s Street Crisis Response Team is part of San Francisco’s
2 efforts to develop alternatives to police responses to non-violent calls, which advances the
3 Mayor’s roadmap to fundamentally change the way that the City handles public safety, and is
4 also a major step in implementing Mental Health SF; and

5 WHEREAS, The 1076 Howard Street building was determined to be an ideal space
6 and location for usage by DPH in furtherance of the City’s Mental Health SF Program
7 implementation and could include space for two key components of the program noted
8 above, a Drug Sobering Center and Street Crisis Response Teams (SCRT), with space for
9 collaboration with DPH’s complementary Whole Person Integrated Care staff (WPIC) that
10 supports the same population; and

11 WHEREAS ,The Real Estate Division (“RED”), in consultation with DPH and the
12 Office of the City Attorney, negotiated a proposed lease (“Lease”) with 1076 Howard Street
13 LLC (“Landlord”) for an initial term of eight years and six months (8.5) years (the “Initial
14 Term”), and a five (5)-year option to extend the term (the “Optional Term”), of approximately
15 16,668 rentable square feet of administrative, program, and office space (“Premises”) at the
16 property located at 1076 Howard Street in San Francisco (the “Property”), a copy of the form
17 of Lease is on file with the Clerk of the Board in File No. 210391; and

18 WHEREAS, The Property was determined to be the best site for this program due to
19 its geographic proximity to the areas in the City most in need of these services, proximity to
20 DPH’s related Behavioral Health/Mental Health Administrative offices and Behavioral Health
21 Access Center located at 1380 Howard Street, and proximity to 555 Stevenson Street, future
22 home of DPH and HSH’s homeless services center; it has sufficient space and is well-
23 configured to DPH’s use, with flexibility to configure in accordance with new space planning
24 standards resulting from the COVID-19 emergency; and

25

1 WHEREAS, The Commencement Date (“Commencement Date”) shall be upon
2 substantial completion of the installation of the Tenant Improvements (“Tenant
3 Improvements”) necessary for the City’s occupancy, which is expected to occur on or around
4 October 1, 2021 (estimated “Rent Commencement Date”); and

5 WHEREAS, The Rent will be abated for during the month of July, for the first six
6 years of the Lease; and

7 WHEREAS, Prior to the actual Commencement Date, Landlord, at Landlord’s sole
8 cost, will perform the installation of a second floor gender neutral restroom and other
9 infrastructure (collectively, the “Base Building Work”); and

10 WHEREAS, The cost of the improvements to the Premises specific to City’s use
11 (“Tenant Improvements”), of which the Landlord will contribute \$55 per square foot
12 (or \$916,740), and the City will contribute up to an additional \$1,888,990; and

13 WHEREAS, Under the Lease, base rent payable by City will be \$71,186.25 per year
14 (\$51.25 per sq. ft.), payable in monthly installments, with 3% annual increases; and

15 WHEREAS, The Director of Property determines the base rent negotiated in the
16 Lease to be at or below fair market rental value; and

17 WHEREAS, As of the Commencement Date, City is obligated to pay for its own
18 utilities, services, routine maintenance and repair within the Premises, insurance, other
19 operating expenses, plus actual property taxes assessed and attributable to the Property; and

20 WHEREAS, Throughout the Term, Landlord at its cost, will, amongst other things
21 replace major building systems; and

22 WHEREAS, The Planning Department, in a letter (“Planning Letter”), made
23 determinations regarding the Lease under the California Environmental Quality Act (“CEQA”)
24 (the “CEQA Determination”), and found the proposed Lease is consistent with the General
25

1 Plan, and the eight priority policies of Planning Code, Section 101.1 (the “General Plan
2 Findings”); and

3 WHEREAS, The Lease contains a right of first refusal for the City to purchase the
4 Property pursuant to the terms and conditions of the Lease, with the City’s acquisition of the
5 Property being subject to a future final approval by the Board of Supervisors and Mayor in
6 their absolute and sole discretion; now, therefore, be it

7 RESOLVED, That in accordance with the recommendation of the Director of DPH
8 and the Director of Property, the Board of Supervisors approves the Lease in substantially the
9 form presented to the Board, and authorizes the Director of Property, to take all actions
10 necessary to execute the Lease and any other documents that are necessary or advisable to
11 effectuate the purpose of this Resolution; and, be it

12 FURTHER RESOLVED, This Board affirms and adopts the General Plan Findings
13 and CEQA Determination, for the reasons set forth in the Planning Letter; and, be it

14 FURTHER RESOLVED, That upon execution of the Lease, City is authorized to
15 request Landlord to perform completion of the Tenant Improvements on behalf of City, with
16 City’s cost not to exceed \$1,888,990, and pursuant to the terms and conditions of the Lease;
17 and, be it

18 FURTHER RESOLVED, That under the Lease, City shall indemnify and hold
19 harmless the Landlord from, and agree to defend the Landlord against, any and all claims,
20 costs and expenses, including without limitation, reasonable attorneys’ fees, incurred as a
21 result of City’s use of the premises or any negligent acts or omissions of City, its agents or
22 invitees in, on or about the Property, in accordance with the terms of the Lease; and, be it

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

25

1 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
2 Property to enter into any extensions, amendments or modifications to the Lease (including
3 without limitation, the exhibits) that the Director of Property determines, in consultation with
4 the Director of DPH and the Office of the City Attorney, are in the best interest of the City, do
5 not increase the rent or otherwise materially increase the obligations or liabilities of the City,
6 are necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are
7 in compliance with all applicable laws, including City's Charter; and, be it

8 FURTHER RESOLVED, That within thirty (30) days of the Lease being fully
9 executed by all parties, RED shall provide the final Lease to the Clerk of the Board for
10 inclusion in the official file.

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Available: \$2,743,225

Fund ID:	10582
Department ID:	240645
Project / Authority ID:	10036747, 10037398 / 21531
Account ID:	506070
Activity ID:	0001

/s/
Michelle Allersma, Budget and Analysis
Division Director on behalf of
Ben Rosenfield, Controller

Funding for Fiscal Year 2020/2021 is
subject to the enactment of the Annual
Appropriation Ordinance for Fiscal Year
2021/2022

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RECOMMENDED:

/s/
Department of Public Health
Director

/s/
Real Estate Division
Director of Property

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

May 28, 2021

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 3, 2021 Government Audit and Oversight Committee Meeting

TABLE OF CONTENTS

Item	File	Page
2	21-0391 Lease of Real Property - 1076 Howard Street LLC - 1076 Howard Street - \$854,235 Per Year in Base Rent - Up to \$1,888,990 in Tenant Improvements.....	1
4	21-0529 Contract Amendment - Allied Universal Security Services - Human Services Agency Security Services - Not to Exceed \$23,393,091.....	7
5	21-0501 Grant Agreement Amendment - Five Keys Schools and Programs - Shelter in Place Hotel Support Services - Not to Exceed \$20,209,909.....	12
6	21-0500 Contract Amendment - 1231 Market Street Owner L.P. - Emergency Agreement - Not to Exceed \$54,800,664	17
7	21-0525 Airport Professional Services Agreement Modification - KONE Inc. - Escalator and Electric Walk Maintenance Services - Not to Exceed \$34,465,600	22
8	21-0526 Airport Professional Services Agreement Modification - TK Elevator Corporation - Elevator Maintenance Services - Not to Exceed \$22,282,912	26

TABLE OF CONTENTS

Item	File	Page
10	21-0503 Ground Lease and Loan Agreement - Balboa Park Housing Partners, L.P. - 100% Affordable Housing - 2340 San Jose Avenue - Ground Lease with Annual Base Rent of \$15,000 - Loan Not to Exceed \$24,459,458	30
13	21-0484 Contract - San Francisco Pretrial Diversion Project - Pretrial Services - Not to Exceed \$18,764,430.....	36

<p>Item 2 Files 21-0391</p>	<p>Department: Department of Public Health; Real Estate Division</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves a new lease between the City as tenant and 1076 Howard St. LLC, a Delaware limited liability company, as landlord to lease real property located at 1076 Howard Street for general office use and social services, including a sobering center. The initial lease term is 8.5 years with one 5-year option to extend, subject to Board of Supervisors’ approval (for a total possible lease term of 13.5 years) at a base rent of \$854,235 per year with 3 percent annual increases. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Mental Health SF is the City’s strategic framework for improving the behavioral health response to people experiencing homelessness. The proposed use of the site at 1076 Howard Street is for implementation of two key components of Mental Health SF, the Drug Sobering Center and the Street Crisis Response Team. • 1076 Howard Street was selected due to geographic proximity to other behavioral health and supportive service facilities and building size. • The lease term is anticipated to begin in November 2021 after completion of tenant improvements to be made by both the landlord (who will contribute \$916,740) and the City, which will fund the remaining estimated \$1.9 million. • For the first six years of the lease, the City will not have to pay base rent for the month of July, which results in \$460,454 in rent reduction over the initial 8.5-year term. • The lease provides for the right of first refusal if the landlord wants to sell the property. As the term approaches its end, the City will consider purchasing the building if it becomes available, acquiring a different property or relocating to a City-owned building. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The first year rent of \$854,235 (\$51.25 per square foot) is higher than the appraised value of \$820,000 (\$49.20 per square foot). Projected rent under the proposed lease, including annual 3 percent rent increases and six months’ rent abatement, is \$7,676,697 over the entire 8.5 year term, which is less than the total appraised market rent of \$7,811,091. • The rent and proposed improvements for the Drug Sobering Center leased space will be paid from Proposition C “Our City Our Home” funding. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

In accordance with City Administrative Code Section 23.27, leases in which the City is the tenant require approval by the Board of Supervisors.

BACKGROUND**Mental Health San Francisco**

Mental Health San Francisco is a new program that will provide mental health services, substance use treatment, and psychiatric medications to all adult San Francisco residents with mental illness and/or substance abuse disorder who are homeless, uninsured, or enrolled in Medi-Cal or Healthy San Francisco. Mental Health SF is the City's strategic framework for improving the behavioral health response to people experiencing homelessness. An ordinance amending the Administrative Code to establish Mental Health SF was approved by the Board in December 2019 (Fil3 19-1148). Two key components of Mental Health SF are the Drug Sobering Center and the Street Crisis Response Teams, both administered through the Department of Public Health (DPH) in collaboration with other City departments.

The Drug Sobering Center

The Drug Sobering Center is a non-clinical model focused on harm reduction, safety, and engagement and will serve as a place for individuals who are experiencing the effects of fentanyl, methamphetamine, and other substances to move safely through intoxication, then have an opportunity to engage in conversation about recovery options available to them. The Street Crisis Response Team, launched in November 2020, is a collaboration between the Department of Public Health (DPH), the San Francisco Fire Department (SFFD) and the Department of Emergency Management (DEM) to provide rapid, trauma-informed response and care coordination for people experiencing behavioral health crises in public spaces in San Francisco. Clients for the Drug Sobering Center may self-refer or walk-in, and will also be referred through the City's Street Crisis Response Teams (DPH), Street Medicine Teams (DPH), Homeless Outreach Teams (HSH) and/or the Fire Department's Emergency Medical Response team (EMS-6), a specialized emergency paramedic team. A goal of both programs is to reduce law enforcement encounters and unnecessary emergency room use.

The center was initially slated for operation in 2020. According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, the City originally considered using City-owned property at 180 Jones for the center, which was also going to utilize tent space to house clients. However, 180 Jones is currently being used as a safe sleeping site. According to Mr. Keene, DPH has also determined that for this program, a more permanent brick and mortar facility (such as 1076 Howard) is appropriate. The proposed use of the site is for implementation of two key components of Mental Health SF, the Drug Sobering Center and the Street Crisis Response Team.

Selection of 1076 Howard Street

According to Mr. Keene, the site was determined to be the best site for housing the Drug Sobering Center due to geographic proximity to other behavioral health and supportive service facilities and building size. The site has sufficient space to provide care for an estimated 15-40 clients per day.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the lease between the City, as tenant, and 1076 Howard St. LLC, as landlord to lease real property located at 1076 Howard Street for general office use and social services, including a sobering center, for a term of 8.5 years with one 5-year option to extend, subject to Board of Supervisors' approval (for a total possible lease term of 13.5 years) at a base rent of \$854,235 per year with 3 percent annual increases and anticipated commencement date of November 1, 2021, (2) authorize the Director of Property to execute documents, make certain modifications and take certain actions to finalize the lease; (3) find the proposed transaction is in conformance with the General Plan, the eight priority policies of Planning Code, Section 101.1; (4) adopt findings that the lease is not a project under the California Environmental Quality Act; (5) authorize the City to request the landlord perform completion of improvements on behalf of the City, with City's cost not to exceed \$1,888,990; and (6) indemnify the landlord for any claims and costs related to the City's use of the site.

The 1076 Howard Street Site

The property at 1076 Howard St. includes 16,668 square feet of office space over two floors. The building is currently owned by 1076 Howard Street LLC, a Delaware limited liability company, and is currently uninhabited.

The first floor will house the Drug Sobering Center, and includes restroom facilities for staff and clients, shower facilities, client consultation space, a medical exam room, sleeping areas for clients, quiet client activity space, and staff working spaces. According to the Department of Public Health, the site is anticipated to initially serve between 15-20 clients per day, and then likely increase to 30-40 per day.

The second floor will serve as a collaboration and administration space for the Street Crisis Response Team and other DPH staff that are predominantly field-based. According to the Department of Public Health, the site has sufficient space for the approximately 105 staff needed to run the program.

Table 1 below lists the terms of the proposed lease.

Table 1. Terms of Proposed Lease

Landlord	1076 Howard Street LLC
Tenant	City
Building	1076 Howard St, San Francisco CA
Area	16,668 rentable square feet
Monthly Rent	\$71,186
Annual Rent	\$854,235 (\$51.25 per square foot)
Rent adjustments	3% annual increase for initial 8.5-year term
Anticipated Lease Commencement Date	Upon substantial completion of tenant improvements, estimated November 1, 2021
Anticipated Rent Commencement Date	November 1, 2021
Term	Initial term of 8.5 years
Options to extend	One 5-year option to extend
Rent during extension	Rent resets at 98% of the then prevailing market rate, not to be reduced below 103% of the base rent for the 12-months prior ¹
Services and Operations	City will pay for electricity, and Landlord will provide heating, ventilation, air conditioning, elevators and water at City's expense
Taxes and Insurance	City will pay real estate taxes and landlord's insurance
Tenant Improvements	Landlord to perform capital and tenant improvements estimating \$916,740 at landlord's expense. City will pay up to \$1,888,990 in additional tenant improvements

Source: Proposed Lease

Tenant Improvements

As part of the proposed lease, the landlord will perform and pay up to \$916,740 (\$55 per square foot, and approximately 34 percent of the total cost) towards needed tenant improvements including telecommunications infrastructure work, fire safety, plumbing and electrical upgrades, minor demolition and office space construction and the City will fund the remaining estimated \$1.9 million (approximately 66 percent of the total). The current estimated cost of tenant improvements is \$2,673,171, however according to Mr. Keene, the actual costs may change once final drawings are detailed and priced.

Additionally, the landlord will also complete construction of a gender-neutral restroom on the second floor. Construction of the second-floor bathroom is a base building improvement that is not included in the tenant improvements budget and will be paid for entirely by the landlord.

¹ No less than 103% of the Base Rent for the 12-month period before the extended term

The estimated cost of the second-floor restroom is \$75,000. The tenant upgrades are estimated to begin in early July 2021 and reach completion by November 1, 2021. The City is not required to pay rent until substantial completion of tenant upgrades. DPH staff, including the Street Crisis Response Team, will move in upon substantial completion of tenant improvements.

Option to Purchase

The lease provides for the right of first refusal if the landlord wants to sell the property. According to Mr. Keene, as the term approaches its end, the City will consider purchasing the building if it becomes available, acquiring a different property or relocating to a City-owned building.

Early Termination Option

If the tenant improvements are not completed by the estimated commencement date, which is currently November 1, 2021, then the City will not have to pay rent until the improvements are completed and the landlord is able to deliver possession of the building. The lease also allows the City to terminate the lease if the landlord is unable to deliver possession of the building to the City with the leasehold improvements substantially completed within 180 days after Landlord receives permits necessary for construction.

Abated Base Rent

For the first six years of the lease, the City will not have to pay base rent for the month of July, which results in \$460,454 in rent reduction over the initial 8.5-year term. If the City chooses to extend, there will be no rent abatement.²

City Obligations to Pay Additional Charges

The lease requires that the City pay the landlord's insurance, property taxes, and all operating expenses including utilities, maintenance, and repair costs. According to Mr. Keene, this will result in an estimated additional \$14,483 per month (\$173,796 per year). This amount is not included in the base rent. These additional charges are included in the program budget and will be funded by DPH.

FISCAL IMPACT

Under the proposed lease, the City would pay an initial annual rent of \$854,235, escalating by 3 percent per year over the 8.5-year term, with rent abated every July for the first six years of the term. Total rental costs for the initial 8.5-year term for 1076 Howard Street are estimated at \$7,676,697 (including six non-consecutive months of rent abatement, approximately \$460,454 total). Under the proposed lease, one additional five-year extension option exists with rent at 98 percent of the then-prevailing market rate, not to be reduced below 103 percent of the base rent for the 12-month period prior to the extended term (equivalent to \$65.90 per square foot). Table 2 shows total rental costs under proposed lease for 1076 Howard Street compared to the estimated fair market rent value.

² In the event the landlord wishes to sell the building, the lease allows the landlord to "buy back" \$460,454 worth of rent credits to the City, rather than have the new buyer continue providing free rent.

Table 2. Rental Costs Under Proposed Lease for 1076 Howard Street

Year	Square Feet	Annual Rent per Square Foot	Annual Rental Costs in Proposed Lease
1	16,668	\$51.25	\$854,235
2	16,668	52.79	879,904
3	16,668	54.37	906,239
4	16,668	56.00	933,408
5	16,668	57.68	961,410
6	16,668	59.41	990,246
7	16,668	61.20	1,020,082
8	16,668	63.03	1,050,584
8.5	16,668	64.92	541,043
Base Rent Total (excluding 6 months' rent abatement in Years 1-6)			8,137,151
<i>Rent Abatement</i>			<i>(460,454)</i>
Total			\$7,676,697

Source: BLA Review of Proposed Lease

In April 2021, an appraisal conducted by R.Blum & Associates indicated the market rental rate of the property to be \$820,000 for the first year, and total rent over the 8.5 year of \$7,811,091 over the 8.5 year term.^{3 4} Projected rent under the proposed lease, including annual 3 percent rent increases and six-months' rent abatement is \$7,676,697, which is less than the appraised market rent.

Source of Funding

The rent and proposed improvements for the Drug Sobering Center leased space will be paid from Proposition C "Our City Our Home" funding.

RECOMMENDATION

Approve the proposed resolution.

³ The first year rent of \$51.25 is over the \$45 square foot that would require an appraisal in accordance with Administrative Code Section 23.27. Per City Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than \$45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease.

⁴ According to Mr. Keene, fair market rent assumes an increase of 3 percent each year starting on the first anniversary of the lease.

The SOMA RISE Center Proposed for 1076 Howard Street

June 3, 2021
Government Audit & Oversight Committee



Background

In response to San Francisco's urgent need to help persons experiencing mental health and substance use crises on the streets, the Department of Public Health proposes to:

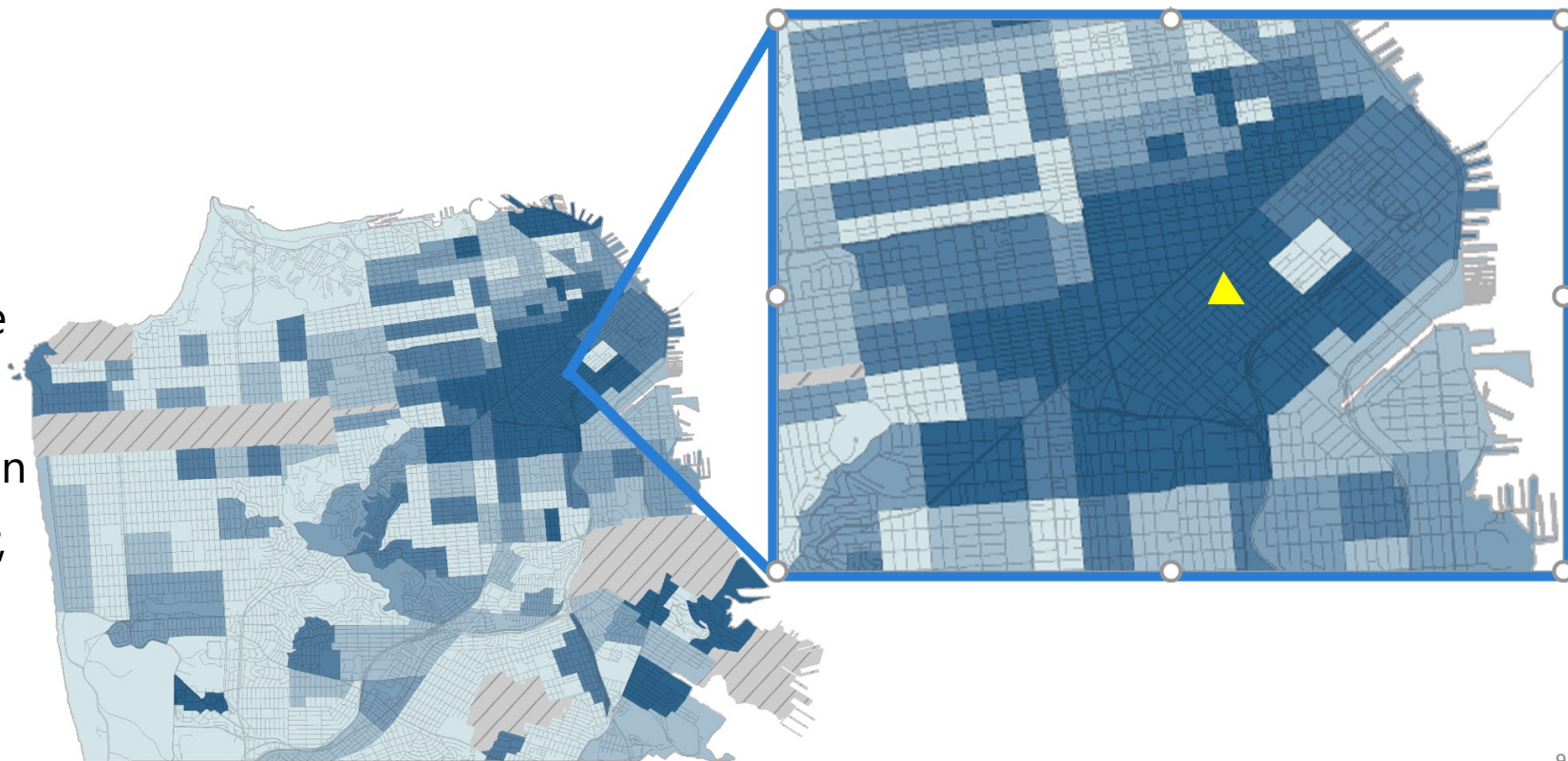
Create a trauma-informed sobering site with integrated harm reduction services for individuals who are under the influence of methamphetamine.



