



1 [Real Property Lease - 750 Brannan Street Props, LLC - 750 Brannan St. - \$942,747 Rent in  
2 Initial Year]

3 **Resolution authorizing a Lease between the City and County of San Francisco, as**  
4 **Tenant, and 750 Brannan Street Props, LLC, a California limited liability company as**  
5 **Landlord, to be used as retail, production, warehouse, and related office space located**  
6 **at 750 Brannan Street, consisting of approximately 24,173 square feet of building and**  
7 **approximately 6,430 square feet of yard, for a ten year term expected to commence on**  
8 **or about January 1, 2017, and terminate on December 31, 2026, for use by the San**  
9 **Francisco Public Library, at \$78,562.25 monthly; for \$942,747 rent in the initial year with**  
10 **annual 3% percent increases and three five-year options to extend; finding the**  
11 **proposed transaction is in conformance with the City's General Plan, and the eight**  
12 **priority policies of Planning Code, Section 101.1; and authorizing a Sublease of a**  
13 **portion of that space consisting of approximately 2,833 square feet with the Friends &**  
14 **Foundation of the San Francisco Public Library, a 501(c)3 non profit agency, at the**  
15 **prorata City cost.**

16  
17 WHEREAS, The San Francisco Public Library (Library) provides world class services  
18 to the residents of San Francisco through the Main Library, 27 Branch Libraries, Mobile  
19 Outreach Services (Bookmobiles) and is the repository for the City Archives; and

20 WHEREAS, Mobile Outreach Services (MOS) unit offers a variety of library services  
21 beyond the 28 library locations connecting with San Francisco residents where they work,  
22 play, create, learn, and live regardless of physical, economic, social, geographic, or other  
23 barriers; and

1           WHEREAS, The bookmobiles visit an average of 93 stops and serve an average of  
2 2,243 patrons monthly delivering a wide variety of library materials in multiple formats and  
3 languages, as well as promoting the Library's various other programs; and

4           WHEREAS, The MOS unit currently has 4 vehicles: the Green Bookmobile is an  
5 environmentally friendly bookmobile that serves the Treasure Island community and acts an  
6 outreach tool at special events; the Early Literacy Mobile serves children 0-5 years and their  
7 caregivers, appearing at child care centers and at parks; the Library On Wheels is a  
8 wheelchair-accessible bookmobile providing services for seniors and those with mobility  
9 issues (at over 30 senior centers & residences); and the Techmobile is a seven-seat mobile  
10 classroom equipped with high-tech devices that brings digital literacy to patrons of all ages;  
11 and

12           WHEREAS, The bookmobiles are currently parked at two separate locations: there are  
13 two parking spots at both the Main Library's underground garage and at the parking lot  
14 located at Pier 19½ . MOS staff are housed in two separate floors at the Main Library: the  
15 drivers/circulation team in the basement and the librarians with the Program Manager on the  
16 3rd floor; and

17           WHEREAS, At 750 Brannan Street, the entire unit would be co-located together  
18 allowing better intra-unit communication and eliminating the non productive travel time to Pier  
19 19 1/2; and

20           WHEREAS, The Library is also the official home for the City and County of San  
21 Francisco Archives which collects, preserves and provides public access to the historical  
22 records; and

23           WHEREAS, These large collections contain and reflect the lives of the citizens of San  
24 Francisco documenting the politics and government of San Francisco over the past 170 years;  
25 and

1           WHEREAS, The materials in the archives are unique and the oldest records go back to  
2 the days of the Alcaldes in the 1840s, including a number of early materials that were not  
3 destroyed in the 1906 earthquake and fire and include property records and hand drawn  
4 homestead maps for early neighborhoods and developments in the City; and

5           WHEREAS, The Archive also contains over 2 million photographs from a variety of  
6 sources including frequently viewed photos that document the construction of all city property,  
7 including Hetch Hetchy; and

8           WHEREAS, San Francisco residents, as well as people from throughout the country  
9 and the world, use our City Archives for personal and research projects, as well as for films,  
10 books, and websites; and

11           WHEREAS, The City Archive is the designated repository for the papers of the city's  
12 mayors and hold the papers of Mayors Newsom, Jordan, Brown, Agnos, Alioto, and  
13 Christopher, among others; and

14           WHEREAS, The Library Archive reading room located within the San Francisco History  
15 Center of the Main Library is open seven days a week; and

16           WHEREAS, The Archive Collection is currently located partially in Brooks Hall (beneath  
17 Civic Center Plaza) and the Main Library; and

18           WHEREAS, Brooks Hall presents substantial preservation challenges given limited  
19 temperature and humidity control; and

20           WHEREAS, The Library's Community Redistribution Program plays an important role  
21 in the life cycle of books; and

22           WHEREAS, As the Library deselected titles to make room for new materials, it strives to  
23 keep the removed materials out of landfills by partnering with schools, nonprofits, community  
24 based organizations and other agencies who will use them for the public good; and  
25

1           WHEREAS, The Library's Community Redistribution Program is a model nationally for  
2 repurposing deaccessioned collections and a success story for getting the books out to  
3 community-based and non-profit organizations both locally and abroad; and

4           WHEREAS, In the past fiscal year, through the Library's Community Redistribution  
5 Program, nearly 75,000 books were either picked up or shipped to various public benefit  
6 organizations both locally and abroad; and

7           WHEREAS, The Redistribution Program is currently also housed in Brooks Hall, and  
8 Brooks Hall is not an appropriate location for a staff function, given air quality conditions; and

9           WHEREAS, Under the proposed lease, shared space with other library functions will  
10 allow for increased hours for nonprofit agencies to access the collection which will increase  
11 the number books distributed to partner public benefit agencies and improve the Library's  
12 overall environmental impact by reducing the number of books that need to be recycled; and

13           WHEREAS, The Friends & Foundation of the San Francisco Public Library (FFOL or  
14 Friends), a 501 (c) non profit agency founded in 1961, plays a critically important role in  
15 fiscally supporting, advocating and fundraising for the San Francisco Public Library; and

16           WHEREAS, FFOL is a member-supported, a 501(c)3 nonprofit that provides financial  
17 support of \$720,000 annually for the Library; and

18           WHEREAS, FFOL recently spearheaded a neighborhood branch library campaign,  
19 engaging communities and bringing in more than \$9,800,000 in funding for furniture, fixtures,  
20 and equipment which would have been a General Fund expense; and

21           WHEREAS, FFOL staff are currently located at 710 Van Ness Avenue; and

22           WHEREAS, The FFOL's current lease rent is expected to rise considerably in  
23 December 2016; and

24           WHEREAS, The FFOL believes that they can negotiate a termination of their lease with  
25 their current Landlord but does not want to do so until a new location has been secured; and

1           WHEREAS, FFOL proposes to operate a small public bookstore and provide a public  
2 book donation drop off along with space for its current 12 staff members; and

3           WHEREAS, The City directly benefits from the sale of donated books; and

4           WHEREAS, The proposed sublease will allow FFOL to remain in San Francisco at less  
5 rent that they would pay at their current location and add the above mentioned  
6 bookstore/book drop off; and

7           WHEREAS, Under a proposed Sublease, the FFOL would pay its prorata share  
8 (11.7%) of all costs; and

9           WHEREAS, The facility at 750 Brannan Street meets the needs of the Library to  
10 improve service to the public; and

11           WHEREAS, The Board of Supervisors placed on reserve funding for this project in the  
12 FY2016-2017 budget; and

13           WHEREAS, The Planning Department, through General Plan Referral letter dated June  
14 30, 2016, ("Planning Letter"), which is on file with the Clerk of the Board of Supervisors under  
15 File No. 140798, has verified that the City's proposed lease of 750 Brannan Street is  
16 consistent with the General Plan, and the eight priority policies under Planning Code, Section  
17 101.1; and

18           WHEREAS, At the Library's request, the Real Estate Division and the Landlord have  
19 negotiated a new lease agreement at or below fair market rent; and

20           WHEREAS, The proposed Lease is subject to enactment of a resolution by the Board  
21 of Supervisors and the Mayor, in their respective sole and absolute direction, approving and  
22 authorizing such new Lease and the Sublease; now, therefore, be it

23           RESOLVED, That the Board of Supervisors hereby finds that the lease of 750 Brannan  
24 Street is consistent with the General Plan, and the eight priority policies of Planning Code,  
25

1 Section 101.1, and hereby incorporates such findings by reference as though fully set forth in  
2 this Resolution; and, be it

3 FURTHER RESOLVED, That in accordance with the recommendation of the City  
4 Librarian, that the Director of Property on behalf of the City and County of San Francisco, as  
5 Tenant, is hereby authorized to take all actions necessary to execute a Lease with 750  
6 Brannan Street Props, LLC, a California limited liability company on the terms and conditions  
7 contained herein and a Sublease with the City and County of San Francisco, as Sublandlord  
8 and the Friends & Foundation of the San Francisco Public Library, as Subtenant on forms  
9 approved by the Office of the City Attorney in substantially the form as which is on file with the  
10 Clerk of the Board of Supervisors in File No. 160798 at 750 Brannan Street, San Francisco,  
11 California which is hereby declared to be a part of this resolution as if set forth fully herein;  
12 and, be it

13 FURTHER RESOLVED, The term of such Lease shall be approximately ten (10) years  
14 commencing upon completion of the proposed Tenant Improvements (expected to be on or  
15 about January 1, 2017) and shall terminate on December 31, 2026 subject to City's right to  
16 extend as provided below; and, be it

17 FURTHER RESOLVED, The monthly base rent shall be \$78,562.25 (approximately  
18 \$39.00 per square foot annually), net of utilities, janitorial maintenance, and security, subject  
19 to annual rent adjustments of three percent (3%); and, be it

20 FURTHER RESOLVED, The Landlord shall provide an allowance of \$241,730.00 for  
21 the construction of tenant improvements and the City shall make progress payments for any  
22 costs above the allowance (up to a maximum additional City cost of \$755,970); and, be it

23 FURTHER RESOLVED, That under the terms of potential Sublease to the Friends and  
24 Foundation of the San Francisco Public Library, FFOL shall be responsible for its prorata  
25 share of costs; and, be it

1 FURTHER RESOLVED, That the City shall have three (3) five year options to extend  
2 the term at 95% of the then fair market rent, each extension subject to further Board of  
3 Supervisors and Mayor approval; and, be it

4 FURTHER RESOLVED, That the Lease shall indemnify and hold harmless the  
5 Landlord from, and agreeing to defend the Landlord against, any and all claims, costs and  
6 expenses, including without limitation, reasonable attorney's fees, incurred as a result of City's  
7 use of the premises, any default by the City in the performance of any of its obligations under  
8 the Master Lease, or any acts or omissions of City, its agents or its subtenants in, on or about  
9 the premises or the property on which the premises are located; and, be it

10 FURTHER RESOLVED, That the Director of Property shall be authorized to enter into  
11 any additions, amendments or other modifications to the Lease (including, without limitations,  
12 the exhibits and the sublease premises, rent and resulting prorata share after the preparation  
13 of permit drawings) that the Director of Property determines, in consultation with the City  
14 Attorney, are in the best interests of the City, do not materially increase the obligations or  
15 liabilities of the City, and are necessary or advisable to complete the transactions and  
16 effectuate the purpose and intent of this resolution; and, be it

17 FURTHER RESOLVED, Said Lease and Sublease shall be subject to certification as to  
18 funds by the Controller as provided in Section 23.25, pursuant to Charter, Section 3.105; and,  
19 be it

20 ///

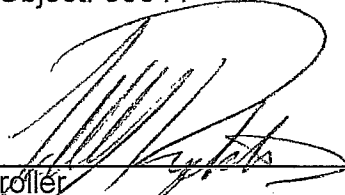


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FURTHER RESOLVED, That within thirty (30) days of the agreements being fully executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk of the Board for inclusion into the official file.

FY 16/17 Funds Available: \$1,227,343.50  
(Base Rent 1/1/17 to 6/30/17 plus the maximum TI cost of \$755,970)

Index code: 415235.  
Sub Object: 03011

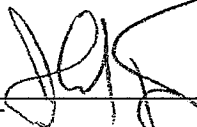


Controller  
Subject to the enactment of the Annual Appropriation of Funds Ordinance for fiscal 16/17 and a release of the required funds from reserve

RECOMMENDED:



City Librarian  
San Francisco Public Library



Director  
Real Estate Division

<p><b>Items 9 and 11</b> <b>Files 16-0798 and 16-0833</b></p>	<p><b>Departments:</b> Public Library Real Estate Division</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<p><u>File 16-0798</u> would authorize (1) a new lease between the Public Library, as tenant, and 750 Brannan Street Props, LLC, as landlord, to provide retail, production, warehouse and related office space at 750 Brannan Street; and (2) a sublease between the Public Library and the Friends &amp; Foundation. The lease is for ten years with three five-year options to extend, totaling 25 years.</p>	
<p><u>File 16-0833</u> is a request to release \$1,227,344 on Budget and Finance Committee reserve for FY 2016-17 to pay the Library's tenant improvement costs and six months of rent at 750 Brannan Street.</p>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• The Library plans to relocate three Library programs – the City's Archives, the Community Redistribution Program, and Mobile Outreach Services – from the Main Library and Brooks Hall to the new lease space at 750 Brannan Street. The new lease space consists of 24,173 square feet of building space and 6,430 square feet of yard space, totaling 30,603 square feet. First year rent is \$39 per square foot or \$942,747 for 24,173 square feet of building space. Rent increases by 3 percent per year.</li> <li>• Friends &amp; Foundation would sublease 2,833 square feet from the Library, of 11.7 percent of the building space, and pay the Library for rent and operating expenses equal to 11.7 percent of the Library's total rent and operating expenses.</li> <li>• The Budget and Finance Committee placed \$1,772,592 on Budget and Finance Committee reserve during the FY 2016-17 budget deliberations, pending the submission of a lease for a site to consolidate the Library's operations in one location. The Library is requesting release of \$1,227,344 on Budget and Finance Committee reserve.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• The Library's total costs over the initial ten-year lease term are \$10,452,694.</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p>	
<ul style="list-style-type: none"> <li>• Approval of the proposed resolution (File 16-0798) and release of \$1,227,344 on Budget and Finance Committee reserve (File 16-0833) are a policy matter for the Board of Supervisors because the proposed new lease results in new costs to the Library of \$10,452,694 over ten years.</li> </ul>	
<p style="text-align: center;"><b>Recommendations</b></p>	
<ul style="list-style-type: none"> <li>• Approval of the proposed resolution and requested release of \$1,227,344 on Budget and Finance Committee reserve is a policy matter for the Board of Supervisors.</li> <li>• If the Board of Supervisors approves the release of \$1,227,344 on Budget and Finance Committee reserve, the balance of \$545,250 should be returned to the Library fund balance.</li> </ul>	

**MANDATE STATEMENT**

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

Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve until released by the Budget and Finance Committee of the Board of Supervisors.

**BACKGROUND****Three Existing Public Library Programs and Services**

The Public Library collects, maintains and provides public access to the City's Archives, historical records and photographs, some of which date back to the mid-1800s. The City's Archives are currently stored in the basement of Brooks Hall at no cost, across from the Main Public Library. Library staff archivists retrieve City Archive materials for patrons, as requested.

The Public Library's Community Redistribution Program provides schools, nonprofits, community-based and other organizations both locally and abroad with approximately 75,000 books and materials annually for re-use. As Library staff de-select volumes to allow room for new books and materials in the Public Libraries, these recycled materials are kept out of landfills and repurposed for use by others. The Community Redistribution Program, which has limited staff hours, is currently housed in the basement of Brooks Hall at no lease cost.

The Public Library's Mobile Outreach Services provide bookmobile visits for an average of 2,243 patrons monthly, with four vehicles: (1) Green Bookmobile, serving Treasure Island community and special events, (2) Early Literacy Mobile, serving children 0-5 years and their caregivers at child care centers and parks, (3) Library on Wheels, serving seniors and mobility impaired individuals, (4) Techmobile, providing digital literacy with high-tech devices. The Mobile Outreach Services staff is currently located on two floors in the Main Library. Two bookmobiles are parked in the Main Library's underground garage and two bookmobiles are currently parked at Pier 19½, under an existing sublease with Space Plus, LLC at a cost of \$15,000 per year.

**The Friends & Foundation**

The Friends & Foundation of the San Francisco Public Library (Friends & Foundation) is a nonprofit organization that advocates, fundraises and provides financial support of approximately \$720,000 annually to the Public Library. The Friends & Foundation currently operate a small public bookstore in the Main Library from donated books, with the revenue from these book sales provided to the Public Library. The Friends & Foundation currently lease private office space at 710 Van Ness for their administrative staff for \$7,549 per month, which extends through November 30, 2021. Anticipating a significant rent increase in December of 2016, the Friends & Foundation are currently negotiating with their landlord to terminate this existing lease and relocate to less expensive and more suitable space.

## DETAILS OF PROPOSED LEGISLATION

**File 16-0798** is a resolution that would authorize (1) a new lease between the Public Library, as tenant, and 750 Brannan Street Props, LLC, as landlord, to provide retail, production, warehouse and related office space at 750 Brannan Street; and (2) a sublease between the Public Library and the Friends & Foundation. The lease is for ten years with three five-year options to extend, totaling 25 years. The terms of the proposed lease and sublease are shown in Table 1 below.