SOMA RISE Center

A safe space to bring people who are intoxicated from drugs off the streets

- **Capacity:** 12-20 persons at a time
- **Hours:** 24/7
- **Service area:** SoMa and Tenderloin
- **Care:** Monitoring, rest, food/water, showers
- **Connect to:** Medical, drug treatment, housing services, and more
- **Staff:** Safety workers, health care workers, peer counselors

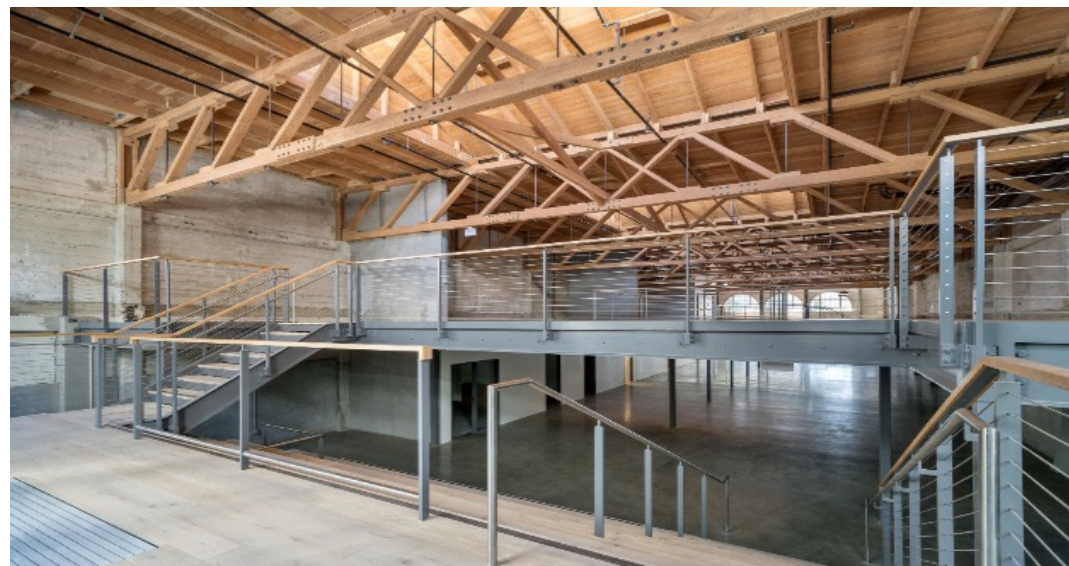
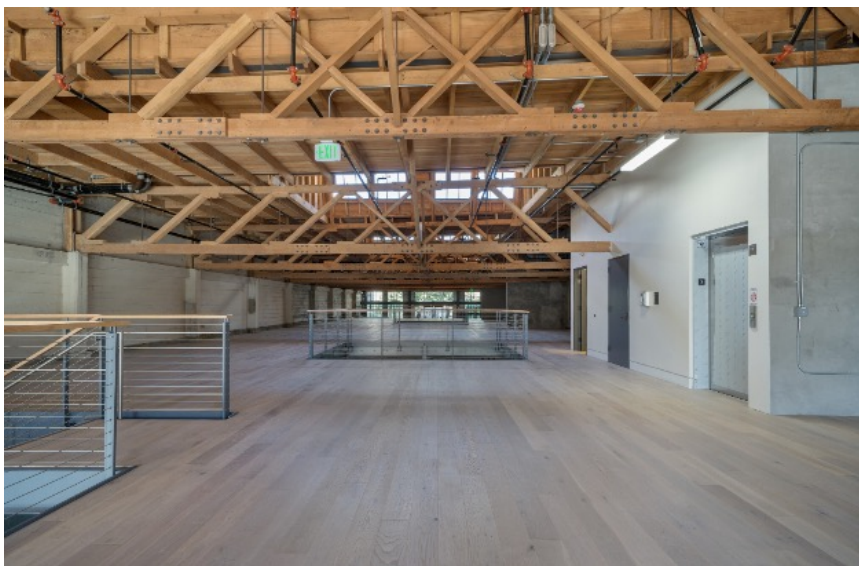


1076 Howard St.



Building Features

- 16,668 rentable square feet
- New Building Systems
 - Mechanical
 - Electrical
 - Plumbing
 - Elevator
- Seismically retrofitted



1076 Howard Lease

Deal Points

- Term: 8 ½ Years
- Options: One (1) 5 year option to extend at 98% of FMR
- Rent: \$854,235 annually (\$51.25 psf.) 3% annual escalations
- T.I.: Landlord to contribute \$55.00 psf. (\$916,740) towards improvements. In addition, Landlord to add an additional restroom at their sole cost
- City T.I. City will contribute up to \$1,888,990 towards build out
- Free Rent: 6 Months of free rent
- Expenses: City to pay taxes, insurance, utilities and maintenance

OFFICE LEASE

between

1076 Howard Street LLC
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
1076 Howard Street
San Francisco, California

April 13, 2021

TABLE OF CONTENTS

	<u>Page</u>
1. BASIC LEASE INFORMATION	1
2. BUILDING	3
2.1 Lease of Building	3
2.2 <i>Intentionally omitted</i>	3
2.3 Condition of the Building on Delivery	4
2.4 Disability Access	4
3. TERM	4
3.1 Term of Lease	4
3.2 Commencement Date and Expiration Date.....	4
3.3 Delay in Delivery of Possession	4
3.4 Extension Option	5
4. RENT	5
4.1 Base Rent	5
4.2 Adjustments in Base Rent.....	6
4.3 Determination of Base Rent for the Extended Term	6
4.4 Additional Charges	7
4.5 <i>Intentionally omitted</i>	7
4.6 Definitions.....	7
4.7 Reassessment Protection.....	12
4.8 <i>Intentionally omitted</i>	13
4.9 <i>Intentionally omitted</i>	13
4.10 <i>Intentionally omitted</i>	13
4.11 Calculation and Payment of Operating Costs	13
4.12 Calculation and Payment of Percentage Share of Real Estate Taxes	14
4.13 Proration.....	14
4.14 Audits	14
4.15 Records	15
4.16 Payments by City	15
4.17 Landlord’s Compliance with City Business and Tax Regulations Code.....	15
4.18 Additional Services.....	15
5. USE.....	16
5.1 Permitted Use.....	16
5.2 <i>Intentionally omitted</i>	16

5.3 Interference with Access.....16

6. LEASEHOLD IMPROVEMENTS17

6.1 Landlord’s Obligation to Construct Improvements17

6.2 Construction of Improvements that Disturb or Remove Exterior Paint17

7. ALTERATIONS17

7.1 Alterations by City17

7.2 Title to Improvements.....18

7.3 City’s Personal Property18

7.4 Alteration by Landlord.....19

8. REPAIRS AND MAINTENANCE19

8.1 Landlord’s Repairs.....19

8.2 City’s Repairs.....19

8.3 Liens.....20

9. UTILITIES AND SERVICES20

9.1 Landlord’s Provision of Utilities20

9.2 Safety and Security20

9.3 Conservation20

9.4 Disruption in Essential Utilities or Services21

10. COMPLIANCE WITH LAWS; BUILDING CONDITION21

10.1 Landlord’s Compliance with Laws; Building Condition; Indemnity21

10.2 City’s Compliance with Laws; Indemnity22

10.3 City’s Compliance with Insurance Requirements.....22

11. SUBORDINATION.....22

12. DAMAGE AND DESTRUCTION.....23

13. EMINENT DOMAIN24

13.1 Definitions.....24

13.2 General.....24

13.3 Total Taking; Automatic Termination25

13.4 Partial Taking; Election to Terminate.....25

13.5 Termination of Lease; Rent and Award.....25

13.6 Partial Taking; Continuation of Lease25

13.7 Temporary Taking26

14. ASSIGNMENT AND SUBLETTING26

15. DEFAULT; REMEDIES28

15.1 Events of Default by City28

15.2 Landlord’s Remedies29

15.3	Landlord’s Default	29
16.	INDEMNITIES.....	30
16.1	City’s Indemnity	30
16.2	Landlord’s Indemnity.....	30
17.	INSURANCE.....	31
17.1	City’s Self-Insurance	31
17.2	Landlord’s Insurance	31
17.3	Waiver of Subrogation.....	32
17.4	Liability of Landlord.....	32
18.	ACCESS BY LANDLORD.....	33
19.	ESTOPPEL CERTIFICATES	33
20.	SURRENDER OF BUILDING	34
21.	HAZARDOUS MATERIALS	34
21.1	Definitions.....	34
21.2	Landlord’s Representations and Covenants.....	35
21.3	Landlord’s Environmental Indemnity.....	35
21.4	City’s Covenants.....	35
21.5	City’s Environmental Indemnity.....	35
22.	OPTION TO PURCHASE.....	35
22.1	Grant of Option to Purchase	35
22.2	Continuation of Lease.....	36
23.	CITY PROVISIONS.....	36
23.1	MacBride Principles - Northern Ireland	36
23.2	Controller’s Certification of Funds.....	36
23.3	Prevailing Wages and Working Conditions.....	37
23.4	Non Discrimination in City Contracts and Benefits Ordinance.....	37
23.5	Tropical Hardwood and Virgin Redwood Ban	38
23.6	Bicycle Parking Facilities	39
23.7	Resource-Efficient City Buildings.....	39
23.8	Sunshine Ordinance	39
23.9	Conflicts of Interest.....	39
23.10	Notification of Prohibition on Contributions.....	39
23.11	Preservative-Treated Wood Containing Arsenic	40
24.	GENERALLY APPLICABLE PROVISIONS.....	40
24.1	Notices	40
24.2	No Implied Waiver	40

24.3	Amendments	40
24.4	Authority	41
24.5	Parties and Their Agents; Approvals	41
24.6	Interpretation of Lease	41
24.7	Successors and Assigns.....	42
24.8	Brokers	42
24.9	Severability	42
24.10	Governing Law	42
24.11	Entire Agreement; Incorporation of Exhibits	42
24.12	Holding Over	42
24.13	Cumulative Remedies	43
24.14	Time of Essence.....	43
24.15	Survival of Indemnities.....	43
24.16	Signs.....	43
24.17	Quiet Enjoyment and Title.....	43
24.18	Bankruptcy	44
24.19	Transfer of Landlord’s Interest	44
24.20	Non-Liability of City Officials, Employees, and Agents	44
24.21	Counterparts	44
24.22	Effective Date	44
24.23	<i>Intentionally omitted</i>	45
24.24	Attorneys’ Fees	45
24.25	Memorandum of Lease	45
24.26	Cooperative Drafting	45

LIST OF EXHIBITS

- EXHIBIT A — Floor Plan(s) of Building
- EXHIBIT B — Notice of Commencement Date
- EXHIBIT C — Stevenson Systems Report (selected pages)
- EXHIBIT D — Work Letter
- EXHIBIT E — *Intentionally Omitted*
- EXHIBIT F — *Intentionally Omitted*
- EXHIBIT G — *Intentionally Omitted*
- EXHIBIT H — Form of Memorandum of Lease

OFFICE LEASE

THIS OFFICE LEASE (this “**Lease**”), dated for reference purposes only as of April 13, 2021, is by and between 1076 HOWARD STREET LLC, a Delaware limited liability company (“**Landlord**”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**City**” or “**Tenant**”).

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	April 13, 2021
Landlord:	1076 Howard Street LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	1076 Howard Street, San Francisco, California
Rentable Area of Building (<u>Section 2.1</u>):	16,668 rentable square feet
Term (<u>Section 3</u>):	The Commencement Date is the date Landlord delivers the Building with the Leasehold Improvements Substantially Completed or deemed Substantially Completed, in accordance with this Lease and the Work Letter attached as <u>Exhibit D</u> (the “ Work Letter ”).
	The “ Estimated Commencement Date ” is the date occurring One Hundred Twenty (120) days following the Effective Date.
	The Expiration Date is the last day of the one hundred and second (102 nd) full calendar month after the Commencement Date.
Extension Option(s) (<u>Section 3.4</u>):	One additional term of five (5) years, exercisable by City as provided in <u>Section 3.4</u>

Base Rent (Section 4.1):

<u>Months of Lease</u>	<u>Annual Rent PSF</u>	<u>Aggregate Annual Rent</u>	<u>Monthly Rent</u>
1 through 12 (a)	\$51.25	\$854,235.00	\$ 71,186.25
13 through 24 (a)	\$52.79	\$879,903.72	\$73,325.31
25 through 36 (a)	\$54.37	\$906,239.16	\$ 75,519.93

37 through 48 (a)	\$56.00	\$933,408.00	\$77,784.00
49 through 60 (a)	\$57.68	\$961,410.24	\$80,117.52
61 through 72 (a)	\$59.41	\$990,245.88	\$82,520.49
73 through 84	\$61.20	\$1,020,081.60	\$85,006.80
85 through 96	\$63.03	\$1,050,584.04	\$87,548.67
97 through 102	\$64.92	\$1,082,086.56	\$90,173.88
<p>(a) Note – notwithstanding the foregoing table, Tenant will be entitled to abatement of Base Rent as provided in Section 4.1 of the Lease.</p> <p>(b) Throughout the Term, the Base Rent increases shown in the table above will occur on each anniversary of the Commencement Date or, if the Commencement Date occurs on a date other than the first day of a calendar month, on the first day of the calendar month in which the Commencement Date occurred (an “Adjustment Date”).</p>			

City’s Percentage Share (Section 4.4): 100%

Use (Section 5.1): General office use and social services, including a sobering center (the “**Permitted Use**”).

Leasehold Improvements and Work Letter): (Section 6 Subject to the terms of the Work Letter (attached as Exhibit D), Landlord will complete the Leasehold Improvements at City’s cost after the application of the Tenant Improvement Allowance provided by Landlord equal to \$55.00 per rentable square foot of the Building.

Utilities (Section 9.1): Landlord will provide Building heating, ventilation, air conditioning, elevators and water service, as provided in Section 9.1. City will contract and pay for any electricity and any other utility services necessary for City’s use of the Building directly with utility providers.

Notice Address of Landlord (Section 24.1): 1076 Howard Street LLC
c/o Vantage Property Investors
1212 Highland Avenue
Manhattan Beach, California 90266
Attn: Stuart Gulland
Email: stuart@vantagepi.com

Landlord’s Key Contact: Stuart Gulland

Landlord Contact Telephone No.: (310) 874-5699

Landlord’s Alternate Contact: Andrew Fox

Landlord's Alternate Contact Telephone No.: (310) 545-6013

Tenant's Notice Address (Section 24.1): Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: **1076 Howard**

with a copy to: Department of Public Health
101 Grove Street
San Francisco, CA 94102
Attn: Kathy Jung

Email: Kathy.Jung@sfdph.gov

and to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate & Finance Team
Re: **1076 Howard Street**
Fax No.: (415) 554-4757

Tenant's Key Contact: Jeff Suess

Tenant Contact Telephone No.: 415-554-9873

Tenant's Alternate Contact: Josh Keene

Tenant's Alternate Contact Telephone No.: 415-554-9859

Brokers (Section 24.8): Mark Geisreiter of Newmark, representing 1076
Howard Street LLC

Other Noteworthy Provisions (Section 22): City has the right to purchase the Building as
provided in Section 22.

2. BUILDING

2.1 Lease of Building

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the building identified in the Basic Lease Information (the "**Building**") and shown on the floor plan(s) attached as Exhibit A. The Building contains the rentable area specified in the Basic Lease Information. Landlord and City hereby stipulate that the rentable area of the Building will be as set forth in the Basic Lease Information. Landlord and Tenant agree that the usable area of the Building has been verified by both parties and that Landlord is utilizing a deemed add-on load factor of 18% to compute the rentable area of the Building. Exhibits A and C attached to this Lease include certain pages from the report prepared by Stevenson Systems dated February 12, 2021. The Building, the land on which the Building is located, and all other improvements on or appurtenances to the land are referred to collectively as the "**Property**."

2.2 *Intentionally omitted*

2.3 Condition of the Building on Delivery

Landlord will deliver the Building to Tenant in good, broom clean condition, fully demised, water tight, with all Building Systems (as defined in Section 8.1 (Landlord's Repairs)) in good working order, condition, and repair, and the Building in compliance with all applicable Laws, as provided in Section 10.1 (Landlord's Compliance with Laws; Building Condition; Indemnity) with the Leasehold Improvements (as defined below) Substantially Completed by Landlord.

2.4 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements.

City is advised that as of the Reference Date the Building has not been inspected by a CASp. The law does not require landlords to have the inspections performed, but Landlord may not prohibit City from obtaining a CASp inspection of the Building for its occupancy or potential occupancy if requested by City. If City elects to obtain an inspection, City and Landlord will mutually agree on the arrangements for the time and manner of the CASp inspection and City will pay for the CASp inspection fee and the cost of any repairs necessary to correct violations of construction-related accessibility standards will be paid by the party responsible for compliance under Section 10.1 of this Lease.

3. TERM

3.1 Term of Lease

The Building is leased for a term (the "**Term**") commencing on the date that Landlord has delivered the Building to City with the Leasehold Improvements (as defined below) Substantially Completed or deemed Substantially Completed, in accordance with the Work Letter, which may not be before the Effective Date, as provided in Section 24.22 (Effective Date). The Term will end on the expiration date specified in the Basic Lease Information, or the date that this Lease is earlier terminated under the provisions of this Lease, unless City extends the Term pursuant to Section 3.4 (Extension Option(s)), below.

3.2 Commencement Date and Expiration Date

The dates that the Term commences and expires under this Lease are the "**Commencement Date**" and the "**Expiration Date**." Notwithstanding the foregoing or anything to the contrary in this Lease, the occurrence of the Commencement Date is subject to Section 6 of the Work Letter. If the Commencement Date occurs on a date other than the Estimated Commencement Date provided in the Basic Lease Information, then Landlord will promptly deliver to City a notice substantially in the form of the attached **Exhibit B** confirming the actual Commencement Date, but Landlord's failure to do so will not affect the dates of commencement or expiration of the Term.

3.3 Delay in Delivery of Possession

Landlord will use commercially reasonable efforts to deliver possession of the Building with all of the Leasehold Improvements Substantially Completed in accordance with the Work Letter on or before the Estimated Commencement Date. If Landlord is unable to deliver possession of the Building by the Estimated Commencement Date, then, subject to the provisions of this Section below, the validity of this Lease will not be affected by Landlord's inability to

deliver possession except that City's obligations to pay Rent will not commence until the Commencement Date. If the Commencement Date is later or earlier than the Estimated Commencement Date, this Lease will still expire on the Expiration Date, unless sooner terminated under the provisions under this Lease. If Landlord is unable to deliver possession of the Building to City with the Leasehold Improvements Substantially Completed within one hundred eighty (180) days after Landlord's receipt of all permits necessary for the construction of the Leasehold Improvements (which 180-day period will be extended by one day for each day that Substantial Completion is delayed by Tenant Delays and/or Unavoidable Delays), then City may give Landlord written notice of City's intention to terminate this Lease (a "**Cancellation Notice**"), designating a date of termination (the "**Cancellation Date**") which is at least thirty (30) days after the date of the Cancellation Notice. Thereafter, if Landlord is unable to deliver possession of the Building to City with the Leasehold Improvements Substantially Completed by the Cancellation Date (subject to Tenant Delay and Unavoidable Delay), this Lease will terminate and neither party will have any further liability to the other; provided that Landlord will reimburse City for all of City's actual out-of-pocket costs of the Leasehold Improvements in accordance with the Work Letter, promptly following Landlord's receipt of reasonable evidence of such costs (such as copies of paid invoices, receipts, etc.).

3.4 Extension Option

Landlord grants City the right to extend the Term (the "**Extension Option**") for the additional term specified in the Basic Lease Information (the "**Extended Term**"). The Extended Term will be on all of the terms and conditions contained in this Lease, except that (i) Base Rent will be determined pursuant to Section 4.3 below, (ii) there will be no Base Rent abatement period at the beginning of the Extended Term, (iii) City will accept the Building in its as-is condition, without Landlord providing or paying for any Leasehold Improvements or other alterations, and (iv) there will be no further options to extend the Term. City may exercise the Extension Option, if at all, by giving written notice (the "**Extension Notice**") to Landlord no later than fifteen (15) months and no earlier than eighteen (18) months before expiration of the Term; provided, however, that notwithstanding anything to the contrary herein, (a) City may not exercise the Extension Option while an uncured material Event of Default exists, and (b) Landlord may void City's exercise of the Extension Option by giving written notice thereof to City of an uncured material Event of Default within fifteen (15) days after Landlord's written demand for City to cure the Event of Default. If City extends the Term as provided in this Section, then the word "Term" will mean and include the Extended Term.

4. RENT

4.1 Base Rent

Beginning on the Commencement Date, City will pay to Landlord the annual Base Rent specified in the Basic Lease Information (the "**Base Rent**"). The Base Rent is payable in equal monthly payments, commencing on the Commencement Date, and thereafter on or before the first day of each calendar month during the Term, without any deductions or setoff except as otherwise provided in this Lease, provided that Landlord will give City a written invoice for each monthly installment of Base Rent (which may be given via email to Jeff.Suess@sfgov.org or another person designated) at least thirty (30) days in advance of the due date thereof. Rent will be paid to the address specified for Landlord in the Basic Lease Information, or other place or pursuant to such other instructions, including electronic payment instructions, as Landlord may designate in writing on not less than thirty (30) days' advance notice. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for the fractional month will be prorated based on a thirty (30)-day month.

Notwithstanding the foregoing, Tenant will not be obligated to pay Base Rent for the month of July of the first six (6) years of the initial Term (the “**Abated Base Rent**”); provided, however, that Landlord may elect, by written notice to Tenant at any time, to purchase (and to eliminate) the Abated Base Rent and to cause Tenant to be obligated to pay the full amount of the Base Rent which Tenant would be required to pay hereunder without regard to the Abated Base Rent, by paying to Tenant an amount equal to the Abated Base Rent Purchase Price with respect thereto. As used herein, “**Abated Base Rent Purchase Price**” will mean the present value of the Abated Base Rent then remaining as of the date of payment (by Landlord to Tenant) of the Abated Base Rent Purchase Price, utilizing a discount rate equal to four and one-half percent (4.5%) per annum.

4.2 Adjustments in Base Rent

On each Adjustment Date (as defined in the Basic Lease Information), the Base Rent for the following twelve-month period will be adjusted as indicated in the table in the Basic Lease Information.

4.3 Determination of Base Rent for the Extended Term

(a) The Base Rent for the Extended Term will equal the 98% of the “**prevailing market rate**”, which as used in this Section will mean the prevailing market base rent for space of comparable size and location to the Building being offered for rent on an arms-length, non-sublease basis for a term comparable to the Extension Term in buildings similar in age, location, and quality to the Building (“**Comparable Space**”) situated within the South of Market area, which is the area of San Francisco, California, bounded by Mission Street to the north, King Street to the south, The Embarcadero to the east, and Eighth Street to the west (“**Reference Area**”); provided, however, in no event will the Base Rent be reduced below 103% of the Base Rent for the twelve (12)-month period before the Extended Term (equivalent to \$65.90 per square foot). The prevailing market rate will be projected to the date of commencement of the Extended Term, and the determination thereof will take into account all relevant factors, including but not limited to (i) any additional rent and all other payments and escalations payable under this Lease and under the leases of Comparable Space, (ii) floor location and size of the premises covered by leases of the Comparable Space, (iii) the duration of the Extended Term under this Lease and the term of the leases for Comparable Space, (iv) free rent and any other tenant concessions given under the leases for Comparable Space and (v) tenant improvement allowances and other allowances given under the leases for Comparable Space.

(b) Within fifteen (15) days after City’s exercise of the Extension Option, Landlord will notify City of Landlord’s determination of the prevailing market rate for the Building. If City disputes Landlord’s determination of the prevailing market rate, City will notify Landlord within ten (10) days after Landlord’s notice to City of the prevailing market rate and the dispute will be resolved as follows:

(i) During the twenty (20)-day period after City notifies Landlord of the dispute (the “**Consultation Period**”), Landlord and City will attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve the disagreement.

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

(iii) If only one appraisal report is submitted within that thirty (30)-day period, then the prevailing market rate determined in that appraisal report will be used to establish the Base Rent for the Extended Term. If both appraisal reports are submitted within the thirty (30)-day period, and if the prevailing market rates determined in the two appraisal reports differ by less than ten percent (10%) of the higher of the two, then the average of the two will be the prevailing market rate. If the prevailing market rates in the two appraisal reports differ by more than ten percent (10%) of the higher of the two, then the two appraisers will, within ten (10) days after completion of the two appraisal reports, select a third appraiser, and such third appraiser, acting alone, will within ten (10) days after his or her selection, determine which of the first two (2) appraisal reports specified a value closest to the actual prevailing market rate, as defined in Section 4.3(a) above. The prevailing market rate determined by the foregoing appraisal procedure will be final and binding on the parties.

(iv) If City's Director of Property does not approve the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may revoke City's exercise of the Extension Option by giving written notice to Landlord no later than ten (10) days after the prevailing market rate is determined pursuant to clause (iii) above.

(v) All appraisers must be "MAI" designated members of the Appraisal Institute with not less than ten (10) years' recent experience appraising leases of commercial properties similar to the Building in the Reference Area. Landlord and City will pay the cost of the appraiser it selects and one-half of the cost of the third appraiser.

4.4 Additional Charges

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

4.5 *Intentionally omitted*

4.6 Definitions

"**City's Percentage Share**" means the percentage specified in the Basic Lease Information.

"**Expense Year**" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences. By advance written notice to City, Landlord may change the Expense Year to any other twelve (12) consecutive month period and, in the event of a change, City's Percentage Share of Operating Costs will be equitably adjusted for the Expense Years involved in the change.

"**Operating Costs**" means the total commercially reasonable costs and expenses actually paid or incurred by Landlord in connection with the management, operation, maintenance, and repair of the Building, including but not limited to: (1) the cost of air conditioning, electricity, water, sewer, heating, mechanical, telephone, ventilating, and elevator systems and all other utilities, (2) the cost of general maintenance (including but not limited to maintenance of the Building's roof, façade, structure and other exterior components), cleaning, pest control, window washing, trash removal and service contracts, including all supplies, tools, and equipment for that maintenance, cleaning, and service, (3) the costs incurred by Landlord for all insurance and deductibles pursuant to Section 17.2 (Landlord's Insurance), (4) wages, salaries, payroll taxes, and other labor costs and employee benefits relating to Landlord's employees or its Agents (defined in Section 24.5 (Parties and Their Agents, Approvals) below) engaged in the operation,

repair, or maintenance, of the Building, allocated in proportion to the percentage of that person's working time actually spent working in connection with the Building, (5) reasonable management fees, (6) fees, charges, and other costs of all independent contractors engaged by Landlord, allocated in proportion to the percentage of that person's working time actually spent working in connection with the Building, (7) accounting and legal expenses, (8) sales, use and excise taxes on goods and services purchased by Landlord in connection with the operation, maintenance or repair of the Property and Building, (9) costs of capital repairs, capital improvements, and equipment (A) required by applicable Laws enacted on or after the date of this Lease amortized over the useful life of the improvement and/or equipment, together with interest at the actual interest rate incurred by Landlord in connection those capital repairs, improvements, or equipment, unless caused by Landlord's deliberate or negligent violation of applicable Laws, and except to the extent the improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City, or (B) acquired to cause, in Landlord's good faith judgment, an immediate (i.e., commencing within the first year after completion of the repairs or improvements or installation of equipment) reduction in other Operating Costs, amortized over the useful life of the repairs, improvements, or equipment at an annual rate reasonably calculated to equal the amount of Operating Costs to be saved in each calendar year throughout the Term (as determined at the time Landlord elected to proceed with the capital repair or improvement or acquisition of the capital equipment to reduce Operating Costs), together with interest at the actual interest rate incurred by Landlord, and (10) costs for painting the exterior of the Building (no more than once every three years and not in the final year of the Term or Extended Term) and maintaining the sidewalks, and other areas of the Property.