The resolution also finds this transaction conforms to the City's General Plan and Planning Code Section 101.1.

**File 16-0833** is a request to release \$1,227,344 on Budget and Finance Committee reserve for FY 2016-17 to proceed with the lease agreement at 750 Brannan Street and related sublease with the Friends & Foundation, including tenant improvements.

Table 1 below shows the key provisions of the lease.

**Table 1: Key Provisions of Lease for 750 Brannan Street**

Permitted Uses	Library archival collection, community redistribution program, bookmobile parking, general office and Friends & Foundation bookstore and book donation drop-off
Premises	24,173 square feet of building 6,430 square feet of yard area 30,603 total square feet
Term	Ten years, from January 1, 2017 through December 31, 2026 Lease will commence upon completion of tenant improvements
Options to Extend	Three five-year options to extend through December 31, 2041 Rent adjusted to 95 percent of Fair Market Value, subject to Board of Supervisors approval
Rent in First Year	\$78,562 per month or \$942,747 first year (\$39 per square foot annually for 24,173 square feet of building space)
Annual Increase to Rent	3 percent
Estimated Expenses	\$2,518 per month or \$30,216 annually City pays for utilities, janitorial, security and maintenance
Library's Tenant Improvement Costs	\$755,970, equal to total estimated tenant improvement costs of \$997,700 less landlord allowance of \$241,730
Purchase Option	City has First Right of Negotiation if landlord decides to sell property
Sublease with Friends & Foundation	2,833 square feet (approximately 11.7% of total building) Rent and operating expenses paid by Friends & Foundation to Library equals 11.7% of Library's base rent and operating expenses

According to Ms. Maureen Singleton, Chief Financial Officer of the Public Library, the proposed lease at 750 Brannan Street would enable the Library to relocate and consolidate the City Archives, Community Redistribution Program and Mobile Outreach Services into one space. In addition, the Friends & Foundation staff would provide a neighborhood book donation drop off and bookstore at the 750 Brannan Street location. Overall, the Library currently occupies 34,728 square feet of space, including portions of two different floors in the Main Library and space in Brooks Hall that would be vacated. In the proposed lease, the Library would occupy 24,173 square feet of space, a reduction of 10,555 square feet, or 30.4 percent, because the Library would be able to reorganize and consolidate space and use space more efficiently than in the current Brooks Hall location.

#### **Release of Reserve**

The Budget and Finance Committee recommended a Budget and Finance Committee reserve of \$1,772,592 in the Library's proposed FY 2016-17 budget, pending details on the proposed lease. Of the \$1,772,592, the Library is requesting release of \$1,227,344 to pay for the City's share of tenant improvement expenses and six months of rent in FY 2016-17 (see Table 4 below). If approved, \$545,250 would remain on reserve.

### **FISCAL IMPACT**

#### **Comparable Lease Costs and Operating Expenses**

According to Mr. Charlie Dunn, Senior Property Officer in the Real Estate Division, in order to determine fair market value for rent of the 750 Brannan Street facility, the Real Estate Division reviewed six other comparable property leases. The annual rent per square foot for these six other properties ranged from \$24.00 to \$68.00 per square foot. At \$39 per square foot, the 750 Brannan Street facility is in the lower portion of this range.

To estimate the monthly utility, janitorial, security and maintenance expenses as \$2,518 or \$30,216 annually, Mr. Dunn reviewed the current expenses for various comparable properties leased by the City.

#### **Proposed Lease and Operating Expenses**

Rent for the first year of the lease would be \$942,747 or \$78,562 per month and will increase by three percent each subsequent year. Annual operating expenses of \$30,216 are projected to increase by three percent annually. As shown in Table 2 below, the Library's expected total lease costs are \$11,153,931 for the initial ten-year term of the lease.

**Table 2: Ten-Year Library Lease and Operating Expenses**

<u>Year</u>	<u>Lease Costs</u>	<u>Operating</u>	<u>Total Costs</u>
2017	\$942,747	\$30,216	\$972,963
2018	971,029	31,122	1,002,151
2019	1,000,160	32,056	1,032,216
2020	1,030,165	33,018	1,063,183
2021	1,061,070	34,009	1,095,079
2022	1,092,902	35,029	1,127,931
2023	1,125,689	36,080	1,161,769
2024	1,159,460	37,162	1,196,622
2025	1,194,244	38,277	1,232,521
2026	1,230,071	39,425	1,269,496
<b>Total</b>	<b>\$10,807,537</b>	<b>\$346,394</b>	<b>\$11,153,931</b>

Under the proposed sublease, the Friends & Foundation would sublet 2,833 square feet of space or 11.7 percent of the total 24,173 square feet of lease space. Friends & Foundation would pay rent and operating expenses to the Library equal to their 11.7 percent share of the lease space. First year rent paid by Friends & Foundation to the Library is \$110,487. The rent and operating expenses paid by the Friends & Foundation to the Library would increase at the same 3 percent incurred by the Library.

In addition, the Library will realize offsetting savings of \$15,000 per year by eliminating the Pier 19 ½ lease where two Library bookmobiles are currently parked.

The Library's FY 2016-17 and FY 2017-18 budget includes funding for rent and custodial and security services that would be provided by existing Library staff, who already provide custodial and security services in Brooks Hall. The Library will absorb any utility costs within its existing budget.

### **Tenant Improvements**

Under the proposed lease, the landlord will perform tenant improvements, which have estimated one-time costs of \$997,700, and include:

- Heating and ventilation improvements;
- Electrical upgrades;
- Security coordinated with Main Library system;
- Seismic upgrades and shelving bracing; and
- Leadership in Energy and Environmental Design (LEED) upgrades.

The landlord will provide \$241,730 toward these tenant improvements for a \$755,970 net cost to the City, as shown in Table 3 below. Tenant improvement costs to the City equal \$31.27 per square foot based on 24,173 square feet of building space.

**Table 3: Budget for Tenant Improvements**

<b>Category</b>	<b>Amount</b>
<b>Project Costs</b>	
Construction Costs	\$732,000
Planning, Design, Permitting and Other Soft costs	<u>175,000</u>
Subtotal Project Costs	\$907,000
Contingency (10% of project costs)	<u>90,700</u>
Total Cost of Tenant Improvements	\$997,700
Landlord Credit	(241,730)
<b>Net Cost to City</b>	<b>\$755,970</b>

**Release of Reserve**

The Public Library’s FY 2016-17 budget, pending before the Board of Supervisors, includes \$1,772,592 for the new lease, which the Budget and Finance Committee recommended be placed on reserve. If the Board of Supervisors approves the Public Library budget at the July 26, 2016 meeting, the Budget and Finance Committee can release \$1,227,344 of the \$1,772,592 recommended for Budget and Finance Committee reserve. The balance of \$545,250 can be returned to the Library fund balance.

**Table 4: Requested Release of Reserve**

<b>Category</b>	<b>Amount</b>
Funds on Reserve	\$1,772,592
City portion of tenant improvements	755,970
Rent of approximately \$78,562 per month x 6 months	<u>471,374</u>
Subtotal City Tenant Improvement and Lease Costs	\$1,227,344
<b>Remaining Funds on Reserve</b>	<b>\$545,250</b>

**POLICY CONSIDERATION**

The proposed lease would result in net new costs to the Library for rent and associated operating expenses of \$843,935 in the first year, totaling \$9,696,724 over ten years, as shown in Table 5 below. Total net new costs to the Library over ten years, including rent, operating expenses, and tenant improvements are \$10,452,694.

**Table 5: Increased Costs to Library**

	<b>Year One</b>	<b>Ten-Year Total</b>
Rent and operating expenses (Table 2)	\$972,963	\$11,153,930
Pier 19 ½ rent savings	(15,000)	(150,000)
Friends & Foundation rent and operating expenses <sup>a</sup>	<u>(114,028)</u>	<u>(1,307,206)</u>
Subtotal	\$843,935	\$9,696,724
Tenant improvements (Table 3)	<u>755,970</u>	<u>755,970</u>
<b>Total</b>	<b>\$1,599,905</b>	<b>\$10,452,694</b>

<sup>a</sup> Assumes Friends & Foundation pay approximately 11.7 percent of annual rent and operating expenses

According to the Library, as noted above, the proposed new lease would allow the Library to consolidate the City Archives, Community Redistribution Program, Mobile Outreach Services, and the Friends & Foundation neighborhood book donation drop-off and bookstore into one location.

The Library currently has use of Books Hall for the City Archives and Community Redistribution Program at no cost to the Library, and use of Pier 19 ½ for Mobile Outreach Services at a cost of \$15,000 per year. According to the Director of the City's Real Estate Division, the Real Estate Division does not have a specific plan at this time for reuse of the Brooks Hall space to be vacated by the Library. The reuse of the Brooks Hall space will be part of the Real Estate Division's Civic Center Plan, which is expected to be completed in 2017.