“Operating Costs” expressly do not include the following:

- (i) Costs of capital repairs, capital improvements, capital equipment, and capital tools, and rental payments and other related expenses incurred in leasing air conditioning systems, elevators, or other equipment ordinarily considered to be of a capital nature, except as expressly permitted under clause (9) above;
- (ii) Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) that, if purchased rather than rented, would constitute a capital improvement that is specifically excluded in item (i) above (excluding, however, equipment not affixed to the Building that is used in providing janitorial or similar services);
- (iii) Depreciation, amortization, and interest payments (including interest, principal, points, and fees on debt or amortization payment on any mortgages, deeds of trust, or other debt instruments) except to the extent permitted under clause (10) above and except on materials, tools, supplies, and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where the depreciation, amortization, and interest payments would otherwise have been included in the charge for the third party's services, all as determined in accordance with sound real estate accounting principles, consistently applied.
- (iv) Costs incurred by Landlord because of fire, windstorm, or other casualty or by the exercise of the right of eminent domain to the extent Landlord is entitled to be compensated through proceeds or insurance or condemnation awards, or would have been reimbursed if Landlord had in force all of the insurance required to be carried by Landlord under this Lease,
- (v) Costs incurred by Landlord if any portion of the Building is made untenable by fire or other casualty required to be insured against under the terms of the Lease and cost of earthquake repairs in excess of one hundred and fifty thousand dollars (\$150,000) per

earthquake (for this purpose, an earthquake is defined collectively as the initial earthquake and the aftershocks that relate to the initial earthquake);

(vi) Costs for which the Landlord is entitled to be reimbursed (other than as a reimbursement of Operating Costs) under any warranty, or by any tenant or occupant of the Building, or by insurance by its carrier or any tenant's carrier, or by anyone else;

(vii) Costs, including permit, license, and inspection costs, incurred for the installation of improvements made for other tenants or occupants of the Building or incurred in renovating or otherwise improving, decorating, painting, or redecorating vacant space for tenants or occupants in the Building;

(viii) Leasing commissions, attorneys' and other professionals' fees, space planning costs, and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building;

(ix) Leasing commissions, attorneys' fees, costs, and disbursements and other expenses incurred in connection with negotiations or disputes with tenants or other occupants or prospective tenants or other occupants, or associated with the enforcement of any leases or costs of the defense of Landlord's title to the Building or the Property;

(x) Expenses in connection with services or other benefits that are not offered to City or for which City is charged directly but that Landlord provides to another tenant or occupant of the Building;

(xi) Costs incurred by Landlord resulting from any dispute under the terms and conditions of any lease, ground lease, mortgage, or deed of trust, or covenants, conditions, or restrictions encumbering the Building or Property, or any violation of applicable Laws by Landlord or any other tenant or occupant of the Building;

(xii) Costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes as interpreted and enforced with respect to the Building before the reference date of this Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act, as amended, Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance, except to the extent of new requirements, amendments or interpretations first effective after the date of this Lease;

(xiii) Payments for management or other services in or to the Building, or for supplies or other materials to Landlord's subsidiaries or affiliates, to the extent that the costs of the services, supplies, or materials exceed the costs that would have been paid had the services, supplies, or materials been provided by parties unaffiliated with the Landlord on a competitive basis;

(xiv) Costs for which Landlord has been compensated by a management fee, and any management fees in excess of management fees normally charged by landlords of comparable buildings in San Francisco;

(xv) Any ground lease rental or rental under any other underlying leases;

(xvi) Except as specifically permitted under clause (10) above, interest, principal, points, and fees on debts or amortization on any mortgage, deed of trust, or any other debt instrument encumbering any of the Building or the Property;

(xvii) Any compensation paid to clerks, attendants, or other persons in commercial concessions operated by Landlord or in any parking facility at or for the Building;

(xviii) All items and services for which City, any other tenant or occupant of the Building or anyone else reimburses Landlord (other than through a party's proportionate share of Operating Costs), or that Landlord provides selectively to one or more other tenants or occupants without reimbursement;

(xix) Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any tenant or occupant of the Building;

(xx) Costs of any electric power used by any tenant in the Building for which the tenant directly contracts with the local public service company or of which any tenant is separately metered or sub-metered and pays Landlord directly (and if any tenant in the Building contracts directly for electric power service or is separately metered or sub-metered during any portion of the relevant period, the total electric power costs for the Building must be "grossed up" to reflect what those costs would have been had each tenant in the Building used a commercially reasonable, standard amount of electric power;

(xxi) Services provided, taxes attributable to, and costs incurred in connection with the operation of retail, restaurant, and garage operations in the Building;

(xxii) "in-house" legal or accounting fees;

(xxiii) Real Estate Taxes and any tax penalties incurred as a result of Landlord's negligence or Landlord's inability or unwillingness to make tax payments when due;

(xxiv) Fines, costs, penalties, or interest resulting from the negligence or willful misconduct of Landlord or its Agents;

(xxv) Costs arising from the presence of Hazardous Material in, under, or about the Building including groundwater or soil conditions;

(xxvi) Costs, fees, dues, contributions, or similar expenses for or related to charitable or political causes or candidates;

(xxvii) Costs as a result of repairs of latent defects in the design or original construction of the Building, or improvements made or installed by Landlord in the Building or in the Building Systems;

(xxviii) Costs for sculpture, paintings, or other objects of art;

(xxix) Costs arising from claims, disputes, or potential disputes (including tax disputes where the tenants of the Building would receive benefits if Landlord prevails, except as expressly provided in this subsection (xxix) below), in connection with potential or actual claims, litigation, or arbitrations pertaining to Landlord or the Building, including all attorneys' fees and costs of settlement, judgments, and other similar payments, but the legal and other costs of tax disputes that result in a savings in Real Estate Taxes may be included in Operating Costs as follows:

(A) the costs of such tax disputes included in Operating Costs hereunder may not exceed the amount of the Real Estate Tax savings, and

(B) the amount of such costs included in Operating Costs in any Expense Year may not exceed the amount of the savings in Real Estate Taxes in the correlating Tax Year, but Landlord may carry over any excess costs until Landlord has been reimbursed through Operating Costs for all of the costs of such tax dispute that may be reimbursed under this subsection (xxix);

(xxx) All direct cost of refinancing, selling, exchanging, or otherwise transferring ownership of any portion of the Building or the Property or any interest in any portion of the Property, including broker commissions, attorney's fees, and closing costs;

(xxxii) Reserves for bad debts, rent loss, capital items, future improvements, repairs, or additions, Real Estate Taxes, or Operating Costs;

(xxxiii) The wages and benefits of any employee who does not devote substantially all of his or her employed time to the Building unless the wages and benefits are prorated to reflect time spent on operating and managing the Building vis-a-vis time spent on matters unrelated to operating and managing the Building;

(xxxiv) Landlord's general corporate overhead and general and administrative expenses and all costs associated with the operation of the business of the ownership or entity that constitutes "Landlord," as distinguished from the costs of Building operations, management, maintenance or repair; and

(xxxv) Any other expense that under sound real estate accounting principles would not be considered a maintenance or operating expense by landlord of comparable buildings in San Francisco.

"Real Estate Taxes" means all taxes, assessments, and charges levied assessed or imposed on or with respect to the Building or the Property, or Landlord's interest in the Building or the Property, general or special, ordinary or extraordinary, and foreseeable or unforeseeable. Real Estate Taxes include all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services, service payments in lieu of taxes that are now or later levied or assessed against Landlord by the federal, state, or local government, district or public corporation, and will also include any other tax, fee, or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Real Estate Taxes will include any increase in any of the foregoing due to reassessment after the construction of improvements to the Building or the Property or any change in ownership or other transfer of any of Landlord's interest in the Building or the Property or resulting from any other reassessment of the Building or Property, except as expressly provided in Section 4.7 below. Real Estate Taxes expressly do not include: (1) franchise, transfer, inheritance, gross receipts, or capital stock taxes, or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of those taxes are levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest, or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes, (3) any personal property taxes payable by City or by any other tenant or occupant of the Building, or (4) any Commercial Rent Tax for Childcare and Early Education (Prop. C) to the extent that gross receipts received from leases to government entities are exempt from this tax.

"Tax Year" means each calendar year during the Term, including any partial year during which this Lease commences; provided that, by notice to City, Landlord may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of that change, City's Percentage Share of Real Estate Taxes will be equitably adjusted for the Tax Year during the change.

4.7 Reassessment Protection

Notwithstanding anything to the contrary contained in this Lease, in the event that any change in ownership or other transfer of any of Landlord's interest in the Building or the Property (an "**Adjustment Event**") occurs during the first four (4) Lease Years (the "**Protection Period**"), and if in connection therewith, the Building or the Property is reassessed for real estate tax purposes by the appropriate governmental authority under Article XIII A of the Constitution of the State of California (the "**Reassessment**"), then the terms of this Section 4.7 will apply.

(a) **Definitions.**

(1) **Excess Real Estate Taxes.** For purposes of this Section 4.7, the term "**Excess Real Estate Taxes**" means the amount by which the Real Estate Taxes payable under this Lease without regard to this Section 4.7 following an Adjustment Event exceeds the Real Estate Taxes that would have been payable if the Adjustment Event had not occurred.

(2) **City's Protected Tax Share.** For purposes of this Section 4.7, the term "**City's Protected Tax Share**" means Excess Real Property Taxes per rentable square foot of the Premises, calculated for each Lease Year and prorated on the basis of a 365-day year for any partial year.

(3) **Lease Year.** For purposes of this Section 4.7, the term "**Lease Year**" means each consecutive twelve (12)-month period during the Term, provided that (i) the first Lease Year will start on the Commencement Date, and if the Commencement Date is not the first day of a month, then the first Lease Year will end on the last day of the month in which the first anniversary of the Commencement Date occurs, and (ii) the last Lease Year will end on the Expiration Date, unless this Lease is sooner terminated.

(b) **Protection Due To Adjustment Event.** In the event that an Adjustment Event occurs:

(1) With respect to a Reassessment occurring in the 1st Lease Year: Tenant will not be obligated to pay any portion of Tenant's Protected Tax Share during the 1st Lease Year; Tenant will not be obligated to pay 75% of Tenant's Protected Tax Share during the 2nd Lease Year; Tenant will not be obligated to pay 50% of Tenant's Protected Tax Share during the 3rd Lease Year; and Tenant will not be obligated to pay 25% of Tenant's Protected Tax Share during the 4th Lease Year.

(2) With respect to a Reassessment occurring in the 2nd Lease Year: Tenant will not be obligated to pay 75% of Tenant's Protected Tax Share during the 2nd Lease Year; Tenant will not be obligated to pay 50% of Tenant's Protected Tax Share during the 3rd Lease Year; and Tenant will not be obligated to pay 25% of Tenant's Protected Tax Share during the 4th Lease Year.

(3) With respect to a Reassessment occurring in the 3rd Lease Year: Tenant will not be obligated to 50% of Tenant's Protected Tax Share during the 3rd Lease Year; and Tenant will not be obligated to pay 25% of Tenant's Protected Tax Share during the 4th Lease Year.

(4) With respect to a Reassessment occurring in the 4th Lease Year, Tenant will not be obligated to pay 25% of Tenant's Protected Tax Share during the 4th Lease Year.

After the Protection Period, this Section 4.7 will no longer apply and the amount of Real Estate Taxes payable by Tenant under this Lease will be calculated without regard hereto.

(c) **Landlord's Right to Purchase Tenant's Protected Share.** Landlord may elect, by notice to Tenant in conjunction with an Adjustment Event, to purchase (and to eliminate) the remaining Tenant's Protected Tax Share and to cause Tenant to be obligated to pay the full amount of Real Estate Taxes payable under this Lease without regard to this Section 4.7, by paying to Tenant an amount equal to the Protected Share Purchase Price with respect thereto. As used herein, "**Protected Share Purchase Price**" means the present value of the Tenant's Protected Tax Share then remaining as of the date of payment (by Landlord to Tenant) of the Protected Share Purchase Price, utilizing a discount rate equal to four and one-half percent (4.5%) per annum.

4.8 *Intentionally omitted*

4.9 *Intentionally omitted*

4.10 *Intentionally omitted*

4.11 Calculation and Payment of Operating Costs

(a) The computation of Operating Costs will be made in accordance with sound real estate accounting principles. With respect to the costs of capital repairs, improvements, or equipment included in Operating Costs under clause (10) of the definition of Operating Costs, those costs will be included in Operating Costs only after the capital Improvement is completed and put into service and will be amortized over the useful life of the capital improvements, together with interest on the unamortized balance at a rate per annum equal to three percent (3%) over the Treasury Rate charged at the time the capital improvement is constructed, but not more than the maximum rate permitted by law at the time the capital improvement is constructed. Landlord will not collect or be entitled to collect Operating Costs from all of its tenants in at the Building an amount that is more than 100% of the Operating Costs actually paid by Landlord in connection with the Building.

(b) Commencing on the Commencement Date, City will pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the Operating Costs for that Expense Year, as provided in this Section. City will make the payments together with its payments of Base Rent, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City at least four (4) months before the first payment of City's Percentage Share of Operating Costs is due. Landlord will update its estimates of Operating Costs each Expense Year, but no revised estimates will be retroactive. Landlord will use commercially reasonable efforts to provide any revised estimates to City at least four (4) months before the commencement of the Expense Year, but in any event the prior year's estimate will continue to be effective until updated. With reasonable promptness not to exceed one hundred twenty (120) days after the expiration of each Expense Year, Landlord will furnish City with a statement ("**Landlord's Expense Statement**") setting forth in reasonable detail the actual Operating Costs for the Expense Year and City's Percentage Share. If City's Percentage Share of the actual Operating Costs for the Expense Year exceeds the estimated Operating Costs paid by City for that Expense Year, City will pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Operating Costs paid by City and City's Percentage Share of the actual Operating Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by City for its Percentage Share of Operating Costs exceeds City's Operating Costs Share of the actual Operating Costs for the Expense Year, the excess will be credited against the next installments of City's Percentage Share of Operating Costs or refunded to City, at City's option. In no event may Landlord be

reimbursed for more than one hundred percent (100%) of the Operating Costs in any Expense Year.

4.12 Calculation and Payment of Percentage Share of Real Estate Taxes

Commencing on the Commencement Date, City will pay Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the Real Estate Taxes for each Tax Year, as provided in this Section. City will make those payments together with its payments of Base Rent, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord will use commercially reasonable efforts to provide any revised estimates to City at least four (4) months before the commencement of the Tax Year, but in any event the prior year's estimate will continue to be effective until Landlord provides the revised estimates. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year (or any updated tax bills), or in conjunction with delivery of Landlord's Expense Statement, Landlord will furnish City with a statement ("**Landlord's Tax Statement**") setting forth the actual amount of Real Property Taxes for the Tax Year and City's Percentage Share. If City's Percentage Share of the actual Real Estate Taxes for the Tax Year exceeds the estimated Real Estate Taxes paid by City for that Tax Year, City will pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for the Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes, the excess will be credited against the next installments of City's Percentage Share of Real Estate Taxes, or at City's option, the excess will be refunded to City. In no event may Landlord be reimbursed for more than one hundred percent (100%) of the Real Estate Taxes in any Tax Year.

4.13 Proration

If the Commencement Date or Expiration Date occurred on a date other than the first or last day of a Tax Year or Expense Year, then City's Percentage Share of Real Estate Taxes or Operating Costs for the Tax Year or Expense Year in which the Commencement Date or Expiration Date occurs, will be prorated based on a three hundred sixty-five (365)-day year.

4.14 Audits

City will have the right, by giving fifteen (15) business days' notice to Landlord (the "**Audit Notice**") no later than one (1) year after receipt of Landlord's Expense Statement for a particular Expense Year (or Landlord's Tax Statement for a particular Tax Year, as applicable), to commence an audit of the Operating Costs and taxes for such Expense Year (or the Real Estate Taxes for such Tax Year, as applicable), subject to and upon the terms and conditions of this Section 4.14. City must deliver the Audit Notice with respect to a Landlord's Expense Statement or Landlord's Tax Statement within eighteen (18) months after receipt thereof; otherwise City will be deemed to have waived any objection and will have no right to audit the books and records related to the Expense Year or Tax Year (as applicable) to which such statements pertain. Any audit will be conducted by certified public accountants, reasonably approved by Landlord or by City's employees; provided that the auditor will not be compensated on a contingency fee basis. City will use commercially reasonable efforts to ensure that any audit conducted hereunder, once commenced, is diligently prosecuted to completion. Landlord will provide its books and records for review at Landlord's headquarters or in digital format. If Landlord disagrees with the results of City's audit and the parties cannot otherwise agree, then Landlord's and Tenant's auditor will together select a Neutral Auditor to conduct a review of such books and records, and the determination reached by such Neutral Auditor will be final and conclusive. If the final conclusive audit provides that the amounts paid by City to Landlord (i) exceed the amounts to which Landlord is entitled under this Lease, then Landlord will within

thirty (30) days after the completion of the audit (or final determination by the Neutral Auditor, as applicable) refund the amount of the overpayment to City (or, at City's option, credit the amount of the overpayment against Base Rent next due), or (ii) are less than the amounts to which Landlord is entitled under this Lease, then City will pay the deficiency as Additional Charges within thirty (30) days of the final determination. City will pay the cost of its audit, provided that if any such audit discloses any discrepancies that result in a reduction of five percent (5%) of Operating Costs, Real Estate Taxes or other amounts, as applicable or more for any year, then Landlord will pay the actual costs of the audit. Each party will be responsible for its own review costs. A "**Neutral Auditor**" is a qualified real estate auditor of similar qualifications as City's and Landlord's auditors who has not worked with Landlord on this Lease or otherwise and who has not worked with City on this Lease or the Property, but is qualified as an approved vendor by City. Landlord and City will each pay one-half of the cost of the Neutral Auditor.

4.15 Records

Landlord will maintain at its main office in a safe, complete, and organized manner all of its records related to this Lease, Real Estate Taxes, Operating Costs and any other charges paid by City to Landlord, for at least four (4) years after the end of the Tax Year or Expense Year to which the Real Estate Taxes, Operating Costs or other charges, as applicable, pertain. Landlord will maintain the records on a current basis and in sufficient detail to facilitate adequate review and audit. All books and records will be available for inspection, copying, and audit by City and its representatives, at City's expense, subject to the provisions of Section 4.14 (Audits). Landlord will promptly notify City if the records described in this Section are moved to another location and will provide the updated address.

4.16 Payments by City

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

4.17 Landlord's Compliance with City Business and Tax Regulations Code

Landlord acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Landlord under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

4.18 Additional Services

City may request that Landlord provide or arrange for additional services for the Building, which Landlord may provide or arrange in its reasonable discretion. If Landlord elects to provide the requested additional services, then City will pay Landlord as Additional Charges

the cost of those services plus a three percent (3%) administrative fee, but Landlord will not contract for or provide such services, or incur costs therefor, without City's prior written approval of the cost of the additional services (which may be the known costs, or an hourly rate and maximum number of hours, or a cost estimate with a not-to-exceed maximum amount) in writing. City will pay for the cost of the additional services and the administrative fee within thirty (30) days after receipt of an invoice; provided, however, that City may elect to provide any deposit or other prepayment that City determines is appropriate given the nature of the requested services. Any additional terms for the additional services will be memorialized by a written agreement, which, upon execution by Landlord and City, will be considered a part of this Lease.

5. USE

5.1 Permitted Use

City may use the Building for the Permitted Use specified in the Basic Lease Information, and for no other use without Landlord's prior written consent, which may not be unreasonably withheld, conditioned, or delayed. City will not cause or permit any nuisance or waste in, on or about the Building or Property. City acknowledges and agrees that, except as expressly set forth in this Lease, neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of all or any portion of the Building or the Property, and/or the suitability of the Building or Property for the Permitted Use. City will obtain all required governmental approvals to conduct the Permitted Use at the Property.

5.2 *Intentionally omitted*

5.3 Interference with Access

Landlord will provide to City uninterrupted (to the maximum extent possible and subject to the terms of this Lease) access to the Building twenty-four (24) hours per day, seven (7) days per week, including during any power outages affecting any portion of the Building; but Landlord may, after consultation with City's Administrator (or reasonably endeavoring to consult with the Administrator for an urgent situation), interrupt City's access to the Building if there is an immediate threat that will render any portion of the Building unsafe for human occupancy. If City's use of any of the Building or access to the Building is interrupted because any portion of the Building is unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease, then Tenant will give written notice thereof to Landlord specifying such failure to perform by Landlord, and Landlord will immediately undertake all necessary steps to correct the condition. If Landlord fails to cure such failure within five (5) business days following receipt of the written notice from City and the condition at issue continues to materially impair City's ability to carry on its business in the Building, then (a) Rent will be abated in the proportion that the square footage of the portion of the Building that City is prevented from using, and does not use, bears to the total square footage of the Building, for the period beginning five (5) business days after City's written notice until the earlier of the date Landlord cures such failure to perform or the date City recommences the use of such portion of the Building, or (b) City may utilize the provisions of Section 15.3(b) below to remedy such failure. If the condition at issue continues to materially impair City's ability to carry on its business in the Building for sixty (60) consecutive days or more after City's written notice informing Landlord that City's use is materially impaired, City may send written notice to Landlord stating that City will terminate this Lease, and this Lease will terminate unless within two (2) business days after Landlord receives City's notice, Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within ninety (90) days after the date City's use was materially impaired, and City's use is actually restored within that 90-day period. If City's use is not actually restored within that 90-day period, then City may terminate this Lease immediately upon written notice to Landlord. Except for the termination right expressly set forth herein, City hereby waives the provisions of

California Civil Code Section 1932(1) or any other applicable existing or future law permitting the termination of this Lease due to an access interruption. Notwithstanding the foregoing, nothing in this Section will limit City's rights with respect to any disruption due to casualty under Section 12 (Damage and Destruction).

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord, through Centric General Contractors or another general contractor reasonably approved by City, will construct the Leasehold Improvements, as such term is defined in the Work Letter attached as Exhibit D.

6.2 Construction of Improvements that Disturb or Remove Exterior Paint

Landlord, on behalf of itself and its successors, assigns, and Agents, will comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and federal laws, including the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below) from the Building during the Term of this Lease. Landlord and its Agents must give to City three (3) business days' prior written notice of any disturbance or removal by Landlord or its Agents of exterior or interior lead-based or presumed lead-based paint during the Term. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint under San Francisco Building Code Chapter 34 does not constitute notification to City as tenant under this Lease and similarly that notice under this Lease does not constitute notice under San Francisco Building Code Chapter 34. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint from the Building during the Term, will not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding, or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord will comply with the requirements of California Code of Regulations Title 17, if and to the extent applicable, when taking measures that are designed to reduce or eliminate lead hazards with respect to the Building during the Term. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by San Francisco Building Code Chapter 34, demonstrates an absence of lead-based paint on the interior or exterior surfaces of the buildings. Under this Section, lead-based paint is "disturbed or removed" if the work or alteration involves any action that creates friction, pressure, heat, or a chemical reaction on any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through, or eliminate paint from that surface.

7. ALTERATIONS

7.1 Alterations by City

City may not make or permit any alterations, installations, additions, or improvements (collectively, "**Alterations**") to the Building without first obtaining Landlord's written consent, which Landlord will not unreasonably withhold, condition, or delay. Installation of furnishings, fixtures, equipment, or decorative improvements to the interior of the Building that do not affect the Building Systems or structure and are not visible from the exterior of the Building, and which do not cost in excess of \$75,000 per project, and the repainting and recarpeting of the interior of the Building (collectively, "**Cosmetic Work**") do not require Landlord's consent; provided that

City will give Landlord at least ten (10) days prior written notice of any Cosmetic Work performed by third-party contractors, suppliers or vendors which costs in excess of \$10,000. Notwithstanding anything to the contrary herein, in no event will City make any rooftop penetrations or otherwise make any improvements to the roof of the Building or install or place any items or equipment thereon, without first obtaining the consent of Landlord which may be withheld in Landlord's sole discretion. Any Alterations permitted under this Lease will be made at City's cost in compliance with applicable Laws (as defined in Section 10.1 (Landlord's Compliance with Laws)), pursuant to a valid building permit and in a good and workmanlike manner. Landlord may require that City use contractors reasonably preapproved by Landlord with respect to Alterations affecting the Building structure or Building Systems. If, as a result of Alterations by or on behalf of City, modifications or improvements are required by Law to be made to the Building or other portions of the Property, City will be responsible for making such modifications or improvements, at its cost and expense. Without cost to itself, Landlord will reasonably cooperate with City in securing building and other permits and authorizations needed for any permitted Alterations. Landlord will not be entitled to any construction or other administrative fee in connection with any Alterations, except as follows: Landlord will receive an administrative fee equal to four percent (4%) of the cost of any Alterations consented to by Landlord, and City will reimburse Landlord for the reasonable and actual fees and charges paid to third party architects, engineers, and other consultants for review of the proposed Alterations and related plans and specifications, up to a maximum of five percent (5%) of the costs of the Alterations, within thirty (30) days of demand. Upon completion with the subject Alterations, City will provide Landlord with copies of the "as built" drawings therefor. City will not be required to remove any Alterations on the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves the Alterations that they must be removed. City is not required to remove any improvements not requiring Landlord's consent.

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Building by or for City and that can be removed without structural damage to the Building (collectively, "**City's Personal Property**") are and will remain City's property. If City requests, Landlord may assist City with ordering and installing City's Personal Property and City will reimburse Landlord for all fees, costs, and expenses incurred by Landlord in connection with such work requested by City, within thirty (30) days after receipt of an invoice, together with an administrative fee equal to four percent (4%) of the amount incurred by Landlord; provided, however, that City may elect to provide any deposit or other expense required at the time of ordering City's Personal Property. Although Landlord may assist with ordering and installing City's Personal Property, all items will remain City's Personal Property and not be considered Leasehold Improvements or constitute any component of the Leasehold Improvements. At any time during the Term, City may remove any of City's Personal Property, and City will repair any damage to the Building resulting from that removal. On the expiration or earlier termination of this Lease, City must remove City's Personal Property from the Building in accordance with Section 20 (Surrender of Building). Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing, otherwise subjected to a security interest, or owned by an equipment company and leased to City ("**Secured Personal Property**"). Landlord recognizes the rights of any supplier, lessor, or lender (collectively, a "**Supplier**") who has an interest in any items of Secured Personal Property

to enter the Building and remove that Secured Personal Property at any time during the Term, provided that such Supplier will have entered into a commercially reasonable access agreement with Landlord providing for indemnification of Landlord, insurance, authorization, restoration and repair and other reasonable terms. City agrees that Landlord may allow any Supplier access upon written demand from the Supplier, without verification whether or not removal is appropriate, and City will hold Landlord harmless in connection therewith and agrees that Landlord will not be liable for any error or removal of City's Personal Property.

7.4 Alteration by Landlord

Landlord will use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Building during any alterations, installations, additions, or improvements to the Building. Landlord will promptly remedy any interference or disruption on receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Subject to Tenant's obligations under Section 8.2 below, at its cost (subject to reimbursement as an Operating Cost to the extent permitted under this Lease), Landlord will repair and maintain the exterior and structural portions of the Building in good condition and repair, including the roof, foundation, bearing and exterior walls, windows, doors, door frames, demising walls, and subflooring, and the heating, ventilation, air conditioning, plumbing, electrical, fire protection, life safety, and mechanical and electrical systems of the Building (collectively, the "**Building Systems**"), and provide exterior graffiti removal with reasonable frequency.

8.2 City's Repairs

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

City, at its expense, will (i) use Mold Prevention Practices; and (ii) promptly notify Landlord if it observes, suspects, has reason to believe that any Mold Condition exists at the Building. "**Mold Prevention Practices**" means good housekeeping practices. "**Mold Conditions**" means mold and any other conditions that reasonably can be expected to cause or result from mold or fungus, including observed or suspected instances of water damage, condensation, seepage, leaks, or any other water penetration (from any source, internal or external), mold growth, mildew, and complaints of respiratory ailments or eye irritation by City's

Agents and Invitees. City will allow Landlord to evaluate and make recommendations. Landlord will not be liable for any personal injury or damages to property caused by or associated with the growth of or occurrence of mold or mildew on or in the Building that are preventable through City's use of Mold Prevention Practices.

8.3 Liens

City will keep the Building and Property free from liens arising out of any work performed, material furnished, or obligations incurred by City, and, in case of any such lien attaching, Landlord will allow City a reasonable opportunity to contest such lien or take other appropriate action to remove or bond over the lien for a period of not less than thirty (30) days. Notwithstanding anything to the contrary set forth in this Lease, in the event that such lien is not released and removed (by bond or otherwise) on or before the date occurring thirty (30) days after notice of such lien is delivered by Landlord to City, Landlord, at its sole option, may immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Landlord in connection with such lien will be deemed Additional Charges under this Lease and will be due and payable by City within sixty (60) days. Nothing herein will be deemed to mean that City is prevented from contesting a particular lien, as long as City first "bonds over" such lien, at City's cost. Landlord may post at the Building any notices permitted or required by Laws or that are needed for the protection of Landlord or the Building, from mechanics' and material suppliers' liens. City will give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City in the Building.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

As an Operating Cost, Landlord will furnish the following utilities and services to the Building: **(a)** heating, air conditioning, and ventilation in amounts reasonably required for City's comfortable use and occupancy of the Building, 24 hours per day, seven days per week; **(b)** electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("**Daily Basis**"); **(c)** elevator service on a Daily Basis; and **(d)** water for lavatory, kitchen, and drinking purposes on a Daily Basis. Without limiting Landlord's obligations under this Section, as an Operating Cost, Landlord will furnish all utilities and services required under this Lease in a manner consistent with utilities and services normally provided in other buildings similar to the Building in the San Francisco South of Market District.

9.2 Safety and Security

City acknowledges that City will be solely responsible for any safety and security devices, and in no event will Landlord be responsible for theft or other criminal acts, or the safety of persons or property and City expressly assumes the risk that any safety device, service, or program may not be effective or may malfunction or be circumvented. Any security system installed by City in the Building will be subject to Landlord's prior written approval of the type of system and its installation, and Landlord reserves the right to require City to remove such system and related equipment from the Building upon the expiration or earlier termination of this Lease.

9.3 Conservation

Landlord may voluntarily establish reasonable measures to conserve energy and water, including efficient lighting forms, so long as these measures do not unreasonably interfere with City's use of the Building. In the event any governmental authority having jurisdiction over the

Property promulgates or revises any Law or building, fire or other code or imposes mandatory controls on Landlord or the Property relating to the use or conservation of energy or utilities or the reduction of automobile or other emissions (collectively, “**Controls**”), or in the event Landlord is required to make alterations to the Property or any portion thereof in order to comply with such mandatory Controls, Landlord may comply with such Controls or make such alterations, and the foregoing will not constitute a constructive eviction of City or violation of the terms of this Lease.

9.4 Disruption in Essential Utilities or Services

If any failure, stoppage, or interruption of any utilities or services required to be furnished by Landlord occurs, upon Landlord’s actual knowledge thereof, Landlord will promptly notify City of the failure, stoppage, or interruption; diligently attempt to restore service as promptly as possible; and keep City apprised of its efforts. If Landlord fails to perform the obligations required of Landlord under this Lease, resulting in the failure of the Building’s sanitary, electrical, heating, air conditioning, water, elevator, fire protection or life safety for which Landlord is responsible under this Lease (collectively, “**Essential Services**”) and such failure of Landlord materially impairs City’s ability to carry on its business in the Building for five (5) or more consecutive business days following City’s written notice to Landlord, then (i) Rent will be abated in the proportion that the square footage of the portion of the Building that City is prevented from using, and does not use, bears to the total square footage of the Building, for the period beginning on the sixth (6th) business day after City’s written notice until the earlier of the date such Essential Services have been restored so that the lack of any remaining Essential Services no longer materially impairs City’s ability to carry on its business in the Building or the date City recommences the use of such portion of the Building, or (ii) City may utilize the provisions of Section 15.3(b) below to remedy such failure. Landlord will use commercially reasonable efforts to restore disrupted Essential Services as soon as possible. If the condition at issue continues to materially impair City’s ability to carry on its business in the Building for sixty (60) consecutive days or more after City’s written notice informing Landlord that City’s use is materially impaired, City may send written notice to Landlord stating that City will terminate this Lease, and this Lease will terminate unless within two (2) business days after Landlord receives City’s notice, Landlord supplies City with evidence reasonably satisfactory to City that City’s normal and safe use will be restored within ninety (90) days after the date City’s use was materially impaired, and City’s use is actually restored within that 90-day period. If City’s use is not actually restored within that 90-day period, then City may terminate this Lease immediately upon written notice to Landlord. City will not be entitled to any abatement of Rent or right to self-help under Section 15.3(b) below, nor will City have the right to terminate this Lease as provided herein, to the extent that Landlord’s inability to supply Essential Services to City results from the negligent acts or omissions of City or its Agents or Invitees. Except for the termination right expressly set forth herein, City hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future law permitting the termination of this Lease due to a service or utility interruption or failure.

10. COMPLIANCE WITH LAWS; BUILDING CONDITION

10.1 Landlord’s Compliance with Laws; Building Condition; Indemnity

Subject to City’s obligation under Section 8.2 (City’s Repairs), Landlord will at all times during the Term maintain, at its cost (subject to reimbursement as an Operating Cost to the extent permitted by this Lease), the Property and the Building Systems in compliance with applicable present or future federal, state, local, and administrative laws, rules, regulations, orders, and requirements (collectively, “**Laws**”). Landlord represents and warrants to City as of the date of this Lease, and covenants with City, as follows; to Landlord’s actual knowledge: (a) the physical structure, fixtures, and permanent improvements of the Building (including the Leasehold Improvements) and all portions of the Property and the Building (including the

Building entrances, restrooms, elevators, lobbies, and drinking fountains) are now, or as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990, California Code of Regulations Title 24, and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, “**Disabilities Laws**”); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable Laws relating to seismic safety (collectively, “**Seismic Safety Laws**”); (c) the Building and Building Systems are now, and as of the Commencement Date will be, in compliance with all applicable Laws relating to fire and life safety (including the San Francisco High-Rise Sprinkler Ordinance) (collectively, “**Life Safety Laws**”); (d) the Building and Building Systems are now, and as of the Commencement Date will be, in compliance with all other applicable Laws; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Building or the Building Systems that would materially adversely affect City’s use of the Building for the Permitted Use. Without limiting Section 16.2 (Landlord’s Indemnity), Landlord will Indemnify City against any and all Claims (defined in Section 16.1 (City’s Indemnity) below) arising out of (i) any failure of the Property, Building, Building Systems (or any portion of any of them) to comply with applicable Laws as interpreted and enforced with respect to the Property on the Commencement Date (except to the extent that compliance is the responsibility of City as provided in Section 10.2 below); or (ii) any misrepresentation by Landlord under this Section.

10.2 City’s Compliance with Laws; Indemnity

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

10.3 City’s Compliance with Insurance Requirements

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

11. SUBORDINATION

(a) Subject to subsection (b) below, this Lease is subject and subordinate at all times to the following (each an “**Encumbrance**”): (i) any reciprocal easement agreements, ground leases, or other underlying leases that may later be executed affecting Landlord’s interest in the Property (or any portion of it), and (ii) the lien of any mortgages or deeds of trust and

renewals, modifications, consolidations, replacements, and extensions of any of the foregoing that may be executed by Landlord at any time in any amount for which any part of the Property, any ground lease, or underlying lease, or Landlord's interest or estate in them is subject. But, if the ground lessor, mortgagee, trustee, or holder of any mortgage or deed of trust (each an "**Encumbrancer**") elects to have City's interest in this Lease be superior to its Encumbrance, then, on City's receipt of a notice from the Encumbrancer, this Lease will be deemed superior, whether this Lease was executed before or after the date of the Encumbrance or the date of its recording. The provisions of this subsection (a) are self-operative and no further instrument will be required. At Landlord's request, however, City will enter into a subordination, non-disturbance, and attornment agreement ("**SNDA**") with Encumbrancer in a form reasonably acceptable to City and Encumbrancer evidencing the subordination or superiority of this Lease. City's covenant under this subsection (a) to subordinate this Lease to any Encumbrance is conditioned on each senior instrument containing the commitments in subsection (b) below.

(b) If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or if any ground lease or underlying lease to which this Lease is subordinate is terminated, then this Lease will not be barred, terminated, cut off, or foreclosed and the rights and possession of City under this Lease will not be disturbed unless an Event of Default has occurred and is continuing. City will attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of the succession and the name and address of the successor landlord. The provisions of this Section 11(b) are self-operative and no further instrument will be required. Landlord agrees, however, to use commercially reasonable efforts to secure a commercially reasonable form of SNDA from the current Encumbrancer. With respect to future Encumbrances entered in to by Landlord after the date of this Lease, Landlord agrees, upon request by City and in a commercially reasonable form reasonably acceptable to City to cause any Encumbrancer to execute an SNDA evidencing the foregoing non-disturbance provisions together with the priority or subordination of this Lease with respect to any such Encumbrance. City agrees to execute or provide comments to any proposed SNDA within thirty (30) days after Landlord's request.

12. DAMAGE AND DESTRUCTION

(a) If the Building or any Building Systems are damaged by fire or other casualty, Landlord will repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if, at its sole option, City makes sufficient funds available to Landlord, Landlord will also repair the Leasehold Improvements, but not City's Personal Property) so long as the repairs can be made under applicable Laws within one hundred eighty (180) days after Landlord obtains all necessary permits but not later than two hundred ten (210) days after the date of the damage (the "**Repair Period**"). If Landlord is obligated to repair as provided above, then this Lease will remain in full force and effect, except that City will be entitled to an abatement of Rent until the Building is restored to its condition before the casualty unless the repair is necessitated by the negligence or willful misconduct of City or its Agents or Invitees and the damage is not covered by insurance. The abatement in Rent will be based on the extent to which the damage and the making of the repairs interferes with City's use of the Building. Landlord's repairs will not include, and the Rent will not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents that is not covered by insurance.

(b) Within thirty (30) days after the date that Landlord is notified or has actual knowledge of the damage, Landlord will notify City whether, in Landlord's reasonable judgment made in good faith, the repairs can be made within the Repair Period. If the repairs cannot be made within the Repair Period, then either party may terminate this Lease by giving written notice to the other given within thirty (30) days after the date of Landlord's notice. The termination date will be the date specified in the termination notice, which date may be not less

than thirty (30) or more than sixty (60) days after Landlord's notice. If either party elects to terminate this Lease, then the Rent will be reduced by a proportionate amount based on the extent to which the damage interferes with the normal conduct of City's business in the Building, and City will pay the reduced Rent up to the date of termination. Landlord will refund to City any Rent previously paid for any period after the date of termination.

(c) Notwithstanding the foregoing, if the Building is damaged or destroyed, and the damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry under this Lease (for purposes of this subsection the amount of Landlord's deductible will be considered part of the proceeds) or in the event that Landlord's lender refuses to release such proceeds, then Landlord may terminate this Lease by written notice to City within thirty (30) days after the date Landlord receives written notice that the damage is not covered by insurance or Landlord's lender has refused to release the proceeds. Landlord's termination notice must include adequate written evidence of the denial of insurance coverage or lender's refusal to release the proceeds. If Landlord does not elect to terminate this Lease as provided in this subsection (c), then subsections (a) and (b) will apply.

(d) If during the last six (6) months of the Term there is substantial damage that Landlord would be required to repair under this Section, then within thirty (30) days after the date of the damage Landlord or City may, each at its option, terminate this Lease as of the date the damage occurred by giving written notice to the other party of its election to do so; provided, however, Landlord may terminate this Lease only if it would take more than thirty (30) days to repair the damage or the damage will not be completed prior to the Expiration Date despite Landlord's good faith efforts to complete the repairs.

(e) The parties intend that the provisions of this Section fully govern their rights and obligations in the event of damage or destruction. Accordingly Landlord and City each waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar Law now or later in effect, to the extent those rights are inconsistent with the provisions of this Section.

13. EMINENT DOMAIN

13.1 Definitions

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

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

"Award" means all compensation, sums, or anything of value paid, awarded or received for a Taking, whether under any judgment, agreement, settlement, or otherwise.

13.2 General

If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Building or any interest in this Lease, the rights and obligations of the parties will be determined under this Section. City and Landlord intend that the provisions of this Section govern fully in the event of a Taking and accordingly, Landlord and City each waives any right to terminate this Lease in whole or in part

under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar Law now or later in effect.

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Building, then this Lease will terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Building untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Building or adversely affects access to the Building, (ii) the condition rendering the Building untenable or unsuitable or that materially adversely affects City's normal operations or adversely affects access to the Building either is not curable or is curable but Landlord is unwilling or unable to cure the condition, and (iii) City elects to terminate on written notice to Landlord delivered within thirty (30) days after the Date of Taking.

(b) If a partial Taking of a substantial portion of the Building occurs, a but subsection (a) above does not apply, then by written notice to the other delivered within thirty (30) days after the Date of Taking either City or Landlord may terminate this Lease, provided that, as a condition to City's right to terminate, the portion of the Building taken must, in City's reasonable judgment, render the Building unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Building or access to the Building.

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

13.5 Termination of Lease; Rent and Award

On termination of this Lease in its entirety under Section 13.3 (Total Taking; Automatic Termination) or under Section 13.4 (Partial Taking; Continuation of Lease), then: (a) City's obligation to pay Rent will continue up until the date of termination and then will cease, and (b) Landlord will be entitled to the entire Award, except that City will receive any portion of the Award for the unamortized cost of any Leasehold Improvements paid for by City and any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6 Partial Taking; Continuation of Lease

If there is a partial Taking of the Building and this Lease is not terminated in its entirety under Section 13.4 (Partial Taking; Continuation of Lease) above, then this Lease will terminate as to the portion of the Building taken, but will remain in effect as to the portion not taken, and the rights and obligations of the parties will be as follows: (a) Rent will be equitably reduced depending on the configuration of the Building and the portion taken (for instance, if the area of the Building taken has no special or significant use, then the reduction may be by an amount that is in the same ratio to the Rent as the area of the Building taken bears to the area of the Building before the Date of Taking), and (b) Landlord will be entitled to the entire Award in connection therewith, provided that City will receive any portion of the Award for the unamortized cost of any Leasehold Improvements paid for by City in the portion of the Building taken and any

Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7 Temporary Taking

Notwithstanding anything to contrary in this Section, if a Taking of the Building occurs for sixty (60) consecutive days or fewer, this Lease will remain unaffected by the temporary Taking, and City will continue to pay Rent and to perform all of the terms, conditions, and covenants of this Lease. In the event of a temporary Taking, City will be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Building during the Term up to the total Rent owing by City and any out-of-pocket costs incurred by City due to the temporary Taking for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

(a) Except as provided in this Section, City may not directly or indirectly sell, assign, encumber, pledge, or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Building or its leasehold estate created by this Lease or permit all or any portion of the Building to be occupied by anyone other than itself or sublet all or any portion of the Building, without Landlord's prior written consent in each instance, which will not be unreasonably withheld, conditioned, or delayed. From time to time, on prior written notice to Landlord, but without Landlord's consent, City may transfer this Lease or use and occupancy of all or any of the Building to any department, commission, or agency of the City and County of San Francisco for uses permitted under this Lease; provided that City will not be released of its obligations, and in the event of any assignment any such entity will execute an assumption of lease agreeing to be bound by the terms of this Lease.

(b) Landlord will have no obligation to consent to any assignment, sublease, or other transfer: (i) that purports to release City, (ii) if the assignee or transferee is not credit worthy, as reasonably determined by Landlord, or (iii) where any lender or mortgagee fails to consent (where such consent is required). If City desires to assign, sublet, or transfer all or part of this Lease or the Building, then in connection with City's request to Landlord for Landlord's consent thereto, City will give notice to Landlord in writing ("**Tenant's Request Notice**") containing: (i) the identity of the proposed assignee, subtenant or other party and a description of its business; (ii) the terms of the proposed assignment, subletting, or other transfer (including a copy of the proposed assignment, sublease or other document); (iii) the anticipated commencement date of the proposed assignment, subletting, or other transfer (the "**proposed sublease commencement date**"); (iv) the area proposed to be assigned, sublet, or otherwise encumbered; (v) evidence of financial responsibility of such proposed assignee, subtenant, or other party; and (vi) a certification executed by City and such party stating whether or not any premium or other consideration is being paid for the assignment, sublease or other transfer.

(c) Landlord will have thirty (30) days in which to approve or reject the proposed assignment, sublease, or other transfer. Any net profits payable to City from any sublease or assignment (after deducting all actual and reasonable costs incurred by City in connection with the proposed sublease, including marketing costs, attorneys' fees, brokers fees, and transaction costs) will be divided 50% to Landlord (the "**Additional Consideration**") and 50% to City. Landlord will have the right to review City's nonprivileged records relating to costs in order to confirm any net profit. After recovery of City's costs as provided above, City will pay the Additional Consideration monthly to Landlord within five (5) days after the same is payable to City.

(d) In addition, in lieu of approving any proposed assignment, sublease, or transfer, Landlord will have the right to recapture the portion of the Building that is proposed by City to be assigned, sublet, or transferred. If Landlord exercises this recapture right, (i) the

recaptured space will be removed from the premises demised to City under this Lease for all purposes under this Lease and City will be responsible for all costs needed to fully demise, separate, and secure the remainder of the leased premises from the recaptured space (including installation of demising walls, if applicable), **(ii)** Rent (including Additional Charges) will be proportionally reduced based upon the square footage that is removed from the leased premises, and **(iii)** the parties agree to amend this Lease to reflect the above changes to the premises and Rent, and any such amendment will be subject to the approval of the City's Director of Property without the need for Board of Supervisors' approval. Notwithstanding the foregoing, in the event Landlord exercises such recapture right as to the entire premises under lease, or in connection with a proposed assignment of this Lease, then this Lease will terminate as of the proposed effective date of such proposed transfer. In no event will the Purchase Option (defined in Section 22 (City's Option to Purchase) be available to any assignee, subtenant, or transferee, nor will the Purchase Option remain in effect in the event that City's interest has been assigned or transferred.

(e) No assignment of the Lease or right of occupancy under this Lease may be effectuated by operation of law without the prior written consent of Landlord. Any attempted assignment or transfer of this Lease or any sublet or permission to use or occupy the Building or any part of it not in accordance with this Section 14, will be void and of no force or effect. Landlord's collection or acceptance of rent from any assignee or subtenant will not be construed either as waiving or releasing City from any of its liabilities or obligations under this Lease as a principal or as relieving City or any assignee or subtenant from the obligation of obtaining Landlord's prior written consent to any subsequent assignment or subletting. As security for this Lease, City hereby assigns to Landlord the rent due from any assignee or subtenant of City during any period that there exists an Event of Default. City authorizes each assignee or subtenant to pay its rent directly to Landlord upon receipt of notice from Landlord stating that there is an Event of Default under this Lease and directing payment to Landlord. Landlord's collection of such rent will not be construed as an acceptance of such assignee or subtenant as a tenant. In no event will any assignment, sublease or other transfer release City of its obligations under this Lease. City will pay to Landlord its reasonable, out-of-pocket costs (including reasonable attorneys' fees and accounting costs) incurred by Landlord in connection with City's request for Landlord to give its consent to any assignment, subletting, or transfer within thirty (30) days after receipt of Landlord's invoice together with reasonable supporting documentation. City will deliver to Landlord a fully-executed copy of each agreement evidencing a sublease, assignment or other transfer within ten (10) days after execution thereof.

(f) Landlord acknowledges that City may operate the Building through a service provider (the "**Service Provider**") pursuant to a written agreement between City and the Service Provider (the "**Service Provider Agreement**"), but without Landlord's consent, for uses permitted under this Lease; provided that City will not be released of its obligations under this Lease. City will promptly notify Landlord of the name and contact information for the Service Provider. The Service Provider Agreement will expressly (i) provide that the Service Provider will, while in possession of the Building, comply with the applicable provisions of this Lease, and (ii) require the Service Provider to vacate and surrender the Building no later than the date of expiration or earlier termination of this Lease. Notwithstanding the fact that the Service Provider may occupy the Building, the Service Provider Agreement will not be considered an assignment, sublease or encumbrance of or on the Building, it being agreed that no property rights with respect to the Building will be transferred to the Service Provider by City. City agrees to indemnify Landlord for any costs incurred by Landlord (including, without limitation, reasonable attorneys' fees) in connection with any claim brought by the Service Provider claiming to have property rights with respect to all or any portion of the Building.

(g) All restrictions and obligations imposed pursuant to this Lease on City will extend (as applicable) to any subtenant, licensee, concessionaire, Service Provider or transferee, and City will cause such person to comply with such restrictions and obligations. Any

assignee will be deemed to have assumed obligations as if such assignee had originally executed this Lease. Any assignee will execute an assumption agreement, reasonably acceptable to Landlord. Subject to any written agreement with Landlord at the time of entering into a sublease, each sublease is subject to the condition that if the Lease is terminated or Landlord succeeds to City's interest in the Building by voluntary surrender or otherwise, at Landlord's option the subtenant will be bound to Landlord for the balance of the term of the sublease and will attorn to and recognize Landlord as its landlord under the then executory terms of the sublease. The extension options and purchase option are personal to City and are not exercisable by any transferee under any sublease, assignment, or other transfer, nor may City exercise any extension options or purchase option if City has transferred its interest in this Lease or the Building.

(h) The termination of this Lease prior to its scheduled expiration date will, unless Landlord agrees otherwise in writing in an SNDA, terminate the rights of any Service Provider, assignee, sublessee or other transferee to occupy the Building.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

Any of the following will constitute an "Event of Default" by City:

(a) After Landlord is qualified as an approved vendor as provided in Section 4.16 (Payments by City) above, City fails to make any timely payment of Rent and to cure the nonpayment within five (5) business days after receipt of written notice of nonpayment from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City will have twenty (20) days after written notice from Landlord to cure any nonpayment, and further provided that, except as described above, in no event will Landlord be required to provide more than three (3) written notices under this subsection (a) in any 12-month period, after which late payments will be an automatic Event of Default.

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

(c) City assigns this Lease or subleases any portion of the Building in violation of the terms of this Lease.

(d) City fails to provide evidence of insurance (to the extent required), estoppel certificates, signed SNDAs, or remove liens under Section 8.3 within the time provided in this Lease, which failure continues for five (5) business days after receipt of Landlord's written notice of default.

(e) City's failure to perform any other of its covenants or obligations under this Lease (not involving the payment of money) and failure to cure the non-performance within thirty (30) days of the date of receipt of Landlord's notice of the failure, provided that if more than thirty (30) days are reasonably required for the cure, no Event of Default will occur if City commences the cure within the thirty (30)-day period and diligently prosecutes the cure to completion (provided that where City's failure creates a dangerous condition or exposes Landlord to substantial or criminal penalties due to violations of Laws or otherwise, in which event City will be required to effect a cure within the time limit reasonably set forth by Landlord in its notice).

15.2 Landlord's Remedies

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

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including the right to terminate City's right to possession of the Building and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that City proves could be reasonably avoided, as computed under subsection (b) of Section 1951.2.

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

(c) Consistent with and subject to any Landlord obligation to mitigate damages under California law, if an Event of Default occurs under this Lease, then Landlord may put the Building into rentable condition and relet the Building or any part thereof for such term and on such terms and conditions (which may include any concessions or allowances granted by Landlord) as Landlord, in its reasonable discretion, may determine. Whether or not this Lease and/or City's right of possession is terminated or any suit is instituted, City will be liable for any base rent, additional rent, damages or other sum that may be due or sustained before such Event of Default, and for all actual and reasonable costs, fees and expenses incurred by Landlord in pursuit of its remedies hereunder and/or in recovering possession of the Building as determined by a court of law. If Landlord does not terminate this Lease but instead leases or sublets the Building (or portion thereof), rents received by Landlord will be applied (i) first, to the payment of the costs of maintaining, preserving, altering and preparing the Building for leasing and any other costs of leasing, including but not limited to brokers' commissions and attorneys' fees and expenses; (ii) second, to the payment of rent and additional rent then due and payable hereunder; (iii) third, to the payment of future rent as the same may become due and payable hereunder; and (iv) fourth to Landlord's damages, costs and fees related to City's default (including reasonable attorneys' fees), with any surplus held by Landlord as a security deposit under commercially reasonable standards (in a non-interest bearing account, which need not be segregated) pending termination of the Lease. If the rents received by Landlord, after application as provided above, are insufficient in any month to pay the rent due and payable hereunder for such month, City will pay such deficiency to Landlord monthly within thirty (30) days of Landlord's demand.

(d) The rights and remedies of Landlord set forth in this Lease are cumulative and in addition to all other rights and remedies available to at law or in equity, including those available as a result of any anticipatory breach of this lease. The exercise by Landlord of any such right or remedy will not prevent the concurrent or subsequent exercise of any other right or remedy.

15.3 Landlord's Default

(a) Landlord will be in default under this Lease if Landlord fails to comply with any term, provision, or covenant of this Lease and such failure is not cured within thirty (30) days after written notice thereof to Landlord stating the nature of the default (unless a shorter time period to its cure is expressly specified in this Lease), or, if Landlord's failure to comply with such term, provision or covenant under this Lease materially impairs City's ability to carry on its business in the Building, then within five (5) business days after such written

notice thereof to Landlord (with such notice specifying the shorter time period and the reasons therefor) (the 30-day period and the 5 business-day period each being a “**Landlord Default Notice Period**”); provided that if the nature of such cure is such that a longer cure period is necessary, Landlord will only be in default if Landlord will have failed to commence such cure within said Landlord Default Notice Period and thereafter to have diligently prosecuted such cure to completion. If Landlord fails to cure or commence to cure within the time periods just described (such failure, a “**Landlord Default**”), City may exercise any of its remedies provided at law or in equity, but nothing in this Section 15.3 will be deemed to give Tenant the right to terminate this Lease (provided that Tenant does not waive any right of termination which Tenant may otherwise have, at law or in equity) or to offset against rent or other sums due pursuant to this Lease (except as set forth in this Lease). In addition to and without limiting the foregoing, in the event of a Landlord Default, at City’s option (i) Rent will be abated for the portion of the Building rendered unusable and not used by City as a result of such Landlord Default, continuing until the earlier of the date Landlord cures such default or the date City recommences the use of the applicable portion of the Building, or (ii) City will give written notice to Landlord and the current Encumbrancer informing them that City intends to cure the subject Landlord Default itself, and if Landlord has still failed to cure or commence to cure (as applicable) such failure within three (3) business days after such notice, City may utilize the provisions of Section 15.3(b) below. Notwithstanding anything to the contrary herein, if Rent is abated under Sections 5.3 or 9.4 of this Lease, such abatement will be in lieu of abatement under this Section 15.3(a).

(b) Whenever this Lease provides that City may utilize the provisions of this Section 15.3(b), City may perform the action required of Landlord under this Lease which Landlord has failed to perform, while at all times being in compliance with all applicable Laws pertaining to such performance, and any sums paid by City and/or City’s reasonable cost of performance will be reimbursed and/or payable to City by Landlord within thirty (30) days after receipt of City’s invoice accompanied by reasonable substantiating information. Any work performed by City under this Section 15.3(b) will be pursuant to a valid building permit (if applicable) and in a good and workmanlike manner, and if such work affects the Building structure or Building systems, such work will be performed only by Landlord’s preapproved contractors.

16. INDEMNITIES

16.1 City’s Indemnity

City will indemnify, defend, and hold harmless (“**Indemnify**”) Landlord and its Agents from and against any and all claims, losses, damages, costs, and expenses, including reasonable attorneys’ fees (collectively, “**Claims**”), incurred as a result of (a) City’s use of the Building and/or Property, or (b) any default by City in the performance of any of its material obligations under this Lease (including the Work Letter), or (c) any negligent acts or omissions of City or its Agents in, on, or about the Building or the Property; provided, however, City will not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents because of a Claim Indemnified by City under this Section, at its sole option, City may elect to defend the Claim by attorneys in City’s Office of the City Attorney, by other attorneys selected by City, or both. City will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord will have the right, but not the obligation, to participate in the defense of the Claim at its sole cost. City’s obligations under this Section will survive the termination of the Lease.

16.2 Landlord’s Indemnity

Landlord will Indemnify City and its Agents from and against any and all Claims incurred as a result of (a) any Landlord Default 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 Building or the Property; provided, however, Landlord will not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents because of a Claim Indemnified by Landlord under this Section, at its sole option, Landlord may elect to defend the Claim by attorneys selected by Landlord. Landlord will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City will have the right, but not the obligation, to participate in the defense of any Claim at its sole cost. Landlord's obligations under this Section will survive the termination of this Lease.