Approval of the proposed resolution (File 16-0798) and release of \$1,227,344 on Budget and Finance Committee reserve (File 16-0833) are a policy matter for the Board of Supervisors because the proposed new lease results in new costs to the Library of \$10,452,694 over ten years.

#### **RECOMMENDATIONS**

1. Approval of the proposed resolution and requested release of \$1,227,344 on Budget and Finance Committee reserve is a policy matter for the Board of Supervisors.
2. If the Board of Supervisors approves the release of \$1,227,344 on Budget and Finance Committee reserve, the balance of \$545,250 should be returned to the Library fund balance.





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



John Updike  
Director of Real Estate

July 8, 2016

Through Naomi Kelly,  
City Administrator

**San Francisco Public Library**  
**750 Brannan St Lease**

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

Dear Board Members:

Attached for your consideration is a Resolution authorizing a new lease for use by the San Francisco Public Library (Library) and a sublease for a portion of the space to the Friends & Foundation of the San Francisco Public Library (FFOL or Friends) at 750 Brannan Street with 750 Brannan Street Props, LLC (Landlord) along with a letter request to authorize the release of funds from Budget and Finance Reserve to fund the lease rent and improvements.

Under the proposed Resolution, the San Francisco Public Library (Library) would consolidate several library needs into one conveniently located facility. The consolidated functions would include:

- The City Archives
- Community Redistribution
- Mobile Outreach (Bookmobiles)
- A neighborhood book donation drop off and bookstore

#### City Archives

The Library is the official home for the Archives of the City and County of San Francisco. The Library collects, preserves and provides public access to the historical records of most city departments for permanent retention, safekeeping, and public use. These are large collections that contain and reflect the lives of the citizens of San Francisco, as well as documenting the politics and government of San Francisco over the past 170 years. The materials in the archives are unique. The oldest records go back to the days of the Alcaldes in the 1840s, and include property records and hand drawn homestead maps for early neighborhoods and developments in the city, including a number of early materials that were not destroyed in the 1906 earthquake and fire.

The archive also contains over 2 million photographs from a variety of sources; some of the most frequently used are the thousands of photos that document the construction of city property, including Hetch Hetchy, from the Department of Public Works. People come from San Francisco, as well as from throughout the country and the world, to use our city archives for personal and research projects, as well as for films, books, and websites. In addition, the Archive is the designated repository for the papers of the City's mayors and hold the papers of Mayors Newsom, Jordan, Brown, Agnos, Alioto, and Christopher, among others.

Library staff archivists organize each collection and the reading room is open seven days a week in the San Francisco History Center of the Main Library for patrons to access City Archives resources.

Currently, Library staff retrieves materials from Brooks Hall several times a day. Brooks Hall is inadequate for preserving these collections given the limited temperature and humidity control. The Brannan property combines good accessibility with close proximity to the Main Library and archival storage space more conducive to long term preservation.

### **Community Redistribution Program**

The Community Redistribution Program plays an important role in the life cycle of books in the San Francisco Public Library's collection. As titles are carefully de-selected to allow room for new material, the Library strives to keep that material out of landfills by partnering with schools, nonprofits, community based organizations and other agencies who will use them for the public good. The Library's Redistribution Program is a model nationally for repurposing deaccessioned collections and a success story for getting the books out to community-based and non-profit organizations both locally and abroad.

Currently the Redistribution Program is housed in Brooks Hall. Due to the challenges in using Brooks Hall, the area has very limited staffed hours. In the past fiscal year, nearly 75,000 books were either picked up or shipped to various public benefit organizations both locally and abroad. However, many more books ended up being recycled. According to SFPL, under the proposed lease, shared space with other library functions will allow for increased hours for nonprofit agencies to access the collection which will increase the number of public benefit agencies we work with and accelerate the volume of this activity to get books in the hands of people without access to high quality reading materials. This will not only increase the direct benefit to the community, but also improve the Library's overall environmental impact by reducing the number of books that need to be recycled.

### **Mobile Outreach Services**

The Library's Mobile Outreach Services (MOS) unit offers a variety of library services beyond the 28 library locations. The aim of the unit is to connect with San Francisco residents where they work, play, create, learn, and live regardless of physical, economic, social, geographic, or other barriers. The MOS bookmobiles visit an average of 93 stops and serve an average of 2,243.

patrons monthly. The staff deliver a wide variety of library materials in multiple formats and languages, as well as promoting a menu of library programs.

The unit currently has 3 distinctive service lines and 4 vehicles:

- The Green Bookmobile is an environmentally friendly bookmobile that serves the Treasure Island community and acts as an outreach tool at special events
- The Early Literacy Mobile serves children 0-5 years and their caregivers, appearing at a child care center and at parks
- The Library On Wheels is a wheelchair-accessible bookmobile providing services for seniors and those with mobility issues at over 30 senior centers & residences
- The Techmobile is a seven-seat mobile classroom equipped with high-tech devices that brings digital literacy to patrons of all ages

The bookmobiles are currently parked at two separate locations: there are two parking spots at both the Main Library's underground garage and at the parking lot located at Pier 19 ½. MOS staff are housed in two separate floors at the Main Library: the drivers/circulation team in the lower level and the librarians with the Program Manager on the 3<sup>rd</sup> floor.

At the proposed new location, the entire unit will be in the same room allowing better intra-unit communication. The Library also reports that the consolidation of the bookmobile locations will minimize the non-productive travel time to Pier 19 1/2.

### Friends of the Library

The Friends & Foundation of the San Francisco Public Library (FFOL or Friends) founded in 1961 plays a critically important role in fiscally supporting, advocating and fundraising for the San Francisco Public Library. FFOL is a member-supported, nonprofit that advocates, fundraises, and provides financial support in the amount of \$720,000 annually for the Library.

Friends raises money and raises its voice to ensure a first-class public library for San Francisco. Friends advocated for the Library in 1988 with Proposition A, a bond measure to replace the aging former Main Library and continued its advocacy efforts by championing the Library Preservation Fund, or Proposition E, in 1994 and in renewing the Library Preservation Fund in 2007 with Proposition D. Friends led the campaign for Proposition A, a \$105.9 million Branch Library Improvement Bond, passed in November 2000 to build and refurbish 24 neighborhood branch libraries city-wide resulting in the building of 8 new library buildings in San Francisco and Friends spearheaded a neighborhood library campaign, engaging communities and bringing in more than \$9.8 million in funding for furniture, fixtures and equipment for the neighborhood branches which could not be paid by the bond funding.

Friends, a 501c3 organization, proposes to operate a small public bookstore operation for the sale of donated books, of which the income from these sales benefits the Library, to provide space for a tax deductible book donation drop off for the public and will provide space for up to 12 members of Friends of the San Francisco Public Library's staff. Those staff are currently located

at 710 Van Ness Ave. where their current rent is expected to dramatically increase in December of 2016, and thus they are potentially negotiating a termination of their lease and a sublease at 750 Brannan St, if the propose lease is approved by the Board of Supervisors. The proposed sublease will allow them to remain in San Francisco at less rent than the Friends would likely pay in December 2016 and add the abovementioned bookstore/book drop off.

### Proposed Lease terms

The proposed term is approximately ten (10) years commencing upon substantial completion of the tenant improvements (expected to be about January 1, 2017) and expiring on December 31, 2026 with three (3) additional options to extend the term for five (5) additional years at 95% of the then fair market rent, subject to Board approval. The City also has a First Right of Negotiation should the Landlord decide to sell the property.

Under the proposed lease, the City would pay \$78,562.25 per month (or approximately \$39.00 psf annually or \$3.25 per sq. ft monthly on the building area only). The base rent increases annually by three percent (3%) and the City would be responsible for utilities, janitorial, maintenance, and security typical of a retail use lease. These expenses are estimated to add \$2,518.02 per month (or approximately \$1.25 psf annually).

Under the proposed Lease, the Landlord provides a tenant improvement allowance of \$241,730 and the City pays for improvements over the allowance - up to a maximum City cost of \$755,970. Improvement design including electrical and mechanical have not yet been designed or costed but based on other recent City improvements, staff is confident that the cost will be at or less than the maximum allowed.

Under a possible Sublease to the Friends & Foundation of the San Francisco Public Library, the Friends would occupy approximately 2,833 sq. ft. (approximately 11.7% of the total sq. ft.) and would pay its prorata share (11.7%) of the base rent and expenses.

The San Francisco Public Library recommends approval of the proposed lease.

If you have any questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully



John Updike  
Director of Real Estate

cc: Luis Herrera, City Librarian  
Maureen Singleton, Library CFO

LEASE

between

750 BRANNAN STREET PROPS, LLC  
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,  
as Tenant

For the lease of

750 Brannan Street  
San Francisco, California

July 20, 2016

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LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A – Floor Plan(s) of Premises

EXHIBIT B – Notice of Commencement Date

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EXHIBIT D – Rules and Regulations

EXHIBIT E – Work Letter

SCHEDULE 1 – Energy Consumption Documents

## OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of July 20, 2016, is by and between 750 Brannan Street Properties, LLC, a California limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

### 1. BASIC LEASE INFORMATION

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

Lease Reference Date:	July 20, 2016
Landlord:	750 BRANNAN STREET PROPS, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Premises ( <u>Section 2.1</u> ):	The entire building consisting of 24,173 square feet of improvements and the associated paved area as shown on Exhibit A
Rentable Area of Premises ( <u>Section 2.1</u> ):	Approximately 24,173 rentable square feet
Term ( <u>Section 3</u> ):	Estimated commencement date: January 1, 2017  Expiration date: December 31, 2026
Extension Options ( <u>Section 3.4</u> ):	Three (3) additional term(s) of 5 years (each), exercisable by City by notice to Landlord given not less than 365 days in advance, with rent adjusted to 95% of Fair Market Rent
Base Rent ( <u>Section 4.1</u> ):	Annual Base Rent: \$942,747.00 (\$39.00 per sq. ft.)  Monthly payments: \$78,562.25 (\$3.25 per sq. ft.)
Adjustment Dates ( <u>Section 4.2</u> ):	Beginning on the first anniversary of the Commencement Date, Base Rent to be adjusted annually by 3%
Base Year for Operating Expenses( <u>Section 4.3</u> ):	2016
Base Year for Property Taxes ( <u>Section 4.3</u> ):	2016-2017

City's Percentage Share ( <u>Section 4.3</u> ):	100%
Use ( <u>Section 5.1</u> ):	Friends of the Library bookstore and book donation drop off, City's Library archival collection, community redistribution, bookmobile parking, associated general office and any other purposes commensurate with the existing zoning and for no other purposes without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed
Leasehold Improvements ( <u>Section 6</u> )	Landlord shall construct improvements to the Premises pursuant to plans as provided in Section 6 and the Exhibit E – Work Letter. Landlord shall contribute \$241,730.00 (the "Allowance") toward the cost of such Leasehold Improvements. City shall pay Landlord the costs of the Leasehold Improvements in excess of the Allowance up to a maximum of \$755,970.
Base Building Improvements ( <u>Exhibit E</u> )	In addition to the improvements constructed by Landlord and charged against the Allowance or paid for by City, Landlord shall make all improvements necessary for the Building to comply with all applicable codes and laws, including the ADA, and for delivery of the Premises in good working condition.
Utilities ( <u>Section 9.1</u> ):	Paid by City
Other Services ( <u>Section 9.2 &amp; 9.3</u> ):	Paid by City
Additional Services ( <u>Section 9.4</u> )	City shall have the right to request that Landlord, at City's cost, perform lease-related services or incur additional expenses not covered under this Lease that City may require from time to time, as requested by City in writing and approved by the Director of Property. City shall reimburse Landlord for such expenses as they are incurred, at rates agreed-upon in advance.
Notice Address of Landlord ( <u>Section 23.1</u> ):	750 Brannan Street Props, LLC 1300 S. 51st St Richmond, CA 94804 Attn: Steven H. Oliver Fax No.: 510-412-9095

Key Contact for Landlord: Steven H. Oliver  
Landlord Contact Telephone No.: 510-412-9090  
Notice Address for Tenant (Section 23.1): Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102  
Attn: John Updike,  
Director of Property  
Re: Library/ 750 Brannan St Lease  
Fax No.: (415) 552-9216

with a copy to: San Francisco Public Library  
100 Larkin St  
San Francisco, CA 94102  
Attn: City Librarian  
Fax No.: \_\_\_\_\_

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 Team Leader

Re: **750 Brannan St**  
Fax No.: (415) 554-4755

Key Contact for Tenant: Roberto Lombardi  
Tenant Contact Telephone No.: 415-557-4354  
Alternate Contact for Tenant: Charlie Dunn  
Alternate Contact Telephone No.: 415-554-9861  
Brokers (Section 23.8): Transwestern and HCM Commercial  
("Brokers") shall be paid a fee by the  
Landlord, per separate agreement.  
Other Noteworthy Provisions (Section 22): First Offer to Purchase

## 2. PREMISES

### 2.1 Lease Premises

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

## **2.2 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 hereby advised that the Premises have not been inspected by a CASp.

## **2.3 Energy Consumption**

City acknowledges and agrees that Landlord delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises, copies of which are attached as Schedule 1 to this Lease, no less than 24 hours prior to City's execution of this Lease.

# **3. TERM**

## **3.1 Term of Lease**

The Premises are leased for an initial term (the "Initial Term") commencing on the later to occur of (a) the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or (b) the date that (i) Landlord has delivered the Premises to City with the Leasehold Improvements (as defined below) substantially completed by Landlord and accepted by City pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements), (ii) Landlord is an approved vendor of City, and (iii) City's Mayor and Board of Supervisors has approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Initial Term of this Lease shall end on expiration date specified in the Base Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option(s)), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) as provided below.

## **3.2 Commencement Date and Expiration Date**

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

## **3.3 Delay in Delivery of Possession**

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

nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred and eighty (180) days after the Estimated Commencement Date, then may, at option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

### **3.4 Extension Option(s)**

City shall have the right to extend the Initial Term of this Lease (the "Extension Option(s)") for the additional term(s) specified in the Basic Lease Information (the "Extended Term(s)"). Such Extension Option(s) shall be on all of the terms and conditions contained in this Lease, except that the rent shall be adjusted to ninety five (95%) of the then Prevailing Market Rent as provided in the Section 4.4 (Determination of Base Rent During Extended Term). City may exercise the Extension Option(s), if at all, by giving written notice to Landlord no later than three hundred and sixty five (365) days prior to expiration of the Term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date such Base Rent for the Extended Term has been determined.

## **4. RENT**

### **4.1 Base Rent**

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

### **4.2 Adjustments in Base Rent**

On each date specified in the Basic Lease Information for the adjustment of Base Rent (an "Adjustment Date"), the Base Rent payable under Section 4.1 shall be adjusted for the following twelve month period shall be increased by an amount equal to three percent (3%) of the Base Rent for the lease year immediately preceding such Adjustment Date.

### **4.3 Additional Charges**

City shall 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 provided for hereinbelow. All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

#### 4.4 Determination of Base Rent for the Extended Term (s)

Upon the commencement of each Extended Term, the Base Rent shall be adjusted to equal ninety-five percent (95%) of the prevailing market rental rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in use, age, location and quality to the Premises situated within the South of Market (SOMA) area of San Francisco west of 4<sup>th</sup> Street ("Reference Area"). As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of each Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises and provide reasonable justification for such determination, including but not limited to three (3) comparable lease transactions. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

(b) If within this thirty (30)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

(d) If Base Rent for the Extended Term is not determined before the commencement of the Extended Term, City shall continue to pay Base Rent at the rate in effect immediately prior to the Extended Term. Thereafter, City shall pay any deficit or Landlord shall refund any excess payment, as the case may be, within thirty (30) days after the parties determine Base Rent.

(e) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Reference Area. Landlord and City shall each pay the cost of the appraiser selected by such party and, if applicable, one-half of the cost of the third appraiser, plus one-half of any other costs incurred in the arbitration.



#### 4.5 Definitions

For purposes hereof, the following terms shall have the meanings hereinafter set forth:

(a) "Base Year" means the year specified in the Basic Lease Information.

(b) "City's Percentage Share" means the percentage specified in the Basic Lease Information.

(c) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences; provided that Landlord, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Operating Costs shall be equitably adjusted for the Expense Years involved in any such change. Expense Year shall not include the Base Year.

(d) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Landlord in connection with the management, operation, maintenance and repair of the Building, including: (1) the cost of repairs and all labor and material costs related thereto, and the cost of general repair and maintenance, and service contracts and the cost of all supplies required in connection therewith, (2) the cost incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof, (3) the amortized cost of capital improvements made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Landlord's deliberate or negligent violation of such law, rule or regulation, (4) other expenses reasonably incurred in connection with the operation, maintenance or repair of the Building (other than Real Estate Taxes) which would, under generally accepted accounting principles, be considered an operating expense. The computation of Operating Costs shall be made in accordance with generally accepted accounting principles. With respect to the costs of items included in Operating Costs under (3), such costs shall be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to three (3) percentage points over the Treasury Rate charged at the time such item is constructed, but not more than the maximum rate permitted by law at the time such item is constructed.