17. INSURANCE

17.1 City's Self-Insurance

Landlord acknowledges that City maintains a program of self-insurance and City is not be required to carry any insurance with respect to this Lease. City assumes the risk of damage to any of City's Personal Property, except for damage caused by Landlord's or its Agents' active negligence or intentional acts. City's self-insurance program will cover the following items (as if City had purchased a standard insurance policy from an independent insurance provider licensed to do business in California):

(a) Commercial general liability insurance with limits not less than Three Million Dollars (\$3,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU).

(b) **(b)** Worker's Compensation Insurance with Employer's Liability limits not less than One Million Dollars (\$1,000,000) each accident.

(c) Business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, as applicable, if City uses automobiles in connection with its use of the Building.

(d) An Umbrella policy in the amount of Five Million Dollars (\$5,000,000).

17.2 Landlord's Insurance

(a) At all times during the Term, Landlord will keep the Building and all improvements (including the Leasehold Improvements) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage (include earthquake sprinkler leakage) and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including debris removal and demolition). Upon City's request, Landlord will provide to City a certificate of insurance issued by the insurance carrier, evidencing the required insurance. Landlord will provide (or cause its insurer to provide) at least thirty (30) days' prior written notice to City of any cancelation or reduction of coverage or other modification of Landlord's required insurance coverage. Landlord waives any rights to collect from City for loss or damage to the Building or any other part of the Property to the extent covered by Landlord's property insurance.

(b) In addition, Landlord will procure and keep in effect at all times during the Term insurance as follows: **(i)** commercial general liability insurance with limits not less than

One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse, and underground (XCU); and (ii) worker's compensation insurance in the amounts required by applicable Laws and employer's liability with limits not less than One Million Dollars (\$1,000,000) each accident. All insurance policies required by this Lease to be maintained by Landlord must be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord and City (or, if such endorsement is not available from the insurer, Landlord will provide such notice to City).

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

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

17.3 Waiver of Subrogation

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

17.4 Liability of Landlord

(a) Neither Landlord nor Landlord's Agents will be liable to City and its Agents for any damage, injury, loss or claim to City's Personal Property or lost income based on or arising out of the following (except as expressly set forth in this Lease to the contrary, and except to the extent caused by Landlord or its Agents' negligence): repair to any portion of the Building; interruption in the use of the Building (except as otherwise provided in this Lease) or any equipment therein; any accident or damage resulting from any use or operation by City's or any other person or entity of elevators or heating, cooling, electrical, sewage or plumbing equipment or apparatus; termination of this Lease by reason of damage to the Building under Article 12; any fire, robbery, theft, vandalism, mysterious disappearance or any other casualty; actions of any other person or entity; failure or inability to furnish any service specified in this Lease (except as otherwise provided in this Lease); and leakage in any part of the Building from water, rain, ice, flooding or snow that may leak into, or flow from, any part of the Building, or from drains, pipes or plumbing fixtures in the Building (except to the extent due to Landlord's negligent failure to maintain the Building as required by this Lease). If any condition exists that may be the basis of a claim of constructive eviction, then City will give Landlord written notice thereof and a reasonable opportunity to correct such condition, and in the interim City will not be entitled to a rent abatement (except as otherwise allowed under this Lease). For purposes of this article, the term "Building" will be deemed to also include all other portions of the Property. Notwithstanding the foregoing provisions of this section, Landlord will not be released from liability to City for any physical injury to any natural person caused by the negligence or willful misconduct of Landlord or its Agents to the extent such damage is not covered by insurance either carried by City (or would have been had City not self-insured) or such person or required by this Lease to be carried by City.

(b) Neither Landlord nor any of its Agents (nor any past, present or future board member, partner, trustee, director, member, officer, employee, agent, representative or advisor of any of them) will under any circumstances be liable for any exemplary, punitive, consequential, or indirect damages in connection with or relating to this Lease. Neither Tenant nor any of its Agents (nor any past, present or future board member, partner, official, trustee, director, member, officer, employee, agent, representative or advisor of any of them) will under any circumstances be liable for any exemplary, punitive, consequential, or indirect damages in connection with or relating to this Lease.

(c) No landlord hereunder will be liable for any obligation or liability based on or arising out of any event or condition occurring during the period that such landlord was not the owner of the building or a landlord's interest therein; provided, however, that any successor landlord will be liable for continuing events and conditions.

(d) Subject to applicable Law, the obligations of City under this Lease are independent covenants and agreements, such that all such obligations of City, including, without limitation, the obligation to pay Base Rent, Additional Charges and all other sums due to Landlord hereunder, will continue unaffected, unless the requirement to pay or perform same has been terminated or abated pursuant to an express provision of this Lease. Such waiver and acknowledgements by City are a material inducement to Landlord entering into this Lease. City will not have the right to set off or deduct any amount allegedly owed to City pursuant to any claim against Landlord from any Rent or other sum payable to Landlord except as provided in this Lease. Except as provided in this Lease, City's remedy for recovering upon such claim will be to institute an independent action against Landlord; provided, however, that the foregoing will not prohibit City from asserting a counterclaim in any proceeding instituted by Landlord against City.

(e) If City or any Agent or Invitee is awarded a money judgment against Landlord, then recourse for satisfaction of such judgment will be limited solely to execution against Landlord's interest in the Property (and all insurance proceeds therefrom) or the amount that would have been available had Landlord maintained equity in the Building that exceeds twenty percent (20%) of its fair market value). No other asset of Landlord will be used to satisfy or be subject to any such judgment. No asset of any of Landlord's Agents (or any past, present or future board member, partner, director, member, officer, trustee, employee, agent, representative, or advisor of any of them (each, an "officer")) or any other person or entity, will be available to satisfy or be subject to any such judgment. No such Landlord's Agent, officer, or other person or entity will be held to have personal liability for satisfaction of any claim or judgment whatsoever under this Lease.

18. ACCESS BY LANDLORD

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

19. ESTOPPEL CERTIFICATES

From time to time during the Term, by not less than thirty (30) days' prior written notice to the other party, either party may request the other party to execute, acknowledge, and deliver

to the persons or entities designated by the other party a certificate stating: **(a)** the Commencement Date and Expiration Date of this Lease, **(b)** that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), **(c)** that there are no defaults under this Lease (or if so, specifying the same), and **(d)** the date to which Rent has been paid.

20. SURRENDER OF BUILDING

On the expiration or sooner termination of this Lease, City will vacate and surrender the Building to Landlord in good order and condition, excepting reasonable use and wear and damage by fire or other casualty or condemnation. Within ten (10) days after the Expiration Date, City will remove from the Building all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Building under the provisions of Section 7.1 (Alterations by City). City will repair or pay the cost of repairing any damage to the Building resulting from that removal. City will not be required to demolish or remove from the Building any of the Leasehold Improvements, with the exception of Landlord's right to require, by written notice to City no later than one hundred and twenty (120) days prior to the expiration or earlier termination of this Lease, that City will remove the glass enclosures around the second (2nd) floor openings and restore the affected areas, at City's cost, upon the expiration or earlier termination of this Lease, or Landlord, when written notice is given, may provide City with an estimated cost of removal and City at its option may pay Landlord for the cost of removal. City's obligations under this Section will survive the expiration or earlier termination of this Lease. If City fails to remove its furniture, furnishings, equipment, City's Personal Property, debris and designated Alterations as required under this Section, Landlord will have the right at City's expense, to remove from the Building any or all such items (and put the Building in the condition required) and City will pay to Landlord all actual and reasonable costs incurred by Landlord in effectuating such removal and restoration plus a four percent (4%) administrative fee.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

"Hazardous Material" means any material that, because of its quantity, concentration, or physical or chemical characteristics, is deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the Superfund law), as amended (42 U.S.C. Section 9601 et seq.), or under California Health & Safety Code Section 25316; any "hazardous waste" listed under California Health & Safety Code Section 25140; any asbestos and asbestos containing materials whether or not those materials are part of the structure of the 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.

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

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to Landlord's actual knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date **(a)** the Property is not in violation of any Environmental Laws; **(b)** the Property is not now, and has not been, used for the manufacture, use, storage, discharge, deposit, transportation, or disposal of any Hazardous Material, except for the use of Hazardous Material in limited quantities as are customarily used in offices, which limited use is and has been in compliance with Environmental Laws; **(c)** the Property does not consist of any landfill or contain any underground storage tanks; **(d)** the Building does not contain any asbestos-containing materials or have building materials that contain any other Hazardous Material in violation of applicable Laws, and the Building does not contain any lead-based paints in violation of applicable Laws; **(e)** there is and has been 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 the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under, or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord will maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety, and welfare of City's employees or City's use, occupancy, or enjoyment of the Building for their intended purposes, except to the extent caused by City and its Agents and Invitees.

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), Landlord will Indemnify City and its Agents against any and all Claims arising during or after the Term **(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 Release of Hazardous Material in the Building or on, under, or about the Property caused by Landlord and its Agents, unless City or its Agents caused the Release.

21.4 City's Covenants

Neither City nor its Agents will cause any Hazardous Material to be brought on, kept, used, stored, generated, or disposed of in, on or about the Building or the Property, or transported to or from the Building or the Property, in violation of any Environmental Laws.

21.5 City's Environmental Indemnity

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

22. OPTION TO PURCHASE

22.1 Grant of Option to Purchase

Landlord grants to City an exclusive and irrevocable option to purchase the Property (the "**Purchase Option**") for the price and on the terms and conditions set forth in this Section.

During the first (1st) twelve (12) months of the Term of this Lease, in the event that Landlord elects, in its sole discretion, to sell the Property, Landlord will first notify Tenant in writing of such desire to sell (the “**Offer Notice**”), which notice will include the purchase price for the Property (the “**Purchase Price**”). Tenant will have sixty (60) days after receipt of the Offer Notice to notify Landlord in writing of Tenant’s election to exercise its Purchase Option, at the Purchase Price. If Tenant fails to exercise its Purchase Option as provided in the preceding sentence within such sixty (60) day period, then Landlord will have the right to sell the Property to any party desired by Landlord and otherwise upon any terms desired by Landlord, as long as the purchase price which such third party agrees to pay in a written agreement of purchase and sale is not less than 92% of the Purchase Price included in the Offer Notice. In the event that Landlord desires to accept, in its sole discretion, proceeding with the third party transaction for a Purchase Price which is less than 92% of the Purchase Price included in the Offer Notice, then Landlord must first reoffer the Property to City at such lower price (and City will have sixty (60) days to exercise its Purchase Option at such lower price by giving Landlord notice thereof in writing). In the event of City’s timely exercise of its Purchase Option hereunder, City will be obligated to purchase from Landlord and Landlord will be obligated to sell and convey to City the Property for the Purchase Price and otherwise on the terms and conditions provided herein.

22.2 Continuation of Lease

Notwithstanding City’s exercise of the Purchase Option, this Lease, including City’s obligation to pay Rent, will continue in full force and effect until the date of recordation of a deed conveying the Property to City, at which time this Lease will terminate.

23. CITY PROVISIONS

23.1 MacBride Principles - Northern Ireland

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

23.2 Controller’s Certification of Funds

The terms of this Lease are governed by and subject to the budgetary and fiscal provisions of City’s Charter. Notwithstanding anything to the contrary contained in this Lease, there will be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, under Section 3.105 of City’s Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent are not appropriated, then City may terminate this Lease, without penalty, liability, or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City’s Department of Public Health will use reasonable efforts to give Landlord at least three (3) months advance notice of any such projected termination. In no event will City give less than thirty (30) days advance notice of any such actual termination. Department of Public Health Staff will, as part of City’s budgetary process, seek to obtain the necessary appropriation of funds from City’s Board of Supervisors. If City terminates this Lease due to lack of appropriated funds under this Section 23.2, then the Department of Public Health will not expend funds in the fiscal year that such termination occurs, or the subsequent fiscal year, for the purpose of renting space in any other privately-owned building to operate the program that was located in the Building in the fiscal year that this Lease terminated.

23.3 Prevailing Wages and Working Conditions

Any undefined, initially capitalized term used in this Section has the meaning given to that term in San Francisco Administrative Code section 23.61. Landlord will require its Contractors and Subcontractors performing (i) labor in the construction of a “public work” as defined in California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Building to (A) pay workers performing the work not less than the Prevailing Rate of Wages, (B) provide the same hours, working conditions, and benefits as in each case are provided for similar work performed in San Francisco County, and (C) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, “**Prevailing Wage Requirements**”). Landlord will cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements, and City will reimburse Landlord for Landlord’s actual out-of-pocket costs in cooperating with City in such action or proceeding if the action or proceeding is related to Alterations performed by City.

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

23.4 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.5 Tropical Hardwood and Virgin Redwood Ban

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

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

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

23.6 Bicycle Parking Facilities

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

23.7 Resource-Efficient City Buildings

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

23.8 Sunshine Ordinance

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

23.9 Conflicts of Interest

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

23.10 Notification of Prohibition on Contributions

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

Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

23.11 Preservative-Treated Wood Containing Arsenic

Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Environment Code Section 1304. The term “preservative-treated wood containing arsenic” means wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Landlord from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term “saltwater immersion” means a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

24. GENERALLY APPLICABLE PROVISIONS

24.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease must be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: **(a)** City at City’s address set forth in the Basic Lease Information; or **(b)** Landlord at Landlord’s address set forth in the Basic Lease Information; or **(c)** any other address designated by as either Landlord or City as its new address for notices by notice given to the other in accordance with this Section. A properly addressed notice transmitted by one of the foregoing methods will be deemed received upon confirmed delivery, attempted delivery, or rejected delivery. For convenience of the parties, copies of notices may also be given by email to the email address number set forth in the Basic Lease Information or any other email address as may be provided from time to time, but, neither party may give official or binding notice by email.

24.2 No Implied Waiver

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

24.3 Amendments

The terms and provisions of this Lease may only be changed, waived, discharged, or terminated by a written instrument signed by both parties. No waiver of any breach will affect or alter this Lease, and each and every term, covenant, and condition of this Lease will continue in

full force and effect with respect to any other then-existing or subsequent breach. Whenever this Lease requires or permits City's consent or approval, the Director of Property, or his or her designee, will be authorized to provide the consent or approval, except as otherwise provided by applicable Law, including the Charter of the City and County of San Francisco. City will promptly inform Landlord of any consent or approval that requires additional action on the part of the City. City's agreement to any amendments or modifications to this Lease (including the exhibits) may be made on the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease **(a)** changing the legal description of the Building, **(b)** increasing the Term, **(c)** increasing the Rent, **(d)** changing the general use of the Building from the use authorized under Section 5.1 (Permitted Use), and **(e)** any other amendment or modification that materially increases City's liabilities or financial obligations under this Lease will also require the approval of City's Board of Supervisors.

24.4 Authority

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

24.5 Parties and Their Agents; Approvals

If applicable, the word "**Landlord**" will include the plural as well as the singular. The term "**Agents**" when used with respect to either party includes the agents, employees, officers, and contractors of the party, and the term "**Invitees**" when used with respect to City will include the clients, customers, invitees, guests, licensees, assignees, or subtenants of City. All approvals, consents, or other determinations permitted or required by City under this Lease, including City's exercise of any option, must be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in City's Charter. If there is more than one entity that comprises Landlord, the obligations and liabilities under this Lease imposed on Landlord are joint and several.

24.6 Interpretation of Lease

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

24.7 Successors and Assigns

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

24.8 Brokers

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

24.9 Severability

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

24.10 Governing Law

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

24.11 Entire Agreement; Incorporation of Exhibits

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

24.12 Holding Over

If City holds over in possession of the Building after the expiration of the Term with Landlord's consent, that holding over will not be deemed to extend the Term or renew this Lease, and City's tenancy will continue as a month-to-month tenancy until the tenancy is terminated by either party by giving least thirty (30) days' prior written notice of termination. The month-to-month tenancy will be on all the terms and conditions of this Lease and at the monthly Base Rent in effect during the last month of the Term or as Landlord and City may mutually agree in writing. If City holds over without Landlord's consent, the rent payable by City during the period of holding over will be one hundred twenty-five percent (125%) of the

monthly Base Rent in effect during the last month of the Term of this Lease, and the tenancy will otherwise be on the terms and conditions contained in this Lease, but Landlord's acceptance of such holdover fee will not limit Landlord's other rights and remedies under this Lease or at Law or in equity. If, as provided in Sections 7.3 (b) and Section 20 above, City fails to remove its or a Supplier's furniture, furnishings, equipment, City's Personal Property and designated Alterations by the Expiration Date, then City's continued possession will be deemed a holding over, but Base Rent will not be payable for a ten (10)-day period so long as City complies with Section 20 (Surrender of Building) no later than the last day of such ten (10)-day period; if City remains in possession of the Building beyond that ten (10)-day period, then City's possession will be deemed a holding over and Base Rent will be payable for the entire hold over period (including the 10 days) as set forth in this Section 24.12. In no event will any nonconsensual holdover be deemed a permitted extension or renewal of the Term. City will be liable for any and all Claims and damages incurred by Landlord in connection with City's nonconsensual holding over.

24.13 Cumulative Remedies

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

24.14 Time of Essence

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

24.15 Survival of Indemnities

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

24.16 Signs

City may erect or post exterior signs on or about the Building and Property with Landlord's prior approval, at City's sole cost and in compliance with all applicable Laws. Landlord reserves the right to review and approve the placement, design, and plan for before City's erecting or posting any sign, which review and approval will not be unreasonably withheld or delayed. Interior signs not visible from the exterior of the Building are permitted as provided under Article 7 (Alterations). Upon expiration or earlier termination of this Lease, City will remove the signs at its sole cost and repair any damage caused by such removal.

24.17 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power, and authority to grant the leasehold estate as provided in this Lease, and covenants that City, on paying the Rent and performing the covenants contained in this Lease, will peaceably and quietly have, hold, and enjoy the Building and all related rights during the Term as against all persons or entities or on account of any action, inaction, or agreement of Landlord or its Agents.

24.18 Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. City's leasehold estate under this Lease includes all rights to receive and enjoy all services, facilities, and amenities of the Building as provided in this Lease. If any of the services, facilities, or amenities are terminated, or materially limited or restricted because of any such case or proceeding, or for any other reason, City may **(a)** contract directly with any third-party provider of those services, facilities, or amenities, and **(b)** offset against the Rent all reasonable costs and expenses incurred by City in obtaining those services, facilities, or amenities.

24.19 Transfer of Landlord's Interest

Landlord may transfer its interest in the Property, the Building, or this Lease, and Landlord will be relieved of Landlord's obligations under this Lease accruing from and after the date of the transfer when **(a)** Landlord has provided notice to City of the name and address of Landlord's successor, **(b)** City has reasonably approved Landlord's transferee, and **(c)** Landlord has delivered to City an express written assumption by the transferee of all of Landlord's obligations under this Lease accruing from and after the date of the transfer. Notwithstanding the foregoing, **(i)** City will not withhold its approval of the transferee unless City actually has reasonable evidence that the proposed transferee is incapable of properly performing the obligations of Landlord remaining under this Lease following the date of the transfer, **(ii)** within ten (10) days of City's receipt of Landlord's written request for approval, City will provide its written approval or disapproval to Landlord, and in the case of disapproval, such response from City will include a reasonably detailed explanation of the evidence which was the basis for City's withholding of approval (and City's failure to provide such written approval or disapproval within such 10-day period shall constitute deemed approval); and **(iii)** in no event will City's approval be required for a transfer to an Encumbrancer or a purchaser at a foreclosure sale (or a deed-in-lieu of foreclosure, or other instance where the Encumbrance is instigating such transfer). Landlord will provide City information on Landlord's transferee reasonably necessary for City to evaluate Landlord's transferee in accordance with this Section.

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

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

24.21 Counterparts

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

24.22 Effective Date

This Lease will become effective on the date (the "**Effective Date**") that **(a)** City's Mayor and Board of Supervisors, at their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and **(b)** this Lease is duly executed by Landlord and City. City will promptly notify Landlord in writing of the occurrence of subclause (a) above (the "**Notice of Approval**"). If subclause (a) does not occur by July 1, 2021, then Landlord may

terminate this Lease upon written notice to City given at any time before City's delivery of the Notice of Approval to Landlord.

24.23 *Intentionally omitted*

24.24 Attorneys' Fees

If either Landlord or City fails to perform any of its obligations under this Lease or if a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in the dispute, as the case may be, will pay the reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the dispute and/or prosecution or defense of an action and enforcing or establishing its rights under this Lease (whether or not any action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of City's Office of the City Attorney will be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the legal subject matter area who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" also includes all fees incurred for appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought in the matter for which the fees were incurred. The term "costs" means the costs and expenses of counsel to the parties, which may include printing, duplicating, and other similar expenses, air freight charges, expert fees, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney. For purposes of this Lease, reasonable attorneys' fees of Landlord will include any in-house counsel fees at the rate set forth above for City staff attorneys.

24.25 Memorandum of Lease

On the Effective Date, Landlord and City will execute the memorandum of lease in the form attached as **Exhibit H** (the "**Memorandum of Lease**"), and Landlord will cause the Memorandum of Lease to be recorded in to the Official Records of the City and County of San Francisco within two (2) business days after mutual execution. On termination of the Purchase Option, City will execute in recordable form documents as reasonably requested by Landlord to establish that the Property is no longer subject to the option.

24.26 Cooperative Drafting

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

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

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

LANDLORD:

1076 HOWARD STREET LLC,
a Delaware limited liability company

By:  _____

Its: President _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
ANDRICO Q. PENICK
Director of Property

RECOMMENDED:

Greg Wagner
Chief Operating Officer
Department of Public Health

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Shari Geller Diamant
Deputy City Attorney

EXHIBIT A

FLOOR PLAN(S) OF BUILDING



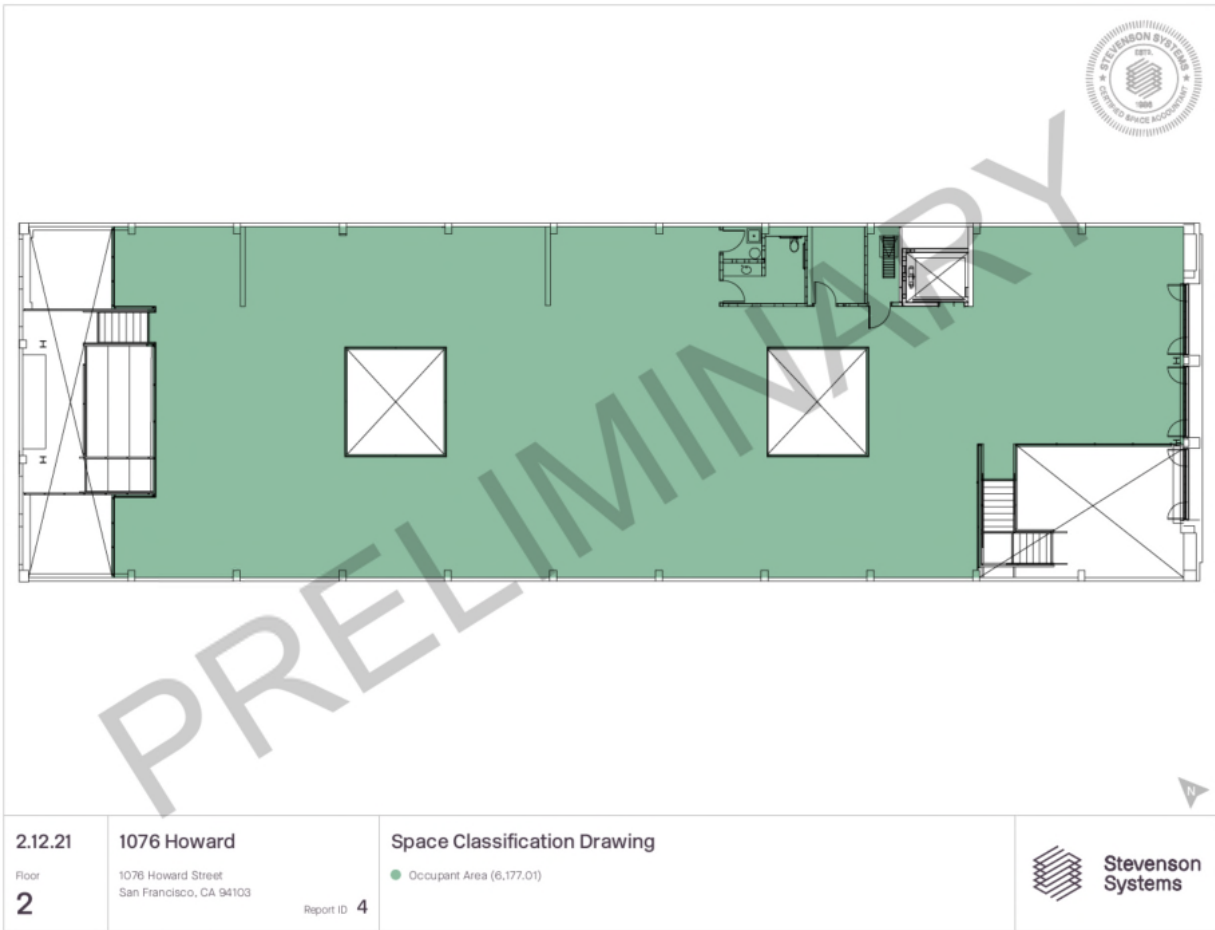


EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Lease Between 1076 HOWARD STREET LLC (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for the building located at 1076 Howard Street

Dear Mr. Penick:

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

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

Very truly yours,

By: _____
Title: _____

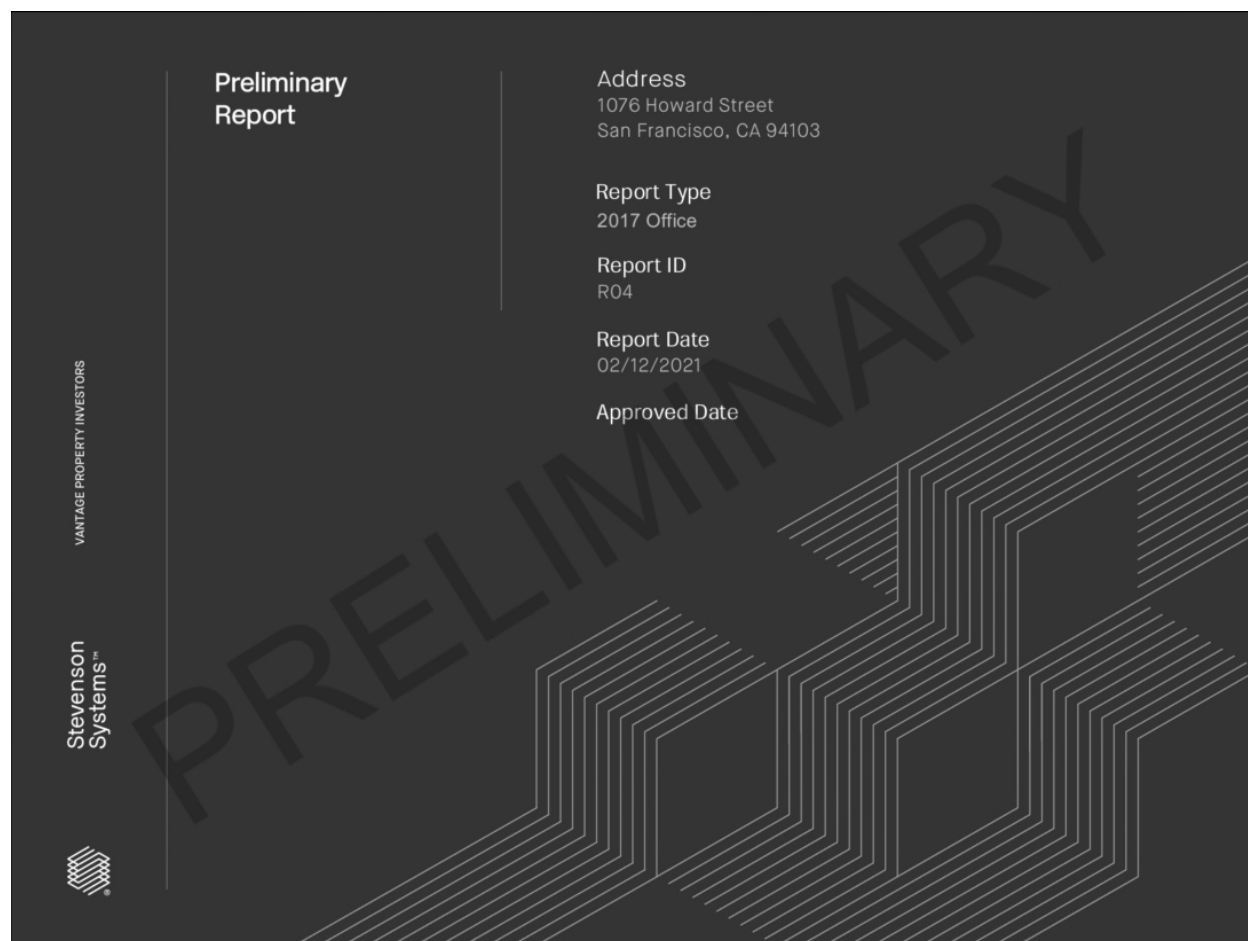
Accepted and Agreed:

By: _____
Andrico Q. Penick
Director of Property

Dated: _____

EXHIBIT C

STEVENSON SYSTEMS REPORT (SELECTED PAGES)



1076 Howard Street Report Date: 2/12/2021

**Preliminary
Usable Area
Calculation Summary**

Floor	Total Measured Area	Usable Area
1	7,949.03	7,949.03
2	6,177.01	6,177.01
Total R04	14,126.04	14,126.04

PRELIMINARY

APPROVED BY

DATE

EXHIBIT D
WORK LETTER

[to be attached]

EXHIBIT E
INTENTIONALLY OMITTED

EXHIBIT F
INTENTIONALLY OMITTED

EXHIBIT G
INTENTIONALLY OMITTED

EXHIBIT H

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

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

Exempt from recording fees under Government Code
Section 27383.