In the event that in the Base Year for Operating Costs or in any Expense Year the Building is less than ninety-five percent (95%) occupied, the Operating Costs shall be appropriately adjusted to reflect a ninety-five percent (95%) occupancy level. Notwithstanding the foregoing, "Operating Costs" shall exclude the items described on the attached Exhibit C.

(e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the portion of the Building owned by Landlord, or Landlord's interest in the Building. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall 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.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, gross receipts, capital stock taxes or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is 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 hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

(f) "Tax Year" means each fiscal year during the Term, including any partial year during which this Lease may commence; provided that Landlord, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change. Tax Year shall not include the Base Year.

#### **4.6 Payment of Percentage Share of Operating Costs**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Operating Costs for each Expense Year exceed the Operating Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a written notice delivered to City. Landlord may revise such estimates of Operating Costs from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made any earlier than four (4) months subsequent to the prior estimate for such Expense Year. With reasonable promptness not to exceed one hundred and twenty (120) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), setting forth in reasonable detail the Operating Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual Operating Costs for such Expense Year exceeds the estimated Operating Costs paid by City for such Expense Year, City shall 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 any such Percentage Share of Operating Costs exceeds City's Operating Costs Share of the actual Operating Costs for such Expense Year, such excess shall be credited against the next installments of Operating Costs due from City to Landlord hereunder, or refunded to City, at City's option.

#### **4.7 Payment of Percentage Share of Real Estate Taxes**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a written notice delivered to City. With reasonable promptness not to exceed sixty (60) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall 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 such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

#### **4.8 Proration**

If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year or Expense Year, 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, shall be prorated based on a three hundred sixty-five (365)-day year.

#### **4.9 Audits**

City shall have the right, upon not less than ten (10) business days' notice to Landlord, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes.

Promptly after the receipt of such written notice from City, Landlord and City shall endeavor in good faith to resolve such dispute. If such efforts do not succeed, City shall have the right to cause an independent certified public accountant designated by City, to be paid on an hourly and not a contingent fee basis, to audit the items questioned by City in its original notice contesting the Landlord Expense Statement, provided that City (i) notifies Landlord in writing of City's intention to exercise such audit right within sixty (60) days after the relevant initial written notice from City to Landlord with respect to such dispute, (ii) actually begins such audit within sixty (60) days after the notice from City to Landlord advising Landlord that City will require an audit (provided that such 60-day period within which the audit must be commenced shall be extended by the length of any delay in the commencement of the audit that is caused by Landlord) and (iii) diligently pursues such audit to completion as quickly as reasonably possible. Landlord agrees to make available to City's auditors, at Landlord's office, the books and records relevant to the audit for review and copying, but such books and records may not be removed from Landlord's offices. City shall bear all costs of such audit, including Landlord's actual copying costs, if any incurred in connection with such audit, except that, if the audit (as conducted and certified by the auditor) shows an aggregate overstatement of Operating Costs of three percent (3%) or more, and Landlord's auditors concur in such findings, then Landlord shall bear all costs of the audit. If the agreed or confirmed audit shows an underpayment of Operating Costs by City, City shall pay to Landlord, within thirty (30) days after the audit is agreed to or confirmed, the amount owed to Landlord, and, if the agreed or confirmed audit shows an overpayment of Operating Costs by City, Landlord shall reimburse City for such overpayment within thirty (30) days after the audit is agreed to or confirmed. Any audit shall be limited to the previous three calendar years.

#### **4.10 Records**

Landlord shall maintain at its offices or its property manager's offices, in a safe, complete and organized manner, all of its records pertaining to this Lease and Real Estate Taxes, Operating Costs and any other charges paid by City pursuant hereto for a period of not less than three (3) years following expiration of the Term. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof. All such books and records shall be available for inspection, copying and audit by City and its representatives, at City's expense, subject to the provisions of Section 4.9 above.

### **5. USE**

#### **5.1 Permitted Use**

City may use the Premises for a Friends of the Library bookstore and book donation drop off, housing of City's archival collection, library community redistribution, bookmobile parking, associated general offices and any other purpose compatible with existing zoning and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

## **5.2 Observance of Rules and Regulations**

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

## **5.3 Interference with Access**

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for two (2) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then either party shall have the right, without limiting any of its other rights under this Lease, to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

## **6. LEASEHOLD IMPROVEMENTS**

### **6.1 Landlord's Obligation to Construct Improvements**

Landlord shall perform the work and make the installations in the Premises pursuant to the Work Letter attached hereto as Exhibit E (the "Work Letter"). All work and installations performed pursuant to the Work Letter are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

## 7. ALTERATIONS

### 7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below) and shall require notice to Landlord. Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any permitted Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date. For any Alteration required Landlord's consent, City shall pay Landlord on demand prior to or during the course of such construction an amount (the "Alteration Operations Fee") equal to the lesser of Three Thousand Dollars (\$3,000) or one percent (1%) of the total cost of the Alteration (and for purposes of calculating the Alteration Operations Fee, such cost shall include architectural and engineering fees, but shall not include permit fees) as compensation to Landlord for Landlord's internal review of City's Plans and general oversight of the construction (which oversight shall be solely for the benefit of Landlord and shall in no event be a substitute for City's obligation to retain such project management or other services as shall be necessary to ensure that the work is performed properly and in accordance with the requirements of this Lease). City shall also reimburse Landlord for Landlord's out of pocket expenses .

### 7.2 Title to Improvements

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

### 7.3 City's Personal Property

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

rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term.

#### **7.4 Alteration by Landlord**

Landlord shall use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof. In the event any governmental authority having jurisdiction over the Building promulgates or revises any Legal Requirement or building, fire or other code or imposes mandatory or voluntary controls or guidelines on Landlord or the Building 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 or elects to make alterations to the Building in order to comply with such mandatory or voluntary Controls, Landlord may, in its sole discretion, comply with such Controls or make such alterations to the Building related thereto. Such compliance and the making of such alterations shall not constitute an eviction of Tenant, constructive or otherwise, or impose upon Landlord any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant. The above language notwithstanding, Landlord shall make such Alterations in such a way as it does not materially disrupt City's business (including nights and weekends) and the quality of such Alterations shall be comparable to similar properties in the Premises neighborhood.

### **8. REPAIRS AND MAINTENANCE**

#### **8.1 Landlord's Repairs**

Subject to Section 8.2, Landlord shall repair and maintain, at its cost, the exterior and structural portions of the Building, including, without limitation, the sidewalks, roof, parking lot, fencing, gates and gate opener, foundation, bearing and exterior walls, doors and windows and subflooring. Landlord shall also repair and maintain, at its cost and in first-class condition, the heating, ventilating, air conditioning, restrooms and other plumbing, electrical, fire protection, life safety, and other mechanical and electrical systems of the Building (collectively, the "Building Systems"). Without limiting the foregoing, Landlord shall maintain the Building in a clean and safe manner, and shall provide exterior graffiti removal upon notice.

#### **8.2 City's Repairs**

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty (including, without limitation, all City specific systems, equipment, fixtures and other alterations installed by or on behalf of the City). City shall make any such required repairs and replacements that Landlord specifies in writing **(i)** at City's cost, **(ii)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(iii)** so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, **(iv)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and **(v)** in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or

repair the telecommunications and data and computer cabling facilities and equipment installed by City.

### **8.3 Liens**

City shall keep the Building free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises. If any such liens are filed, Landlord may, upon ten (10) days' written notice to City, without waiving its rights based on such breach by City and without releasing City from any obligations hereunder, pay and satisfy the same and in such event the sums so paid by Landlord shall be due and payable by City immediately without notice or demand. City agrees to indemnify, defend and hold Landlord harmless from and against any claims for mechanics', materialmen's or other liens in connection with any Alterations, repairs or any work performed, materials furnished or obligations incurred by or for City.

## **9. UTILITIES AND SERVICES**

### **9.1 Landlord's Provision of Utilities**

Landlord shall furnish (a) gas and electric current in amounts required for normal lighting, heating, ventilating, air conditioning (HVAC) 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"); (b) water for lavatory, kitchen and drinking purposes on a Daily Basis. City shall be responsible for the direct payment to the utility provider for cost of such utilities.

### **9.2 Janitorial Services & Refuse Removal**

City shall be responsible for the cost of its janitorial, pest control and refuse removal services.

### **9.3 Security Service**

City shall be responsible for the cost of its security for the Building.

### **9.4 Additional Services**

City reserves the right to request that Landlord, at City's cost, perform lease-related services or incur additional expenses not covered under this Lease that City may require from time to time, as requested by City in writing and approved by the Director of Property. City shall reimburse Landlord for such expenses as they are incurred, at rates and maximum costs agreed upon in advance.

### **9.5 Conservation**

Landlord may establish reasonable measures to conserve energy and water, including automatic light shut off after hours and efficient lighting forms, so long as these measures do not unreasonably interfere with City's use of the Premises.

## **9.6 Disruption in Essential Utilities or Services**

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of two (2) or more business days if such failure is in the reasonable control of Landlord or a period of twenty (20) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for one hundred and eighty (120) days and such failure interferes with City's ability to carry on its business in the Premises, then either party may, without limiting any of their other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to the other party. If, however, Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

## **10. COMPLIANCE WITH LAWS; PREMISES CONDITION**

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

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all required portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, restrooms, lobbies, and parking areas) as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws") as applied to an existing building; (b) the Building is not an unreinforced masonry building; and (c) the Building, and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"). (d) Landlord has received no notice that the Building, and Building Systems serving the Premises as of the Commencement Date are not in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) to the best of Landlord's current actual knowledge, there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, and the Building Systems serving the Premises in compliance with applicable



present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Building Systems, or any portion thereof resulting from any misrepresentation by Landlord under this Section.

### **10.2 City's Compliance with Laws; Indemnity**

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

### **10.3 City's Compliance with Insurance Requirements**

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property 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 fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

## **11. SUBORDINATION**

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. Notwithstanding the foregoing, City shall, within ten (10) business days after Landlord's request, execute and deliver to Landlord a document evidencing the subordination of

this Lease to a particular Encumbrance. Exhibit XXX shall be deemed an acceptable form of such document.

(b) In the event 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 in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord. City's covenant under subsection (a) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (b). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

## 12. DAMAGE AND DESTRUCTION

If all or any part of the Premises is damaged by fire or other casualty, and the damage can, in Landlord's reasonable opinion, be repaired within sixty (120) days of the damage, then Landlord shall repair the damage and this Lease shall remain in full force and effect. If the repairs cannot, in Landlord's opinion, be made within the sixty (120) day period, Landlord at its option exercised by written notice to Tenant within the sixty (120) day period, shall either (a) repair the damage, in which event this Lease shall continue in full force and effect, or (b) terminate this Lease as of the date specified by Landlord in the notice, which date shall be not less than thirty (30) days nor more than sixty (60) days after the date such notice is given, and this Lease shall terminate on the date specified in the notice.

If Tenant ceases to use any portion of the Premises as a result of such damage, and the damage does not result from the negligence or willful misconduct of Tenant or any party acting by or through tenant, then during the period the Premises or portion thereof are rendered unusable by such damage and repair, Base Rent and Additional Rent shall be proportionately reduced based upon the extent to which the damage and repair prevents Tenant from conducting, and Tenant does not conduct, its business at the Premises. Landlord shall not be obligated to repair or replace any of Tenant's movable furniture, equipment, trade fixtures, and other personal property, nor any Alterations installed in the Premises by Tenant, and no damage to any of the foregoing shall entitle Tenant to any abatement, and Tenant shall, at Tenant's sole cost and expense, repair and replace such items.

A total destruction of the Building shall automatically terminate this Lease. In no event shall Tenant be entitled to any compensation or damages from Landlord for loss of use of the whole or any part of the Premises or for any inconvenience occasioned by any such destruction, rebuilding or restoration of the Premises, the Building or access thereto, except for the rent abatement expressly provided above. Tenant hereby waives California Civil Code Sections 1932(2) and 1933(4), providing for termination of hiring upon destruction of the thing hired and Sections 1941 and 1942, providing for repairs to and of premises.

## 13. EMINENT DOMAIN

### 13.1 Definitions

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

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

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

### 13.2 General

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

### 13.3 Total Taking; Automatic Termination

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

### 13.4 Partial Taking; Election to Terminate

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

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

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

### **13.5 Termination of Lease; Rent and Award**

Upon termination of this Lease in its entirety pursuant to Section 13.3, or pursuant to an election under Section 13.4 above, then: (a) City's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

### **13.6 Partial Taking; Continuation of Lease**

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

### **13.7 Temporary Taking**

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

## **14. ASSIGNMENT AND SUBLETTING**

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed.

In the event of any assignment or sublease that requires Landlord's consent, Landlord shall be entitled to receive, as additional rent hereunder, fifty percent (50%) of any consideration (including, without limitation, payment for leasehold improvements) paid by the assignee or subtenant for the assignment or sublease and, in the case of a sublease, fifty percent (50%) of the excess of the amount of rent paid for the sublet space by the subtenant over the amount of Base Rent and Additional Rent attributable to the sublet space for the corresponding month. To effect the foregoing, Tenant shall deduct from the monthly amounts received by Tenant from the subtenant or assignee as rent or consideration, the Base Rent and Additional Rent payable by City to Landlord for the subject space, and fifty percent (50%) of the then remaining sum shall be paid promptly to Landlord.

Notwithstanding the foregoing, use of all or any part of the Premises or sublease(s) to any City departments, non-profits, vendors or contractors of City, including but not limited to the Friends of the Library, shall not be subject to Landlord's approval or profit participation.

## **15. DEFAULT; REMEDIES**

### **15.1 Events of Default by City**

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

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

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

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

(d) City fails to deliver any estoppel certificate (as shown in form in Exhibit XXXX), subordination agreement, or any other document required pursuant to this Lease, within the applicable period set forth therein;

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

### **15.2 Landlord's Remedies**

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

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

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

### **15.3 Landlord's Default**

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at

Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30)-day period, such thirty (30)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps reasonably required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion.

## **16. INDEMNITIES**

### **16.1 City's Indemnity**

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

### **16.2 Landlord's Indemnity**

Landlord shall Indemnify City and its Agents against any and all Claims incurred in connection with or arising from any injury, illness, or death to any person or damage to any property to the extent such injury, illness, death or damage is caused by the gross negligence or willful misconduct of Landlord or its agents or employees and such Claim is not included within the risks insured against under the insurance that Tenant is required to carry under this Lease; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of this Lease.

## **17. INSURANCE**

### **17.1 City's Self-Insurance**

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

## 17.2 Landlord's Insurance

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

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term, Commercial general liability insurance with limits not less than Two Million Dollars (\$2,000,000) 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. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to, reduction of coverage or otherwise subject to modification except after thirty (30) days prior written notice to City

In the event Landlord has employees, Landlord shall also maintain Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

## 17.3 Waiver of Subrogation

Each party hereto hereby releases the other respective party and its Agents, from any claims such releasing party may have for damage to the Building, the Premises or any of such releasing party's fixtures, personal property, improvements and alterations in or about the Premises, the Building or the Real Property that is caused by or results from risks insured against under any "special form" insurance policies actually carried by such releasing party or deemed to be carried by such releasing party; provided, however, that such waiver shall be limited to the extent of the net insurance proceeds payable by the relevant insurance company with respect to such loss or damage (or in the case of deemed coverage, the net proceeds that would have been payable).

## 18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last year of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the

Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

## 19. ESTOPPEL CERTIFICATES

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

## 20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements (unless required by Landlord as part of the Landlord's approval of the particular alteration). City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

## 21. HAZARDOUS MATERIALS

### 21.1 Definitions

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

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

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

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



## **21.2 Landlord's Representations and Covenants**

Landlord represents and warrants to City that, to Landlord's current 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 used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices, which limited use was in material compliance with Environmental Laws; (c) except as otherwise disclosed in any environmental report provided to the City, the Property does not consist of any landfill or contain any underground storage tanks; (d) there has been and is no Release of any Hazardous Material in the Building or in, on, under or about the Property; and (e) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the Premises for their intended purposes.

## **21.3 City's Covenants**

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

## **21.4 City's Environmental Indemnity**

If City breaches its obligations contained in the preceding Section 21.3, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

## **22. SPECIAL PROVISIONS**

### **22.1 First Offer to Purchase**

In the event Landlord decides to sell the Property during the Term of the Lease, Landlord shall first offer the Property to the City at the purchase price that the Property will be offered to the real estate market. Said purchase price shall be contained in a written notice ("Sale Notification") from Landlord to City and said purchase price shall be subject to adjustment as provided below. The City shall have thirty (30) days from the Sale Notification date by Landlord to submit (i) an acceptance of the purchase at the price contained in the notice or (ii) a counter offer at a lesser price and otherwise upon the other business terms contain herein.

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

incorporating the terms herein and other reasonable and customary terms, the title company being willing to issue ALTA Title Insurance acceptable to City, and, at City's option, City's successful issuance of a debt type instrument to fund the purchase. The Property shall be purchased on an "As-Is", "Where-Is" basis.

Within three (3) days of the execution of a Purchase and Sale Agreement, Landlord shall deliver copies of all reports, appraisals and other documents in Landlord's possession, not previously delivered to City. Landlord shall cooperate with the City in its due diligence investigation.