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

1076 Howard Street
Block [], Lot []

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

MEMORANDUM OF LEASE

This Memorandum of Lease (“**Memorandum**”), dated for reference purposes as of _____, 20__, is by and between 1076 Howard Street LLC, a Delaware limited liability company (“**Landlord**”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**City**”).

Recitals

A. Landlord and City have entered into that certain Lease, dated _____, 20__ (the “**Lease**”), under which Landlord leased to City and City leased from Landlord the real property more particularly described in the attached **Exhibit A** (the “**Property**”) and granted City the right to purchase the Property under certain circumstances (the “**Purchase Option**”).

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

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

1. Term. Under the terms of the Lease, Landlord leased the Property to City for a term commencing on the Commencement Date (as defined in the Lease). The Term of the Lease will expire on the last day of the one hundred and second (102nd) full calendar month after the Commencement Date, subject to one (1) option to extend (subject to the terms and conditions of the Lease), unless earlier terminated in accordance with the terms of the Lease.

2. Lease Terms. Landlord leases the Building to City on the terms and conditions of the Lease, which are incorporated into this Memorandum by reference as if they were fully set forth in this Memorandum; the rights and obligations of Landlord and Tenant are

contained in the Lease. This Memorandum does not and will not be deemed to modify, alter, or amend the Lease in any way. If any conflict exists between the terms of the Lease and this Memorandum, the terms of the Lease will govern. Except as otherwise defined in this Memorandum, capitalized terms have the meanings given them in the Lease.

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

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

LANDLORD:

1076 Howard Street LLC
a Delaware limited liability company

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,

By: _____

ANDRICO Q. PENICK
Director of Property

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

State of California)
) ss
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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

State of California)
) ss
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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

State of California)
) ss
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A
TO MEMORANDUM OF LEASE

Legal Description of Property

EXHIBIT D

WORK LETTER

1076 Howard Street

This Work Letter is part of the Lease dated as of April 13, 2021 (the “**Lease**”), executed concurrently with this Work Letter, by and between 1076 Howard Street LLC, a Delaware limited liability company, as Landlord, and the City and County of San Francisco, as Tenant, covering the Building, as defined in the Lease. All terms that are capitalized but not defined in this Work Letter have the same meanings given to them in the Lease.

Landlord, at Landlord’s sole cost and expense, is solely responsible for the Base Building, including but not limited to the Restroom, all as set forth in Section 4.b below. Landlord, at City’s sole cost and expense (subject to the Allowance and except as otherwise expressly set forth herein), through Centric General Contractors or another general contractor reasonably approved by City (the “**Contractor**”), will construct, furnish, and install in the Building the City’s initial improvements which are permanently affixed to the Building (the “**Leasehold Improvements**” and the construction, furnishing and installation of the Leasehold Improvements, the “**Leasehold Improvement Work**”), in accordance with the Approved Construction Documents (as defined in Paragraph 1.e below) and the provisions of this Work Letter.

1. Plans and Specifications

a. Architect; Schematic Design Documents. City retained LDA (the “**Architect**”) to prepare the schematic design plans for the Leasehold Improvement Work, a copy of which are attached hereto as Schedule D-4 (the “**Schematic Design Documents**”). Landlord approves the Schematic Design Documents.

b. Permit Documents. By the date set forth in the Schedule of Performance, City will cause the Architect to prepare drawings expanding in greater detail the representations of the approved Schematic Design Documents and fixing and describing the size and character of the Leasehold Improvements, including architectural, structural, mechanical, electrical, fire and life safety systems, materials, and other elements as may be appropriate, together with fully developed floor plans, interior elevations, reflected ceiling plans, and wall and building sections (the “**Permit Documents**”). The Permit Documents will be subject to Landlord’s approval, which will not be unreasonably withheld, conditioned or delayed, as provided in Schedule D-2 attached hereto (the “**Schedule of Performance**”).

c. Construction Documents. Promptly following the Effective Date, Landlord will enter into a direct contract with the Architect. Based on the approved Permit Documents, by the date set forth in the Schedule of Performance, Landlord will cause Architect and engineers reasonably approved by City (collectively, the “**Engineer**”) to prepare and submit to City for its approval final plans, specifications, and working drawings for the Leasehold Improvements (including a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings), setting forth in detail all aspects of the design, function, and construction of the Leasehold Improvements, in form sufficient for bidding of all elements of construction, and in conformity with all of the requirements of this Work Letter (collectively, the “**Construction Documents**”). The Construction Documents are subject to approval by City in accordance with Paragraph 1.e below.

d. Meetings. Beginning immediately after the mutual execution of the Lease, City will meet with Landlord on a weekly basis, at a time mutually agreed upon by Landlord and City, and with the Architect and the Contractor, regarding the progress of the plans and specifications hereunder (collectively, the “**Construction Drawings**”) and the construction of the Leasehold Improvements, as applicable, which meetings may take place virtually via Zoom or other similar means. Initially such meetings will also be attended by City’s architectural consultants and space planners, during the course of the preparation of the Construction Drawings.

e. City’s Approval of Plans and Landlord Change Orders. The Construction Documents and any Landlord Change Orders (defined in Paragraph 1.g.ii below) are subject to approval by City, which approval will not be unreasonably withheld, conditioned or delayed, in accordance with the following procedure. After Landlord submits the Construction Documents or proposed Landlord Change Order to City, City will have (i) ten (10) days for initial Construction Documents and Landlord Change Orders that will cost \$25,000 or more, and (ii) three (3) business days for revised Construction Documents and Landlord Change Orders costing less than \$25,000, to notify Landlord in writing of its disapproval of any element of any of them and of the revisions consistent with the Permit Documents and this Work Letter that City reasonably requires in order to approve. As soon as reasonably possible thereafter, but not later than five (5) days after receipt of City’s disapproval notice, Landlord will submit to City documents incorporating the required revisions. The revisions will be subject to City’s approval, which will not be unreasonably withheld, conditioned or delayed. If City disapproves of any portion of the revisions, then City will notify Landlord in writing within three (3) business days together with the changes City reasonably requires in order to approve. This process will continue until City approves the Construction Documents or Landlord Change Orders, as applicable. City’s failure to timely respond in the manner required under this Paragraph 1.e, will be a Tenant Delay. The Construction Documents, as approved by City, as referred to in this Work Letter as the “**Approved Construction Documents.**”

f. Payment for Plans. Landlord will pay the costs of preparing the Construction Documents and those costs will be deducted from the Allowance (as defined in Paragraph 4.b below), subject to City’s prior approval of the costs as provided in Paragraph 4.c below. Landlord will provide City evidence of the costs by invoices and other substantiation as City may reasonably require.

g. Changes to Approved Construction Documents.

i. 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**”), Landlord will cause the Architect or Engineer, as applicable, to prepare plans and specifications for the change, addition, or alteration. As soon as reasonably practicable based on the scope of the City Change Order, Landlord will notify City of the cost that would be incurred resulting from the proposed City Change Order and any delay in the anticipated date of Substantial Completion that would result from the City Change Order. If City approves the cost of the City Change Order within five (5) days of receipt from Landlord, then Landlord’s Contractor will proceed with the City Change Order as soon as reasonably practicable, and the Construction Budget will be amended to include the cost. If City does not approve the cost within the five (5)-day period, then construction of the Leasehold Improvements will proceed in accordance with the original Approved Construction Documents. City will be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications for any City Change Order, as evidenced by invoices or other substantiation reasonably required by City in accordance with Paragraph 4 below. Any delay related to a City Change Order will be a Tenant

Delay. While Landlord will make commercially reasonable efforts to accommodate any requested City Change Order, Landlord does not guaranty that this will be possible, and any inability or failure to implement or accommodate a City Change Order will not impact or affect the parties' obligations under this Lease.

ii. Landlord Change Orders. If after City's approval of the Construction Documents, Landlord requests or is required by a third party or government agency to make any change, addition, or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("**Landlord Change Order**"), Landlord will provide City with proposed plans and specifications for the change, addition, or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from the Landlord Change Order. Any Landlord Change Order will be subject to City's prior written approval, in accordance with Paragraph 1.e above. No approval by City of any Landlord Change Order will relieve or modify Landlord's obligations to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, or limit any of City's rights or remedies under this Work Letter or under the Lease. If the Landlord Change Order request is solely the result of a Landlord preference with respect to the Leasehold Improvements, all of the costs in connection therewith, including the costs of preparing the plans and specifications, will be paid for by Landlord at its sole cost and any delay to the schedule will be considered a Landlord Delay; provided, however, that if such Landlord Change Order request is due to a change required by applicable legal requirements or necessitated by field conditions, then the cost in connection therewith shall be deducted from the Allowance, and any delay to the schedule will not be considered a Landlord Delay. Notwithstanding anything to the contrary herein, any delays related to changes required by a third party or government agency will constitute an Unavoidable Delay.

iii. Appointment of Representatives. City and Landlord will each designate and maintain at all times during the design and construction period a project representative ("**Representative**"), and an alternate for the Representative ("**Alternate**"), each of whom will be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Landlord and City may not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of the other party, including the other party's architect, engineers, consultants, and contractors or any of their agents or employees, regarding matters associated with this Work Letter. Landlord will be allowed to rely on any approval, denial, change, statement or direction from the City Representative and Alternate. The initial Representatives and Alternates are:

City: Representative — Kay Kim, Kay.Kim@sfdph.org
 Phone: 415-554-2582
 Alternate — Kathy Jung, Kathy.Jung@sfdph.org
 Phone: 415-554-2600

Landlord: Representative — Andrew Fox, andy@vantagepi.com
 Phone: 310-545-6013
 Alternate — Marty Wilson, marty.wilson@mdwgroup.com
 Phone: 415-602-4345

Each party may at any time and from time to time change its Representative or Alternate by written notice to the other party. Each party's Representative or Alternate must be available during ordinary business hours so that questions and problems may be quickly resolved and so

that the Leasehold Improvements may be completed economically and in accordance with the Construction Schedule. All approvals made by City's Representative or Alternate must be made in writing.

2. Permits

a. Responsibility for Obtaining Permits. Landlord is responsible for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work, and promptly on receipt of any permit or approval, Landlord will deliver copies it to City. Landlord will use commercially reasonable efforts to obtain all needed approvals and permits on or before the date set forth in the Schedule of Performance (subject to Unavoidable Delay and Tenant Delay). Landlord is responsible for calling for all inspections required by City's Department of Building Inspection. City (acting in its proprietary capacity and not as regulator) will cooperate to facilitate issuance of required permits and approvals to the extent necessary or appropriate.

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

3. Construction

a. Construction of Leasehold Improvements. After City's approval of the Construction Documents, and receipt of required permits, Landlord will cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Approved Construction Documents, as revised by any approved Change Orders, and the terms of this Work Letter. City will not have any obligation with respect to any such work except as provided in this Work Letter.

b. Construction Timing. Landlord will commence construction of the Leasehold Improvements within three (3) business days after receipt of all required permits for construction in accordance with the approved Construction Documents, and will diligently pursue construction to completion as soon as practicable, in each case subject to Unavoidable Delays and Tenant Delays.

c. Status Reports; Inspections. Landlord will keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor will furnish City with weekly reports on construction. From time to time during the design and construction of the Leasehold Improvements, after reasonable advance oral or written notice to Landlord, City may enter the Building at reasonable times to inspect the Building, and City will use commercially reasonable efforts not to materially interfere with the construction. Landlord or its Representative may accompany City during any inspection. Any such entry is at City's sole risk and City will Indemnify Landlord with respect to any Claims related thereto in accordance with the Lease.

d. General Conditions. The performance of all Leasehold Improvement Work by Landlord is subject to the following terms and conditions:

i. All of the Leasehold Improvement Work must be performed in compliance with all Laws bearing on construction of the Leasehold Improvements;

ii. Without limiting the foregoing, the construction of the Leasehold Improvements must comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, “**Disabled Access Laws**”); and

iii. Landlord or its Contractor are responsible for all required insurance.

e. Cooperation. City will cooperate at all times with Landlord in bringing about the timely completion of the Leasehold Improvements. Except as otherwise expressly provided herein, City will be required to provide approvals, responses, and information requested by Landlord or Contractor by email to City's Representative or Alternate within three (3) business days of request by Landlord's Representative or Alternate. It will be considered a Tenant Delay if City fails to respond to requests for approval within the time periods set forth in this Work Letter. Landlord and City will make commercially reasonable efforts to resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner that will allow work to proceed expeditiously.

f. Telecommunications, Data and Computer Cabling Installation Work to be Performed by Landlord. The Leasehold Improvement Work will include construction of server room(s), including power supply, reasonably necessary for the City's telecommunications, data, and computer facilities and equipment, as provided for in the Approved Construction Drawings. As part of the Leasehold Improvement Work and in compliance with **Schedule D-1** to this Work Letter and City's data and computer cabling specifications and requirements included in **Schedule D-1** (“**City Data Specs**”), Landlord will cause its consultants and contractors to perform surveys and develop plans and specifications for the installation of telecommunications, data, and computer cabling for City's occupancy of the Building. City or its contractor, at City's cost, will be responsible for providing telecommunications, data, and computer cabling up to the point where it is stubbed out in the Building's core area. Beyond that point, Landlord will be responsible for causing its contractor to install the cabling to service points on each floor, as provided in the City Data Specs, as part of the Leasehold Improvement Work. City, at its expense, will be responsible for providing cabling from the service points to workstations. Landlord will cause Contractor to cooperate reasonably with City and its consultants, contractors, and subcontractors during all surveying work and the installation of the telecommunications, data, and computer cabling. The foregoing obligation will include an obligation to give City and its consultants, contractors, and subcontractors access and entry to the Building and sufficient opportunity and time during each work day without separate charge, to enable the installation of City's telecommunications, data, and computer cabling to the Building's core area and to install work stations. That access must include reasonable access to the elevators in the Building **(i)** on a non-exclusive basis during normal business hours and **(ii)** on an exclusive basis after hours as reasonably needed from time to time. If, despite Landlord's and Contractor's good faith cooperation, Substantial Completion of the Leasehold Improvements is delayed by such access and entry, that delay will be a Tenant Delay. Landlord understands that the conduit for the telecommunications, data, and computer cabling will be included in the Construction Documents and installed by Contractor.

g. Asbestos Related Work. If City, its consultants, contractors or subcontractors encounter any asbestos containing materials (“**ACM**”) in the Building in connection with the installation of City's telecommunications, data, and computer cabling, Landlord will be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal, and disposal of the ACM and all costs related to the ACM. In no event will any of those costs be deducted from the Allowance or otherwise be City's responsibility.

h. Construction Improvements that Disturb or Remove Exterior Paint. Lease Section 6.2 is incorporated by this reference.

4. Payment for Work; Allowance

a. [Intentionally Omitted].

b. Base Building. Landlord has previously completed the base, core, and shell of the Building (the “**Base Building**”); provided that at Landlord’s sole cost and expense, Landlord will cause Contractor, concurrently with construction of the Leasehold Improvements, to construct one (1) gender-neutral restroom on the second-floor (the “**Restroom**”), in compliance with applicable Laws. Any additional restroom stalls will be at City’s sole cost (subject to the Allowance). Similarly, in the event that the Approved Construction Documents require changes to the Base Building, such changes will be at City’s cost (subject to application of the Allowance).

c. Allowance; Construction Costs. Except as provided in Paragraph 4 b. above, City will be responsible for all Construction Costs, subject to Landlord’s contribution of an allowance of Nine Hundred Sixteen Thousand Seven Hundred Forty Dollars (\$916,740) (the “**Allowance**”). The Allowance will be used solely for Construction Costs (as hereinafter defined). Without limiting the foregoing, the Allowance will not be used for furniture, trade fixtures, equipment, moving expenses, or signage; provided, however, that any portion of the Allowance not used by City will be credited against Base Rent next due under the Lease within ninety (90) days following the Commencement Date. “**Construction Costs**” means all costs and fees in connection with constructing and installing the Leasehold Improvements, including (A) space planning, architectural, engineering, and design professional work and fees related thereto, all required governmental and quasi-governmental permits, Landlord’s Oversight Fee, all costs of preparing the space plans, Schematic Design Documents, Permit Documents and Construction Documents, and (B) labor and materials costs, construction costs, contractors' overhead and profit, insurance, performance and payment bonds, but in no event will Construction Costs include any overhead or other general expenses of Landlord, any charges for parking or and charges for use of elevators. “**Landlord’s Oversight Fee**” is an amount equal to four percent (4%) of the total Construction Costs, which is payable to Landlord in consideration of Landlord’s supervision of the performance of the Leasehold Improvement Work. The Landlord’s Oversight Fee will be deducted from the Allowance.

d. City’s Approval of Costs. A preliminary City-approved construction budget is attached as **Schedule D-3** (as amended from time to time, the “**Construction Budget**”). In order to expedite the execution of the Lease, the parties agreed to attach a budget which is extremely preliminary in nature; City acknowledges and agrees that the Construction Budget attached hereto as **Schedule D-3** does not represent the final cost of the Leasehold Improvement Work. If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved Construction Budget, Landlord must promptly submit to City for its approval a revised construction budget and identify to City changes in line items and the reasons for the changes. City will approve or disapprove any Construction Budget revisions in its reasonable judgment within ten (10) business days after submission where the proposed cost increase is in excess of \$25,000 and otherwise within five (5) business days. The most recently approved Construction Budget will supersede all previously approved budgets. Where City disapproves of an increase in the Construction Budget, it will submit a City Change Order that allows the Leasehold Improvements to be completed without exceeding the Construction Budget, which must be submitted within three (3) business days following its disapproval.

e. Progress Payments. From time to time, but no more frequently than once every thirty (30) days, Landlord will deliver to City an application for payment in accordance with this Paragraph and Paragraph 4.e below. Provided that the conditions set forth in Paragraph 4.e below regarding documentation of costs have been met, City will make monthly progress payments for the cost of the Leasehold Improvement Work in the amount of City's Share of the requested payment. City will disburse each progress payment on or about the tenth (10th) day of each month following the month in which the application for payment was received. "**City's Share**" means a fraction, where the numerator is the aggregated Construction Costs as shown in the Construction Budget that exceed the Allowance, and the denominator is the aggregated Construction Costs as shown in the Construction Budget. City's Share will be expressed as a percentage. By way of example of the foregoing, if (i) the Construction Budget is \$2,400,000 and the Allowance is \$900,000 then the numerator will be \$1,500,000 (\$2,400,000 less \$900,000), and (ii) the denominator will be \$2,400,000, and (iii) the City's Share will be 62.5% (\$1,500,000/\$2,400,000). At least ten (10) days before each progress payment is due, Landlord will submit to City an itemized application for payment for work completed in accordance with the approved Construction Budget. The applications may not include requests for payment of amounts Landlord does not intend to pay to Contractor because of a dispute or otherwise. Landlord will promptly apply all of City's progress payments to the payment of the invoice or invoices to which the payment relates (or, where Landlord has advanced payment to the Architect, Engineer, Contractor, or otherwise in connection with Construction Costs (including for Landlord's Oversight Fee), in repayment of Landlord). If Landlord does not timely submit an application or the application is materially incomplete or incorrect, City will promptly notify Landlord and the date the progress payment will be due from City will be extended for each day the complete, correct application is late.

f. Required Documentation of Costs. Each application for payment under Paragraph 4.d must include (i) copies of all invoices received by Landlord from Contractor in connection with the construction of the Leasehold Improvements, (ii) for each application after the first application, satisfactory evidence of payment of the invoices which were the subject of the immediately prior application, including lien waivers that meet the requirements of California Civil Code Section 8124 and in the form required by California Civil Code Sections 8132 or 8134, as applicable, executed by each subcontractor and material supplier having a claim in excess of \$10,000 covering all labor, services, equipment, and materials performed or supplied by the particular subcontractor or material supplier (collectively, "**Lien Waivers**"), and (iii) any additional supporting data that substantiates the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

g. Payment of Retention. Landlord will withhold a ten percent (10%) retainage with respect to Contractor, which will be paid upon Substantial Completion and completion of all punchlist items. City will pay its share of the ten percent (10%) retainage on: (i) Substantial Completion (as defined below) of the Leasehold Improvements and completion of all punchlist items; and (ii) delivery of unconditional lien waivers from Contractor and each subcontractor and material supplier having a claim in excess of \$10,000 on final payment that meet the requirements of California Civil Code Section 8124 and are in the form required by California Civil Code Section 8138, together with any other proof City may reasonably require that all of the costs and expenses of the Leasehold Improvements have been paid.

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

i. City's Cure Right. Provided that City has paid all amounts due under this Paragraph 4, if Landlord does not make timely payment to Contractor or any of its subcontractors or material suppliers of any undisputed amount, after thirty (30) days written notice to Landlord and Landlord's failure to cure or indicate to City that Landlord disputes such claim, City may, but will not be obligated to, advance City's funds directly to the Contractor or its subcontractors or material suppliers to pay the cost of the Leasehold Improvements, and Landlord will reimburse City for the advance immediately on demand, with interest at a rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by Law.

5. Substantial Completion

a. Construction Schedule. Landlord will use commercially reasonable efforts to complete the Leasehold Improvement Work within one hundred twenty (120) days after the receipt of all governing authority ("DBI") permits and approvals necessary for the Leasehold Improvement Work, subject to Tenant Delays and Unavoidable Delays. When construction progress indicates, but not less than fifteen (15) days before Substantial Completion, Landlord will notify City of the date that the Leasehold Improvement Work is anticipated to be Substantially Completed in accordance with the Approved Construction Documents and the provisions of this Work Letter. Landlord will confirm that date and notify City by submitting an executed AIA Document G704-2017 Notice of Substantial Completion ("G704") when the Leasehold Improvement Work is in fact Substantially Completed and the Building is ready for occupancy by City. City will accompany Landlord and Architect on an inspection of the Building as and when provided in Section 5b(iv) below.

b. Substantial Completion. The terms "**Substantially Completed**" and "**Substantial Completion**" mean (i) the Restroom has been completed as certified by the Architect; (ii) the Leasehold Improvements have been completed substantially in accordance with the Approved Construction Documents as evidenced by a completed G704, signed by the Architect, Contractor and Landlord, (iii) Landlord has procured a temporary or final certificate of occupancy of final inspection . by the DBI Building Inspector for the Leasehold Improvements verifying all necessary inspections required for temporary or final occupancy of the Building (collectively known as a "TCO") have been completed and signed off as approved by the DBI, and has delivered evidence thereof to City in the form of the DBI Building Inspector's TCO .(iv) Landlord and City have completed a joint walk-through of the Building with the Architect, which will take place within three (3) days of Landlord's written G704 notice to City that the Leasehold Improvements are ready for walk through inspection, and during which the Architect and City will compile a written punch list of items that have not yet been 100% completed in accordance with the Approved Construction Documents ("**Supplemental Punch List**") (in no event will such Supplemental Punch List invalidate the G704 submitted as required in clause (ii) above or the TCO or final certificate of occupancy obtained and delivered to City pursuant to clause (iii) above), and (v) Landlord has delivered to City keys or access cards for the Building. Obtaining LEED Certification will not be a requirement of Substantial Completion, and Landlord will not be obligated to obtain such certification. After the inspection described in clause (iv) above, Landlord will complete a three (3) day running "burn off" of the HVAC system serving the Building following completion of all floor installations and painting to dissipate fumes and dust, and Landlord will deliver an air balance report showing any HVAC system servicing the Building and Leasehold Improvements is operative as designed within ten (10) days after submission of the G704. The Leasehold Improvements will be deemed Substantially Completed even though there may remain Supplemental Punch List details that would not materially interfere with City's use. Landlord will diligently pursue to final completion all such Supplemental Punch List details. City will also have the right to present to Landlord within thirty (30) days after Substantial Completion, a written "**Final Punch List**" consisting of any incomplete or defective items that have not been finished in accordance with the previously issued Supplemental Punch List, Approved

Construction Documents and the terms of this Work Letter, provided that such incomplete or defective Final Punch List items were not reasonably observable on the earlier walkthrough inspection of the Building and are not the result of damage caused by City during or after move-in. Landlord will use commercially reasonable efforts to complete all defective or incomplete items identified in such Final Punch List within thirty (30) days after the delivery of such Final Punch List, or as soon thereafter as reasonably practicable. Each item on the Final Punch List will be subject to and governed by any construction warranty period provided for in the construction contract with the general contractor for the Leasehold Improvements. With the exception of the items noted on the Supplemental Punch List and the Final Punch List, and any latent defects of which Landlord is notified in writing within the statutory limitation period, City's taking possession of the Building will be deemed to be City's acceptance of the condition of the Building and waiver of all claims against Landlord with respect to the construction of the Leasehold Improvements.

6. Delays in Construction

a. Unavoidable Delays. "Unavoidable Delays" means any delays by reason of acts of nature; accidents; breakage; repairs; strikes, lockouts, or other labor disputes; inability to obtain (or delays in obtaining) labor or materials after using diligent and timely efforts (including due to unavailability related to COVID-19); delays related to Landlord's inability to obtain utility connections or initial utility service; delays resulting from changes to the Construction Budget; enemy action; civil commotion; epidemics and related governmental orders and requirements (and private sector responses thereto); protests; riots; demonstrations; or by any other reason without fault and beyond the reasonable control of the party obligated to perform (other than purely monetary obligations between Landlord and City to pay one another as required pursuant to the Lease). If an Unavoidable Delay occurs, the party affected by the Unavoidable Delay will give prompt written notice to the other of the event causing the Unavoidable Delay and the length of the projected delay in performance, and will continue to keep the other party regularly informed of the status of the Unavoidable Delay. The time in which performance is required by either party under this Lease will be tolled during any period of Unavoidable Delay. It is the intent of the parties that where an Unavoidable Delay extends the time for performance by one party, and the other party's subsequent performance is dependent on the delayed party's performance, then each party's time for performance will be extended due to the Unavoidable Delay. For example, due to an Unavoidable Delay, City is unable to complete its initial review of the Construction Documents within ten (10) days under Paragraph I.e, and responds instead in twenty (20) days. Despite both parties' diligence in the construction process, the ten (10) day Unavoidable Delay in approving the Construction Documents results in a three (3) day delay in the date of Substantial Completion. The three (3) day delay would also be considered an Unavoidable Delay.

b. Tenant Delays. Subject to any Unavoidable Delay, City will be responsible for any delay in the construction of the Leasehold Improvements to the extent due to any of the following (collectively, "Tenant Delays"): **(i)** City's failure to grant or withhold its consent, approve or provide reasons for disapproval, respond to requests for information, or provide requested responses within the time provided in this Work Letter, **(ii)** City Change Orders, including any cost or delay resulting from proposed changes that are not ultimately made, **(iii)** City's delay in paying or failure to pay any amounts owed by City under this Lease, **(iv)** City's entry into the Building before Substantial Completion of Leasehold Improvements, **(v)** the inclusion in the Construction Drawings or in any of City's selections of any so called "long lead" items (such as carpeting or other items that are not readily available within industry standard lead times (e.g., custom made items that require time to procure beyond that customarily required for standard items, or items that are currently out of stock and will require extra time to back order)), including any cost or delay resulting from proposed items that are not ultimately included; **(vi)**

City's delay in providing information critical to the normal progression of Leasehold Improvements; (vii) City's request for changes to the Construction Budget, including any cost or delay resulting from proposed changes that are not ultimately made; and (viii) any other request, act, or omission by City or its Agents (or persons employed by such persons). In the event of a Tenant Delay, the Commencement Date will be deemed to have occurred on the date it would have occurred but for such Tenant Delay(s), as reasonably determined by Landlord (notwithstanding that the actual date occurs later).

c. Landlord Delays. Landlord will be responsible for any delay in the construction of the Leasehold Improvements due directly to any of the following (a "**Landlord Delay**"): (i) Landlord's or Architect's (or their Agents') negligence or willful misconduct (but with respect to Architect, only after Landlord has entered into the direct contract with Architect), (ii) the failure of Landlord to provide required documents or requested responses within the time periods provided in this Exhibit C, subject to Unavoidable Delays, (iii) Landlord Change Orders, including any delay resulting from proposed changes, and (iv) any Contractor failure to adhere to the then-current Construction Schedule, subject to extensions for Unavoidable Delays and Tenant Delays.

7. General Provisions.

a. Notices. Except as may be otherwise specifically provided in this Work Letter, any notice given under this Work Letter must be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

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

Landlord: 1076 Howard Street LLC
c/o Vantage Property Investors
1212 Highland Avenue
Manhattan Beach, California 90266
Attn: Stuart Gulland

or any other address as a party may designate to the others as its new address for notices by notice given to the others in accordance with the provisions of this paragraph. A properly addressed notice transmitted by one of the foregoing methods will be deemed received upon confirmed delivery, attempted delivery, or rejected delivery.

b. Landlord's Duty to Notify City. Landlord will promptly notify City in writing of (i) any written communication that Landlord may receive from any governmental, judicial, or legal authority giving notice of any claim or assertion that the Property, Building, or Leasehold Improvements fail in any respect to comply with applicable Laws; (ii) any known material adverse change in the physical condition of the Property, including any damage suffered as a result of earthquakes; and (iii) any known default by the Contractor or any subcontractor or material supplier that is likely to impact completion of the Leasehold Improvements, or any known material adverse change in the financial condition or business operations of any of them that is likely to impact their work.

c. Prevailing Wages and Apprentices. Any person performing labor in the construction of the Leasehold Improvements that Landlord is obligated to provide under this Work Letter will be paid not less than the highest prevailing rate of wages and Landlord will include in any contract for construction of the Leasehold Improvements a requirement that all persons performing labor under the contract will be paid not less than the highest prevailing rate of wages for the labor performed. In connection with the construction of the Leasehold Improvements under this Work Letter, Landlord will 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. In addition, if the Leasehold Improvements are Covered Construction (as defined in San Francisco Administrative Code Section 23.61), Landlord will pay the Prevailing Rate of Wages (as defined in San Francisco Administrative Code Section 23.61), employ Apprentices (as defined in San Francisco Administrative Code Section 23.61), and comply with all the provisions of Section 23.3 of the Lease, and San Francisco Administrative Code Section 23.61 of the regarding the Leasehold Improvements.

d. Tropical Hardwood and Virgin Redwood Ban.

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

City 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.

If Landlord fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Landlord will 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 will be payable to City on demand and may be set off against any monies due to Landlord from any contract with City.

e. Days; Incorporation of Exhibits. Unless otherwise provided in this Work Letter, all periods specified by a number of days will refer to business days. Saturdays, Sundays, and recognized City holidays will not constitute business days. Schedules D-1, D-2, and D-3 attached to this Work Letter, are made a part of this Work Letter by this reference.


f. Approvals. City is entering into this Work Letter in its proprietary capacity and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary in this Work Letter or the Lease, no approval by City of the plans for the Leasehold Improvements (including the Permit Documents or Construction Documents or Change Orders), completion of the Leasehold Improvement Work or any other approvals by City under this Work Letter or the Lease will be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Building. All approvals or other determinations of City as tenant under this Work Letter or the Lease may be made by City's Director of Property unless otherwise specified.

8. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter where definite time for performance is specified, including the date for Substantial Completion.

The parties have executed this Work Letter as of the date of the Lease.

LANDLORD:

1076 Howard Street LLC,
a Delaware limited liability company

By:  _____

Its: President _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
ANDRICO Q. PENICK
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Shari Geller Diamant
Deputy City Attorney

SCHEDULE D-1
CITY DATA SPECS



SAN FRANCISCO
DEPARTMENT OF
TECHNOLOGY

Schedule D-1

DT New Building and Moves Recommendations

Contents

Fiber 2

 General Recommendations 2

 Space and cost savings opportunities 2

Inside Wiring 2

 General Recommendations 2

Network 2

 General Recommendations 2

 Number of racks: 2

 Cooling 2

 Wireless Access 3

 Servers 3

 Space and cost savings opportunities 3

Telephony 3

 General Recommendations 3

 Space and cost savings opportunities 3

Physical Spaces / Architectural Design 4

 General Recommendations 4

 Drawings 4

 Network Rooms 4

 Rack/Cabinet Dimensions 4

 Cooling and Power 4

 Required Clearances 4

Recommended Equipment 6

 Power 6

 Two post rack 6

 Four Post Rack 6

 Cabinets 6

 Wireless Access Points 6

 Cisco Switches 6

 Patch Panels 7

 Ladder Rack 7

 Cable raceways 7

Fiber

General Recommendations

1. DT Project Management Office working with the DT Outside Wiring Team will assess potential sites for Fiber connectivity prior to lease/purchase or construction/renovation activities.
2. DT will provide the cost estimate to connect the building to City Fiber (preferred) or using an outside contractor for install.
3. Adequate space in the Main Point of Entry (MPoE) room to install a fiber box. Boxes are typically 30 inches high, 30 inches wide, and 20 inches deep and require 3 feet of clearance.

Space and cost savings opportunities

1. DT Outside Wiring can assess feasibility and cost for potential new locations and inform DPW and Real Estate staff of possible issues with connectivity during location selection process

Inside Wiring

General Recommendations

1. In buildings without drop ceilings, provide cable trays for cabling throughout the floors.
2. Conduit between floors will be required for fiber connectivity to the network rooms, typical 3" – 4" diameter.
3. CAT6a cables
4. Drawings – should specify number of wire drops per floor and include wiring for wireless access points.

Network

General Recommendations

Number of racks:

1. Up to 40 desks (2 ports per desk) or 80 desks (1 port per desk) – Small two post rack accommodation
2. Up to 160 desks (2 ports per desk) or 320 desks (1 port per desk) – Large enclosed cabinet accommodation
3. Additional desks – Add one cabinet for every 160 desks (2 ports per desk) or 320 desks (1 port per desk)

Cooling

1. DT requires forced air cooling in all network rooms. Optimal temperature range to maintain equipment for the best possible lifespan is 68 to 75 degrees. Equipment can operate at 75-80 degrees; however, increased heat will progressively degrade the equipment faster, shorten life span, and may cause operating problems.
2. Newer power over ethernet switches generate more heat than previous models
3. DT will provide equipment list with maximum total power consumption for mechanical engineer's use.

Wireless Access

1. DT provides wireless connectivity using #SFWiFi with a VPN connection to access City resources
2. As part of the upgrade to the network program, future security enhancements will allow for changes in connectivity for a more seamless user experience
3. DT will create a wireless connectivity heat map assessment using Ekahau, an industry standard tool for determining WiFi coverage
4. DT Inside Wiring staff can be contracted to mount access points. Access points are powered via Ethernet cable, so no additional power outlets needs for WiFi

Servers

DT recommends Departments migrate all on-premise servers to the City Data Center to gain the following benefits:

1. Disaster recovery and high availability – Automatic backups at Rancho Cordova Data center
2. Physical security – Armed Sheriff deputies guarding the DEM Data Center
3. Resiliency – DEM is designed to be seismically resilient
4. Cost savings – Departments do not have to refresh their equipment or maintenance contracts
5. Data Separation and Control – Departments manage and control access to data their instances down to the individual user level
6. Cybersecurity – The City Data Center architecture has enterprise level tools for cybersecurity monitoring, management, and incident response

Space and cost savings opportunities

1. We recommend 1 data port per user. This reduces the network equipment and network racks/cabinets in IDFs and MDFs. A single port can be used for a computer and a Voip phone.
2. Migrate servers onto shared City Data Center Infrastructure. Do not bring Departments physical servers into new sites. This reduces the amount of equipment and racks/cabinets in IDFs and MDFs saving space and reducing the size of cooling and power for these rooms.
3. Exception – Network video recorder (NVR) servers should remain on site due to bandwidth requirements for streaming multiple video sources

Telephony

General Recommendations

1. DT recommends all Departments moving into office space with new or upgraded networks to use the new Cisco Voice over Internet Protocol (VoIP) system
2. DT is currently piloting soft phones, and in the coming year may recommend departments go with soft phones whenever handsets are not absolutely needed
 - a. Soft phone client works on laptops and mobile devices such as cell phones or tablets
3. In areas where there is controlled access, DT recommends common area phones such as the Cisco 3905
4. Analog fax lines for multi-function devices can be accommodated with the Cisco VoIP system
 - a. Gateways for 2 lines, 4 lines, or 24 lines can be installed in the Network rack. A count from Departments broken out by floor is needed to determine the exact bill of materials

Space and cost savings opportunities

1. When approved for Citywide use, Soft Phones could be a huge cost saver as the physical handsets cost approx. \$200 per unit and do not require space on the desk.

2. The Cisco VoIP system connects through the network equipment and does not require any on-site servers.

Physical Spaces / Architectural Design

General Recommendations

Drawings

1. Low – Voltage: Indicate number of wire drops per floor, mapped to ports/Jacks on the walls. Wire drops should include wires for the wireless access point (WAPs) devices.
2. MPoE – Site/Civil drawings to indicate fiber route from outside to inside termination box at the MPoE
3. Network rooms – should indicate rack elevations for the network equipment as well as distances around the racks.

Network Rooms

1. Typically, one per floor with cooling.
2. Conduits minimum 3" conduits running through the network rooms to and from the MPoE

Rack/Cabinet Dimensions

1. Large enclosed cabinet dimension – 43 Inches Deep, 24 inches wide, 89 inches tall. (Most installations)
2. 72 inch height – used for installations up to 40 desks (2 ports per desk) or 80 desks (1 ports per desk)
3. 42 inch height - used for small installations up to 20 desks (2 ports per desk) or 40 desks (1 port per desk)
4. Small two post rack – 24 inches deep, 19 inches wide, options for 42 or 72 inches tall

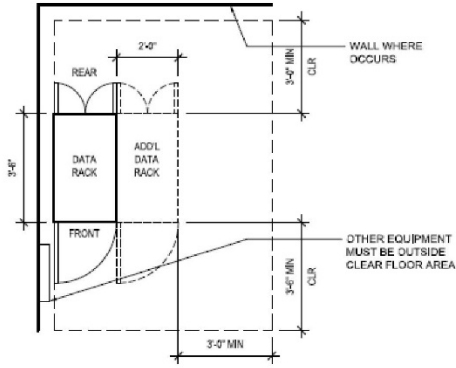
Cooling and Power

Calculations for heat/cooling and power are required as part of network design.

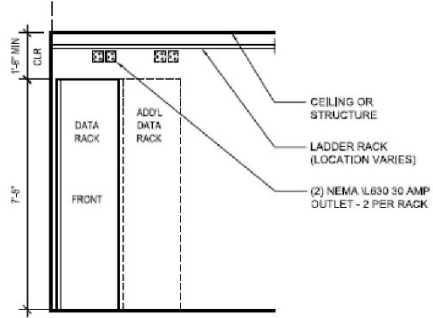
Required Clearances

1. Provide 3'-0" (3'-6" preferred) clearance in the front of the Network rack.
2. Provide 3'-0" clearance at back of racks and on one side.

NOTE:
1. PROVIDE MIN 1 DATA RACK, NUMBER OF
DATA RACKS DETERMINED BY DT



○ PLAN VIEW
SCALE: 1/8" = 1'-0"



○ ELEVATION VIEW
SCALE: 1/8" = 1'-0"

Recommended Equipment

Power

1. 2 Dedicated 30-amp power receptacles per rack
2. L630 208V receptacles NEMA twist lock
3. 4 Power distribution units per rack

Two post rack

1. https://www.chatsworth.com/en-us/documents/data-sheets/55053_datasheet-pdf.pdf

Four Post Rack

1. https://www.anixter.com/en_us/products/15251-715/CHATSWORTH-PRODUCTS-INC-%28CPI%29/Racks/p/454881

Cabinets

1. Drawings - https://download.schneider-electric.com/files?p_enDocType=CAD&p_File_Name=ASTE-6BFN27_R6_EN.pdf&p_Doc_Ref=APC_ASTE-6BFN27_EN
2. Website https://www.schneider-electric.com/en/product/AR2144BLK_APC/netshelter-vx-seismic-42u-enclosure-w-sides-black/

Wireless Access Points

1. C9130AXI-B <https://www.cdw.com/product/cisco-catalyst-9130ax-series/5831887>

Cisco Switches

1. 9400 series data sheet <https://www.cisco.com/c/en/us/products/switches/catalyst-9400-series-switches/index.html>
 - a. 9407 (Medium deployment up to 160-180 people)
 - i. <https://www.cisco.com/c/en/us/support/switches/catalyst-9407r-switch/model.html>
 - ii. Data sheet - https://www.cisco.com/c/en/us/products/collateral/switches/catalyst-9400-series-switches/data_sheet-c78-739053.html
 - b. 9410r (Large deployments up to 275 people)
 - i. <https://www.cisco.com/c/en/us/support/switches/catalyst-9410r-switch/model.html>
 - ii. Data Sheet - https://www.cisco.com/c/en/us/products/collateral/switches/catalyst-9400-series-switches/data_sheet-c78-739053.html
2. Cisco 9500Q24
 - a. Needed to connect sites to the City Fiber Wan, logically sits above the 9400 or 9348 switches in the MDF where the main network room is. If there are multiple departments in one building we will buy 2 for the building MDF, then place 1 in the primary network room for each individual department.

- b. <https://www.cisco.com/c/en/us/products/switches/catalyst-9500-series-switches/index.html>
 - c. Data sheet https://www.cisco.com/c/en/us/products/collateral/switches/catalyst-9500-series-switches/data_sheet-c78-738978.html
3. 9348 (Small deployments, up to 30-35 people Can stack two on top of each other for up to 60-70 if needed)
- a. <https://www.cisco.com/c/en/us/products/switches/nexus-9348gc-fxp-switch/index.html>
 - b. Data sheet - <https://www.cisco.com/c/en/us/products/collateral/switches/nexus-9000-series-switches/datasheet-c78-742284.html>

Patch Panels

- a. https://www.anixter.com/en_mx/product-detail.M2000-48-COMMSCOPE-SYSTEMAX-SOLUTIONS.PS-Copper%2BBlocks%2Band%2BPatch%2BPanels.BZ-323248.html

Ladder Rack

- a. https://www.anixter.com/en_us/products/10250-712/CHATSWORTH-PRODUCTS-INC-%28CPI%29/Cable-Runway/p/164166

Cable raceways

- 1. Mesh - various sizes made by this manufacturer is what we order
http://www.cooperindustries.com/content/dam/public/bline/Resources/Library/catalogs/cable_tray_systems/all_products/Flextray.pdf

SCHEDULE D-2**SCHEDULE OF PERFORMANCE**

	<u>Action to be Performed</u>	<u>Deadline</u>
1.	City to provide Permit Documents to Landlord for approval	Within three (3) days after receipt of Permit Documents from Architect
2.	Landlord to approve or disapprove of Permit Documents	Within three (3) days after receipt from City
3.	Landlord to submit Construction Documents to City for approval	Within sixty (60) days after Landlord's engagement of Architect
4.	Landlord will use commercially reasonable efforts to obtain all needed approvals and permits (subject to Unavoidable Delay and Tenant Delay)	Within sixty (60) days after approval of the Permit Documents by Landlord and City

SCHEDULE D-3

PRELIMINARY CONSTRUCTION BUDGET

Estimated Construction (Centric –attached hereto as Exhibit 1)	\$	2,340,350
Estimated Architectural fees (including subs)	\$	185,000
Estimated Permit costs (assumed 2%)	\$	46,807
Estimated Management fee	\$	101,014
Total	\$	2,673,171

EXHIBIT 1 TO SCHEDULE D-3



1076 HOWARD - DRUG SOBERING - ROM CONSTRUCTION ESTIMATE

PROJECT: 1076 Howard - SFDPH OPTION #1 TEST FIT Rev.1
 DESIGN TEAM: LDA Architects
 ESTIMATE DATE: 4/8/20
 RENTABLE SQFT: 14,888

SFDPH DRUG SOBERING CENTER AT 1076 HOWARD STREET								
ESTIMATE LINE DESCRIPTION	QUANTITY	UNIT	COST/UNIT	TOTAL	EXTENDED TOTAL	SUBTOTAL	\$/SF	NOTES
TENANT IMPROVEMENT BUILD-OUT								
DEMOLITION								
SOFT DEMO FOR NEW WORK	1	LS - ALLOW	7,500	7,500				
TRENCHING THROUGH MAT SLAB FOR NEW PLUMBING CONNECTIONS ON LEVEL 1	1	LS - ALLOW	8,000	8,000				MISC FRAMING, DRYWALL, DOOR, FLOORING, ETC DEMO NOTE ALLOWANCE, FULL SCOPE AND COST TBD.
SUBTOTAL DEMOLITION						15,500		\$1.04
STRUCTURAL CONCRETE								
MAT SLAB INFILL FOR NEW PLUMBING TRENCH	1	LS - ALLOW	20,000	20,000				NOTE ALLOWANCE, FULL SCOPE AND COST TBD.
SUBTOTAL STRUCTURAL CONCRETE						20,000		\$1.34
WATERPROOFING								
SUBGRADE WATERPROOFING REPAIR FOR NEW PLUMBING TRENCH	1	LS - ALLOW	5,000	5,000				NOTE ALLOWANCE, FULL SCOPE AND COST TBD.
SUBTOTAL WATERPROOFING						5,000		\$0.34
DRYWALL & METAL STUD FRAMING								
LEVEL 1 - PONY WALL ON 4 LINE	120	SF - ALLOW	60	7,200				
LEVEL 1 - PONY WALL ON 10 LINE	120	SF - ALLOW	60	7,200				
LEVEL 1 - MANAGERS OFFICE FRAMING AND DRYWALL	259	SF - ALLOW	60	15,540				
LEVEL 1 - CONSULT, EXAM, STAFF RESTROOM FRAMING AND DRYWALL	586	SF - ALLOW	60	35,160				
LEVEL 1 - BREAK AREA ENCLOSURE FRAMING AND DRYWALL	362	SF - ALLOW	60	21,720				
LEVEL 1 - MEN/WOMEN BED PARTITION FRAMING AND DRYWALL	281	SF - ALLOW	60	16,860				
LEVEL 1 - PRIVATE BEDROOM FRAMING AND DRYWALL	309	SF - ALLOW	60	18,540				
LEVEL 1+2 - WALL FRAMING ON FRONT STAIRS TO SECOND FLOOR	1	LS - ALLOW	5,000	5,000				
LEVEL 2 - PONY WALL FRAMING AROUND SECOND FLOOR OPENINGS	2	EA - ALLOW	6,500	13,000				
LEVEL 2 - NEW BATHROOM, JANITOR AND LACT. ROOM FRAMING AND DRYWALL	1,403	SF - ALLOW	60	84,180				
LEVEL 2 - BREAK ROOM FRAMING AND DRYWALL	240	SF - ALLOW	60	14,400				
SUBTOTAL DRYWALL & METAL STUD FRAMING						238,800		\$16.04 ASSUMES NO CEILING WORK.
DOORS, GLASS AND GLAZING								
LEVEL 1 - NEW FIRE RATED GLASS WALL ON 4 LINE - INCLUDES 2 DOORS	240	SF - ALLOW	350	84,000				
LEVEL 1 - NEW FIRE RATED GLASS ON 10 LINE - INCLUDES 2 DOORS	222	SF - ALLOW	350	77,700				
LEVEL 1 - MANAGERS OFFICE - HM DOOR AND FRAME	1	EA - ALLOW	1,750	1,750				
LEVEL 1 - CONSULT ROOM DOOR	1	EA - ALLOW	0	-				ASSUMED REUSE OF EXISTING
LEVEL 1 - EXAM/CONSULT ROOM DOOR	1	EA - ALLOW	0	-				ASSUMED REUSE OF EXISTING
LEVEL 1 - STAFF RESTROOM HM DOOR AND FRAME	1	EA - ALLOW	1,750	1,750				
LEVEL 1 - PRIVATE BEDROOM HM DOOR AND FRAME	1	EA - ALLOW	1,750	1,750				
LEVEL 1 - STAFF BREAK AREA HM DOOR AND FRAME	2	EA - ALLOW	1,750	3,500				
LEVEL 1 - FRONT STAIR WALL STAFF HM DOOR AND FRAME	1	EA - ALLOW	1,750	1,750				
LEVEL 1 - WORK TO MAKE ENTRY DOOR @ GL. 11A OPERABLE	1	EA - ALLOW	750	750				
LEVEL 2 - FIRE RATED GLASS ON PONY WALL AROUND SECOND FLOOR OPENINGS (2 TOTAL)	570	SF - ALLOW	350	199,500				
LEVEL 2 - NEW BATHROOM, JANITOR AND LACT. ROOM HM DOOR AND FRAME	5	EA - ALLOW	1,750	8,750				
SUBTOTAL DOORS, GLASS AND GLAZING						381,200		\$25.60
FLOORING SYSTEMS								
LEVEL 1 - CONSULT/EXAM ROOM CARPET TILE W/ RUBBER BASE	201	SF - ALLOW	15	3,015				ASSUMED TO MATCH EXISTING SPEC
LEVEL 1 - MANAGER OFFICE CARPET TILE W/ RUBBER BASE	78	SF - ALLOW	15	1,170				ASSUMED TO MATCH EXISTING SPEC
LEVEL 2 - JANITORS CLOSET RESILIENT FLOORING W/ RUBBER BASE	40	SF - ALLOW	13	520				
LEVEL 2 - LACT. ROOM CARPET TILE W/ RUBBER BASE	78	SF - ALLOW	15	1,170				ASSUMED TO MATCH EXISTING SPEC
LEVEL 1+2 - FLOOR TRANSITIONS	9	EA - ALLOW	75	675				
SUBTOTAL FLOORING SYSTEMS						6,550		\$0.44
TILE & STONE								
LEVEL 1 - STAFF BATHROOM WALL AND FLOOR TILE	1	LS - ALLOW	7,250	7,250				ASSUMES TO MATCH EXISTING SPEC
LEVEL 2 - STAFF BATHROOM WALL AND FLOOR TILE	3	LS - ALLOW	7,250	21,750				
SUBTOTAL TILE & STONE						29,000		\$1.95
CASEWORK AND COUNTERTOPS								
LEVEL 1+2 - RESTROOM VANITY AND COUNTERTOPS	4	EA - ALLOW	5,325	21,300				
LEVEL 2 - BREAK AREA CASEWORK AND COUNTERTOPS	1	EA - ALLOW	8,500	8,500				
SUBTOTAL CASEWORK AND COUNTERTOPS						29,800		\$2.00



1076 HOWARD - DRUG SOBERING - ROM CONSTRUCTION ESTIMATE

PROJECT: 1076 Howard - SFDPH OPTION #1 TEST FIT Rev.1
 DESIGN TEAM: LDA Architects
 ESTIMATE DATE: 4/9/20
 RENTABLE SQFT: 14,888

SFDPH DRUG SOBERING CENTER AT 1076 HOWARD STREET					
SIGNAGE					
RESTROOM ADA SIGNAGE	3	EA - ALLOW	250	750	
MEETING ROOM SIGNAGE		EXCLUDED		-	
SUBTOTAL SIGNAGE					750
BATHROOM ACCESSORIES & PARTITIONS					
BATHROOM ACCESSORIES	4	EA - ALLOW	750	3,000	
MIRRORS	4	EA - ALLOW	1,200	4,800	
SUBTOTAL BATHROOM ACCESSORIES & PARTITIONS					7,800
PAINTING AND WALL TREATMENTS					
LEVEL 1 - PAINT NEW FRAMED WALLS	1	LS - ALLOW	17,500	17,500	
LEVEL 2 - PAINT NEW FRAMED WALLS	1	LS - ALLOW	8,500	8,500	
LEVEL 2 - JANITOR'S ROOM FRP	1	LS - ALLOW	1,200	1,200	
SUBTOTAL PAINTING AND WALL TREATMENTS					27,200
CARD READER / SECURITY SYSTEM					
NEW CARD READER LOCATIONS	11	EA - ALLOW	750	8,250	
ELEVATOR CONTROLS ADJUSTMENT FOR NEW CARD READER	1	LS - ALLOW	12,500	12,500	
SUBTOTAL CARD READER / SECURITY SYSTEM					20,750
MECHANICAL SYSTEM					
UPGRADE VRF HVAC SYSTEM TO SERVE NEW LAYOUTS	14,888	SF - ALLOW	27	401,976	
SUBTOTAL MECHANICAL SYSTEM					401,976
ELECTRICAL - POWER AND LIGHTING					
LINE VOLTAGE ELECTRICAL TO SERVE VRF HVAC SYSTEM	1	LS - ALLOW	45,000	45,000	
POWER DISTRIBUTION TO MEETING SPACES AND RESTROOMS	850	SF - ALLOW	12	10,200	
POWER DISTRIBUTION TO OPEN OFFICE WORKSTATIONS	6,625	SF - ALLOW	15	99,375	
TITLE 24 COMPLIANT LIGHTING CONTROL SYSTEM	14,888	SF - ALLOW	3	44,644	
OPEN OFFICE LIGHTING	13,387	SF - ALLOW	10	133,870	
BATHROOM LIGHTING	4	LS - ALLOW	1,750	7,000	
CONSULT/EXAM ROOM LIGHTING	1	LS - ALLOW	1,250	1,250	
AUXILIARY SPACE LIGHTING	131	SF - ALLOW	5	655	
PRIVATE BEDROOM/MANAGERS OFFICE LIGHTING	2	LS - ALLOW	2,250	4,500	
SUBTOTAL ELECTRICAL - POWER AND LIGHTING					346,514
PLUMBING					
CONDENSATE PLUMBING FOR FCUS AND BC CONTROLLERS	1	LS - ALLOW	30,000	30,000	
TOILET AND RELATED PLUMBING	4	EA - ALLOW	4,500	18,000	
RESTROOM/LACT. ROOM SINK AND RELATED PLUMBING	5	EA - ALLOW	3,600	18,000	
FLOOR DRAIN AND RELATED PLUMBING	4	EA - ALLOW	2,750	11,000	
MOP SINK AND RELATED PLUMBING	1	EA - ALLOW	3,500	3,500	
LEVEL 1 BOTTLE FILLING STATION	1	EA - ALLOW	5,000	5,000	
LEVEL 1 NEW BATHROOM SUBGRADE PLUMBING	1	LS - ALLOW	7,500	7,500	
LEVEL 2 BREAK AREA SINK AND DRINKING FOUNTAIN	1	LS - ALLOW	6,500	6,500	
SUBTOTAL PLUMBING					99,500
FIRE ALARM SYSTEM					
ENGINEERING, DEVICES AND INSTALLATION FOR OPEN OFFICE AND MEETING SPACES	14,888	SF - ALLOW	6	89,328	
SUBTOTAL FIRE ALARM SYSTEM					89,328
FIRE SPRINKLER SYSTEM					
REVISE EXISTING SYSTEM FOR COVERAGE IN NEW MEETING SPACES AND RESTROOMS	14,888	SF - ALLOW	3	44,644	
SUBTOTAL FIRE SPRINKLER SYSTEM					44,644
LOW VOLTAGE					
WORKSTATION DATA DROPS	1	LS - ALLOW	125,000	125,000	
IDF ROOM BUILD OUT		INCLUDED			
ANCILLARY SPACE DATA		INCLUDED			
SUBTOTAL LOW VOLTAGE					125,000
TENANT IMPROVEMENT SUBTOTAL					1,889,332



1076 HOWARD - DRUG SOBERING - ROM CONSTRUCTION ESTIMATE

PROJECT: 1076 Howard - SFDPH OPTION #1 TEST FIT Rev.1
 DESIGN TEAM: LDA Architects
 ESTIMATE DATE: 4/8/20
 RENTABLE SQFT: 14,888

SFDPH DRUG SOBERING CENTER AT 1076 HOWARD STREET						
GENERAL CONDITIONS						
STAFFING DURATION ASSUMED DURATION - 12 WEEKS						
STAFFING COSTS						
	12	WKS	2,500	30,000		
PROJECT MANAGER (50% UTILIZATION)	12	WKS	4,600	55,200		
PROJECT ENGINEER/ADMIN (75% UTILIZATION)	12	WKS	3,000	36,000		
SUBTOTAL STAFFING DURATION					121,200	\$8.14
ADMINISTRATION COSTS						
PARKING	3	MONTHS	300	900		
PHONES	3	MONTHS	300	900		
OFFICE SUPPLIES	3	MONTHS	350	1,050		
TRUCK/VEHICLE MILEAGE	3	MONTHS	1,000	3,000		
SUBTOTAL ADMINISTRATION COSTS					5,850	\$0.39
GENERAL CONDITIONS SUBTOTAL					\$127,050	\$8.53
FEE AND INSURANCE						
GENERAL LIABILITY INSURANCE 1.0% 1,271						
GENERAL CONTRACTOR'S FEE 6.0% 121,059						
FEE AND INSURANCE SUBTOTAL					122,330	\$8.22
DESIGN CONTINGENCY						
CONTINGENCY 10.0% 201,638						
DESIGN CONTINGENCY SUBTOTAL					201,638	\$13.54
SFDPH DRUG SOBERING CENTER AT 1076 HOWARD STREET					2,340,350	\$157.20 \$/SF

SCHEDULE D-4

SCHEMATIC DESIGN DOCUMENTS

Basis of Design Report

Project:

SFDPH Drug Sobering Center
1076 Mission Street
San Francisco, CA

Tenant:

Attn: Jeff Suess, Senior Real Property Officer
Kathy Jung, Director of Facilities and Capital Projects
David Pating, UCSF Associate Clinical Professor - Psychiatry

SF Department of Public Health

25 Van Ness, Suite 400
San Francisco, CA 94102
E: jeff.suess@sfgov.org
O: (415) 554-9873

Owner:

Attn: Stuart Gulland
1076 Howard Street LLC
1212 Highland Ave
Manhattan Beach, CA 90266
E: stuart@vantagepi.com
C: (310) 874-5699

Architect:

Attn: Beyza Demirtas, AIA, LEED™ AP
LDA Architects, Inc. (LDA)
1108-A Bryant Street
San Francisco, CA
E: beyza.d@ldaarch.com
C: (415) 225-1741

Objective:

LDA was engaged by the Owner to assist SFDPH, as the potential tenant, in developing a Design Program and Test Fit for improvements to approximately 17,500 rentable square feet for use by a Drug Sobering Center (DSC) and a supporting department not a part of this programming effort. Major design considerations include the following:

- The DSC is to be located on the ground floor.
- Acoustical isolation (of unspecified performance) is to be provided between the sleeping area of the DSC and the related department.
- The design of the DSC is to afford maximum visibility of the patient areas of the facility, as required for safety and security of both patients and staff.
- The DSC is not a secure facility. Though access will be monitored, patients are to be free to leave and not feel confined.
- The supporting department will occupy the Second Floor as an undivided open "touch down space".

The Project Objectives are to:

1. Establish a Design Program for the DSC. This is a combination of functional space requirements and available space that establishes a Bed Count based upon active Covid-19 protocols.
2. Collaborate with DPH to establish and publish a Test Fit suitable to obtain DPH and Board of Supervisors approval.
3. Assist Owner and DPH in establishing suitable Project Budget.

Design Program:

In collaboration with DPH and DSC leadership, this Design Program was established and agreed to by DPH. To the greatest extent possible, existing improvements are to be retained:

- Design Standards:
 1. Comply with 2019 SF-CBC, including requirements specific to City-occupied facilities.
 2. Provide for LEED Gold Certification for Interiors.
 3. Comply with DPH standards for design and product specifications.
 4. Except as otherwise noted, match design standards, materials, and assemblies of base building.
- First Floor:
 1. Add Guard Station to control access to stair to Second Floor, and Ramp to Ground Floor
 2. Allow for a welcoming Lobby that provides for "pacing" and other calming gross motor activities.
 3. Enclose Sobering Beds Area with glazed walls to minimize reduction in natural light, and to manage sound transmission between Sobering Beds Area and Second Floor:
 - At Line 4, from Line A to near Line G. Allow for monitored, but not secured access to Sobering Beds Area
 - Near Line 10. Allow for management of access staff meeting area, break room, storage, linen closet and manager's office.
 - Segregate 3 beds for low wall separation of women from men.
 - Provide glazed enclosure of single bed for patients requiring segregation from others.
 4. Provide 3 Nursing Station in Sobering Beds Area. Allow for maximum visibility of facility.
 5. Provide for Active Area, monitored and close to Howard St entry
 6. Alter (E) ADA Unisex shower room to delete lockers, add baby changing table per SF-CBC
 7. Add accessible Staff Toilet
 8. Add Laundry, including non-commercial washer and dryer
 9. Add enclosed Exam/Consultation Room, including hand wash sink and cabinet, per DPH standards.
 10. Add enclosed Consultation Room, per DPH standards.
 11. Add enclosed Managers' Office, approximately 100 nsf.

12. Enclose (E) Break Room and reduce the area to add Decontamination Area next to it
13. Provide controlled access as shown on Test Fits.

• Second Floor:

1. Add 3 single occupant gender neutral Toilet Rooms as required by Code, including one accessible, per SF-CBC.
2. Add Lactation Room with sink and baby changing table.
3. Add Break Room

Fit Plans:

The attached annotated floor plans indicate a possible and acceptable application of the Design Program to the available space. It has not been thoroughly reviewed for all applicable Code requirements, and assumes that rated fire separations are required between the second floor Supporting Department and DSC.

Final Design shall be based upon these plans, but may evolve as LDA collaborates with DPH and the Owner over specific elements of the improvements.

Feasibility:

MEPS: LDA has informally discussed the installation of additional plumbing fixtures, specifically meeting existing invert elevations for Sanitary Sewer with new work, as much as 30 feet north of Line 8. MHC Engineers has initially indicated that existing invert elevations are sufficient. LDA recommends the inclusion of the base building MEOR to participate in any design work.

Structural: LDA has informally discussed the installation of additional subgrade sanitary waste lines. We are informed that the slab is designed to span, and that continuity of slab reinforcement is essential to the integrity of the structure. LDA recommends the inclusion of the base building SEOR to participate in any design work.

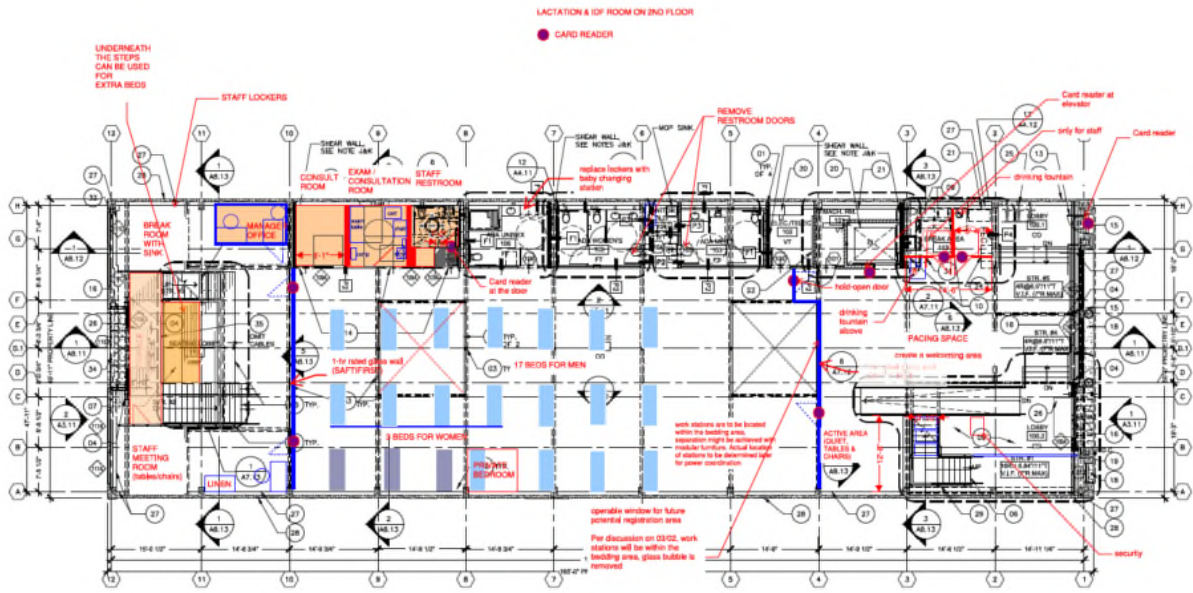
Project Costs:

Estimates of probable construction cost and schedule, and soft costs are not a part of this Report, but LDA will cooperate with DPH, the Owner and their consultants and builders to determine accurate and useful information as needed to:

- Obtain the Approval of the Board of Supervisors.
- Obtain building permits as required.
- Obtain the services of a general contractor for the work, to be delivered in a manner suitable to the Owner.

LDA

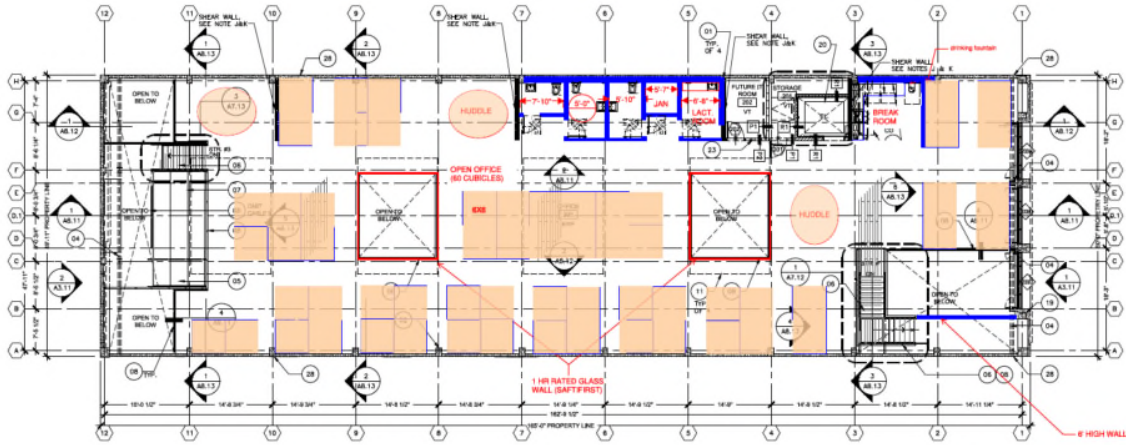
OPTION 1



SFPDH Drug Sobering Center at 1076 HOWARD ST San Francisco Department of Public Health

LEVEL 1 CONCEPT
PLAN-OPTION 1

03/04/21



SFDPH Drug Sobering Center at 1076 HOWARD ST San Francisco Department of Public Health

LEVEL 2 CONCEPT PLAN

03/25/21





GENERAL PLAN REFERRAL

April 12, 2021

Case No.: 2021-002346GPR
Block/Lot No.: 3726/026
Project Sponsor: City and County of San Francisco
Applicant: Jeff Suess – (415) 554-9873
Jeff.Suess@sfgov.org
City and County of San Francisco Real Estate Division
25 Van Ness Avenue, Ste. 400
San Francisco, CA 94103
Staff Contact: Richard Sucre – (628) 652-7364
richard.sucre@sfgov.org

Recommended By:  for _____
Rich Hillis, Director of Planning

Recommendation: Finding the project, on balance, is **in conformity** with the General Plan

Project Description

The Department of Public Health (DPH) would establish a Drug Sobering Center, a social service use, at 1076 Howard Street. This new use would provide social services to intoxicated individuals for their care and safety.

Environmental Review

The Project is exempt from the California Environmental Quality Act (“CEQA”) as a Class 15301 Categorical Exemption.

General Plan Compliance and Basis for Recommendation

As described below, the proposed project is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in conformity with the Objectives and Policies of the General Plan.

COMMUNITY FACILITIES

OBJECTIVES AND POLICIES

OBJECTIVE 7

DISTRIBUTION THROUGHOUT THE CITY OF DISTRICT PUBLIC HEALTH CENTERS TO MAKE THE EDUCATIONAL AND PREVENTIVE SERVICES OF THE DEPARTMENT OF PUBLIC HEALTH CONVENIENT TO THE PEOPLE, THEREBY HELPING TO ACHIEVE THE GOALS OF THE PUBLIC HEALTH PROGRAM IN SAN FRANCISCO.

URBAN DESIGN

OBJECTIVES AND POLICIES

OBJECTIVE 2

CONSERVATION OF RESOURCES WHICH PROVIDE A SENSE OF NATURE, CONTINUITY WITH THE PAST, AND FREEDOM FROM OVERCROWING.

Policy 2.4

Preserve notable landmarks and areas of historic, architectural or aesthetic value, and promote the preservation of other buildings and features that provide continuity with past development.

Policy 2.5

Use care in remodeling of older buildings, in order to enhance rather than weaken the original character of such buildings.

EAST SOMA AREA PLAN

Community Facilities

OBJECTIVES AND POLICIES

OBJECTIVE 7.1

PROVIDE ESSENTIAL COMMUNITY SERVICES AND FACILITIES.

Policy 7.1.1

Support the siting of new facilities to meet the needs of a growing community and to provide opportunities for residents of all age level.

OBJECTIVE 7.2

ENSURE CONTINUED SUPPORT FOR HUMAN SERVICE PROVIDERS THROUGHOUT THE EASTERN NEIGHBORHOODS.

Historic Resources

OBJECTIVES AND POLICIES**OBJECTIVE 8.2****PROTECT, PRESERVE, AND REUSE HISTORIC RESOURCES WITHIN THE EAST SOMA AREA PLAN.****Policy 8.2.3**

Promote and offer incentives for the rehabilitation and adaptive reuse of historic buildings in the East SoMa area plan.

The General Plan encourages new social service uses throughout San Francisco. The underlying Mixed-Use General (MUG) Zoning District principally permits social service uses. Generally, the East SoMa Area Plan encourages the preservation and reuse of historic buildings and the also the creation and continuation of important community facilities. The Project is consistent with the policies and objectives of the East SoMa Area Plan. The Project will contribute to the diversity and mixed-use character of the neighborhood and will reuse and restore a historic resource. The Project will also provide a critical social service and health service use to the City's existing social network.

Planning Code Section 101 Findings

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

No retail use exists on the project site. The Project would not have a negative effect on existing neighborhood-serving retail uses and will not have a negative effect on opportunities for resident employment in and ownership of neighborhood-serving retail.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

No housing exists on the project site. The Project would conserve the existing neighborhood character and also protect the cultural and economic diversity of this neighborhood by providing an important new social service.

3. That the City's supply of affordable housing be preserved and enhanced;

No affordable housing exists on the project site. The Project would not have an adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

The Project would not result in commuter traffic impeding MUNI transit service or overburdening the streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The Project does not include commercial office development and would not cause displacement of the industrial or service sectors. The Project preserves the future opportunities for resident employment or ownership in these sectors.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

The Project would meet the City's standards for preparedness against injury and loss of life in an earthquake, and would meet all criteria established by the Department of Building Inspection.

7. That the landmarks and historic buildings be preserved;

The Project would not have an adverse effect on the City's Landmarks and historic buildings. This Project reuses an important historic property in a sensitive manner and according to adopted standards for historic preservation.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The Project would not have an adverse effect on the City's parks and open space and their access to sunlight and vistas.

- 9.

Recommendation: Finding the project, on balance, is in conformity with the General Plan

April 9, 2021

**Department of Public Health
Lease of Real Property
1076 Howard Street**

Through Carmen Chu
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

RE: Lease for Drug Sobering Center – 1076 Howard Street

Dear Board Members:

Attached for consideration is a Resolution authorizing the lease of approximately 16,668 rentable square feet of office space located at 1076 Howard Street, for use by the Department of Public Health (DPH) for their Drug Sobering Center as part of the implementation of Mayor London Breed's Mental Health SF (MHSF), where she directed the Department to develop "at least one Drug Sobering Center.

The 1076 Howard Street building is planned for usage by DPH in furtherance of the City's Mental Health SF Program implementation and will include space for two key components of the program, a Drug Sobering Center and Street Crisis Response Teams (SCRT), with space for collaboration with DPH's Whole Person Integrated Care staff (WPIC). Mental Health SF is the City's strategic framework for improving the behavioral health response to people experiencing homelessness.

The 1st floor is proposed to house the Drug Sobering Center. The Drug Sobering Center will address the unique needs of individuals using drugs. Through targeted engagement the center will promote substance use services and social supports. It is a non-clinical model focused on harm reduction, safety, and engagement. The space includes restroom facilities for staff and clients, shower facilities, client consultation space, a medical exam room, sleeping areas for clients, quiet client activity space, and staff working spaces. The Drug Sobering Center will be a key partner and resource for the Street Crisis Response Team and Whole Person Integrated Care teams.

The 2nd floor is proposed to serve as a touch-down (rest, collaboration and administration) space for Street the Street Crisis Response Team and Whole Person Integrated Care staff teams that are all predominantly field-based staff. They work symbiotically with the Drug Sobering Center downstairs. The SCRT team works to de-escalate, or calm down, crises in the streets. They answer 911 calls that don't require a police response with the goal of reducing unnecessary emergency room visits and jail time. They will bring some of these clients to the Drug Sobering Center as an alternate destination. They also link clients to services and provide transportation to those services, and support clients with follow-up care coordination. The Whole Person Integrated Care Teams provide field-based medical care and referrals for the same population.

The center was slated for operation as "Project 180" in 2020. The original planned temporary structure on Jones and Turk Street was tabled due to DPH's prioritized response to COVID-19. When MHSF reconvened in late 2020, the original site was no longer feasible. These programs support family services as well as emergency response services as part of the DPH's mission to protect and promote the health of San Francisco.

The Real Estate Division, in response to the impact of the COVID19 pandemic and direction from the Board of Supervisors in recent transactions, negotiated the following:

- Rent: \$51.25 per rentable square foot per year
- Free rent for 6 months
- Installation of a 2nd floor restroom at Landlords sole cost
- Landlord contribution to Tenant Improvements \$916,740 (\$55 psf.)

The lease will commence on delivery of the premises, estimated to be October 1 ,2021, for a term of 8 years and six months, with an additional option to extend for 5 additional years. The Base Rent under the proposed lease would be \$71,186 per month increasing 3% per year. For the first 6 years of the lease, each July will be free. Rent commencement is expected to be October 1, 2021. The proposed Lease will be a "triple net" lease with City paying for its proportional share of taxes, insurance and maintenance of the building. City will also pay for its utilities, janitorial services and security guards, refuse and recycling costs.

We recommend approval of the proposed Lease. If you have any questions regarding this matter, please contact Andrico Penick at 415-554-9860.

Respectfully,

Andrico Penick
Director of Property

cc. Dr. Grant Colfax, Director DPH

President, District 10
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-6516
Fax No. 554-7674
TDD/TTY No. 544-6546

Shamann Walton

PRESIDENTIAL ACTION

Date: 5/6/2021

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

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

File No. _____

(Primary Sponsor)

Title. _____

Transferring (Board Rule No 3.3)

File No. _____

210391

Mayor Breed

(Primary Sponsor)

Title. Lease of Real Property - 1076 Howard Street LLC - 1076 Howard Street -
\$854,235 Per Year in Base Rent - Up to \$1,888,990 in Tenant

From: Budget & Finance

Committee

To: Government, Audit, & Oversight

Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: _____

Replacing Supervisor: _____

For: _____

(Date)

(Committee)

Meeting

Start Time: _____

End Time: _____

Temporary Assignment: Partial Full Meeting

Shamann Walton, President
Board of Supervisors

Member, Board of Supervisors
District 5



City and County of San Francisco

DEAN PRESTON

DATE: June 3, 2021

TO: Angela Calvillo
Clerk of the Board of Supervisors

FROM: Supervisor Preston
Chairperson

RE: Government Audit and Oversight Committee
COMMITTEE REPORT

Pursuant to Board Rule 4.20, as Chair of the Government Audit and Oversight Committee I have deemed the following matters to be of an urgent nature and request each be considered by the full Board on Tuesday, June 8, 2021, as Committee Reports:

210391 [Lease of Real Property - 1076 Howard Street LLC - 1076 Howard Street - \$854,235 Per Year in Base Rent - Up to \$1,888,990 in Tenant Improvements]

These matters will be heard in the Government Audit and Oversight Committee during a regular meeting on Thursday June 3, 2021, at 10:00 a.m.

A handwritten signature in blue ink, appearing to read "Dean Preston".



San Francisco Ethics Commission

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

Phone: 415.252.3100 . Fax: 415.252.3112

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

Received On:

File #: 210391

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

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

A Public Document

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

1. FILING INFORMATION

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

2. CITY ELECTIVE OFFICE OR BOARD

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

3. FILER'S CONTACT

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

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Jeff Suess	415.554.9873
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
RED DPH	jeff.suess@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Vantage Property Investors	TELEPHONE NUMBER (310) 874-5699
STREET ADDRESS (including City, State and Zip Code) 1212 Highland Ave Manhattan Beach, CA 90266	EMAIL stuart@vantagepi.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 210391
DESCRIPTION OF AMOUNT OF CONTRACT \$2,743,225		
NATURE OF THE CONTRACT (Please describe) Lease with tenant improvements.		

7. COMMENTS
Both the Landlord, 1076 Howard Street LLC, and our operating company, Vantage Property Investors LLC, have the same executive structure: See section 9.

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Fox, Jr.	Edward (Ned) D	CEO
2	Fox, Jr.	Edward (Ned) D	Other Principal Officer
3	Gulland	Stuart J S	CFO
4	Gulland	Stuart J S	COO
5	Gulland	Stuart J S	Other Principal Officer
6	Huntington Fox Investment		Other Principal Officer
7	Stuart and Dawn Gulland		Other Principal Officer
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9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
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50			

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

10. VERIFICATION

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

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

<p>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</p> <p>BOS Clerk of the Board</p>	<p>DATE SIGNED</p>
---	---------------------------