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

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

- (i) a grant deed conveying ALTA insurable title subject only to taxes not yet due and payable, and other exceptions reasonably acceptable to City,
- (ii) a bill of sale for all personal property on the Property, and
- (iii) a written disclosure of all actual facts known to Landlord (without a duty of inquiry) (including any property inspection reports) which would affect the marketability or City's intended use of the Property.

If City does not agree to purchase the Property upon purchase price contained in the Sale Notification and does not make any counter offer within the thirty (30) day period, then City's right of first offer shall terminate and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City.

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

In the event Landlord is unable to sell the Property for more than City's Counter Offer, Landlord shall give another Sale Notification if and when Landlord intends to sell the Property at a later date and the above procedure for City's first right of purchase shall be repeated.

This right of first offer to purchase shall terminate and be of no further effect if a sale of the Property to an arm's length third party is consummated in accordance with the foregoing provisions.

## 23. GENERAL PROVISIONS

### 23.1 Notices

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

### 23.2 No Implied Waiver

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

### 23.3 Amendments

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

### **23.4 Authority**

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

### **23.5 Parties and Their Agents; Approvals**

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

### **23.6 Interpretation of Lease**

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

### **23.7 Successors and Assigns**

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

### **23.8 Brokers**

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other

person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

### **23.9 Severability**

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

### **23.10 Governing Law**

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

### **23.11 Entire Agreement**

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

### **23.12 Attorneys' Fees**

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

law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

### **23.13 Holding Over**

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be at one hundred twenty five percent (125%) of the monthly Base Rent and Additional Charges in effect during the last month of the Term of this Lease for the first thirty (30) days and thereafter at one hundred fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term or fair market rent, whichever greater, and such tenancy shall otherwise be on the terms and conditions contained herein.

### **23.14 Cumulative Remedies**

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

### **23.15 Time of Essence**

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

### **23.16 Survival of Indemnities**

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

### **23.17 Signs**

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

### **23.18 Quiet Enjoyment and Title**

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities

claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. City agrees that no diminution of light, air or view by any structure which may hereafter be erected (whether or not by Landlord) shall entitle City to any reduction of rent hereunder, result in any liability of Landlord to Tenant, or in any other way affect this Lease.

### **23.19 Bankruptcy**

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to Landlord's current actual knowledge, no such filing is threatened.

### **23.20 Transfer of Landlord's Interest**

The term "Landlord," as used in this Lease, shall mean only the owner or owners of the Property at the time in question. Notwithstanding any other provision of this Lease, the liability of Landlord for its obligations under this Lease is limited solely to Landlord's interest in the Property as the same may from time to time be encumbered, and no personal liability shall at any time be asserted or enforceable against any other assets of Landlord or against the constituent shareholders, partners, members, or other owners of Landlord, or the directors, officers, employees and agents of Landlord or such constituent shareholder, partner, member or other owner, on account of any of Landlord's obligations or actions under this Lease. In addition, in the event of any conveyance of title to the Property, then the grantor or transferor shall be relieved of all liability with respect to Landlord's obligations to be performed under this Lease after the date of such conveyance. In no event shall Landlord be deemed to be in default under this Lease unless Landlord fails to perform its obligations under this Lease, Tenant delivers to Landlord written notice specifying the nature of Landlord's alleged default, and Landlord fails to cure such default within thirty (30) days following receipt of such notice (or, if the default cannot reasonably be cured within such period, to commence action within such thirty (30)-day period and proceed diligently thereafter to cure such default). Upon any conveyance of title to the Property, the grantee or transferee shall be deemed to have assumed Landlord's obligations to be performed under this Lease from and after the date of such conveyance, subject to the limitations on liability set forth above in this Section 23.20. Any claim, defense or other right of Tenant arising in connection with this Lease shall be barred unless Tenant files an action or interposes a defense based thereon within one hundred eighty (180) days after the date of the alleged event on which Tenant is basing its claim, defense or right. Notwithstanding any other provision of this Lease, Landlord shall not be liable for any consequential damages or interruption or loss of business, income or profits, or claims of constructive eviction, nor shall Landlord be liable for loss of or damage to artwork, currency, jewelry, bullion, unique or valuable documents, securities or other valuables, or for other property not in the nature of ordinary fixtures, furnishings and equipment used in general administrative and executive office activities and functions. Wherever in this Lease Tenant (a) releases Landlord from any claim or liability, (b) waives or limits any right of Tenant to assert any claim against Landlord or to seek recourse against any property of Landlord or (c) agrees to indemnify Landlord against any matters, the relevant release, waiver, limitation or indemnity shall run in favor of and apply to Landlord, the constituent shareholders, partners, members, or other owners of Landlord, and the directors, officers, employees and agents of Landlord and each such constituent shareholder, partner, member or other owner.

### **23.21 Non-Liability of City Officials, Employees and Agents**

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

may become due to Landlord, its successors and assigns, or for any obligation of City under this Lease.

### **23.22 MacBride Principles - Northern Ireland**

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

### **23.23 Controller's Certification of Funds**

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

### **23.24 Prevailing Wages for Construction Work**

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to require its Contractors and Subcontractors performing (i) labor in the construction of a "public work" as defined in California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

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



## **23.25 Non Discrimination in City Contracts and Benefits Ordinance**

### **(a) Covenant Not to Discriminate**

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

### **(b) Subcontracts**

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

### **(c) Non-Discrimination in Benefits**

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

### **(d) CMD Form**

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

### **(e) Incorporation of Administrative Code Provisions by Reference**

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

violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

### **23.26 Tropical Hardwood and Virgin Redwood Ban**

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

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

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

### **23.27 Bicycle Parking Facilities**

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

### **23.28 Resource-Efficient City Buildings and Pilot Projects**

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections and the costs for any such improvements, fees or permits shall be paid from the Allowance

### **23.29 Counterparts**

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

### **23.30 Effective Date**

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

### **23.31 Sunshine Ordinance**

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

### **23.32 Conflicts of Interest**

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

### **23.33 Notification of Limitations on Contributions**

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

### **23.34 Preservative-Treated Wood Containing Arsenic**

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

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

### **23.35 Cooperative Drafting**

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

LANDLORD ACKNOWLEDGES THAT ANY LEASE IS SUBJECT (i) TO A FINDING BY THE CITY'S PLANNING DEPARTMENT THAT SUCH POTENTIAL LEASE IS IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND THE CITY'S GENERAL PLAN AND POTENTIALLY (ii) A FAIR MARKET RENT APPRAISAL PERFORMED BY A MAI DESIGNATED APPRAISER.

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

[Signatures on the following page]

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

LANDLORD:

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property

RECOMMENDED:

\_\_\_\_\_  
City Librarian

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_

Deputy City Attorney

**EXHIBIT A**

**FLOOR PLAN(S)**

CONSISTING OF \_\_\_\_\_ PAGE(S)

**EXHIBIT B**

**NOTICE OF COMMENCEMENT DATE**

[Date]

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

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

Dear Mr. Updike:

This letter will confirm 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: \_\_\_\_\_  
John Updike  
Director of Property

Dated: \_\_\_\_\_

## EXHIBIT C

### EXCLUSIONS FROM OPERATING COSTS

1. Costs of capital repairs, capital improvements and equipment, except for those (i) required by laws enacted on or after the date of the 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 with such capital improvements, or (ii) acquired to cause, in Landlord's good faith judgment, an immediate (i.e., commencing within the first year after completion of such repairs or improvements or installation of such equipment) reduction in other Operating Costs, amortized over the useful life of such improvements 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 improvement or acquisition of the capital equipment to reduce operating expenses), together with interest at the actual interest rate incurred by Landlord;
2. Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement which is specifically excluded in item 1 above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);
3. Costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed by insurance proceeds (excluding any deductible) and costs occasioned by the exercise of the right of eminent domain;
4. Costs, including, without limitation, permit, license and inspection costs, incurred with respect to 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 other tenants or occupants in the Building;
5. Depreciation, amortization and interest payments, except to the extent provided herein pursuant to items 1(i) and 1(ii) 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 such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied (as applied to commercial real estate), and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life (as reasonably determined by Landlord);
6. 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 or the defense of Landlord's title to the Building or the real property on which it is located;
7. Expenses in connection with services or other benefits which are not offered to City or for which City is charged directly but which are provided to another tenant or occupant of the Building;
8. Costs of violations by Landlord of applicable laws, rules or regulations, the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building or the real property on which it is located;



9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord for management, or other services, supplies or materials, to the extent the same exceed the costs of such goods and/or services rendered by unaffiliated third parties on a competitive, arms-length basis;
10. Any ground lease rental or rental under any other underlying leases;
11. Except as specifically permitted by items 1(i) and 1(ii) 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 real property on which it is located;
12. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;
13. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building any other tenant or occupant of the Building;
14. Electric power costs for which any tenant or occupant directly contracts with the local public service company (provided that the charge for such services shall be computed for purposes of the gross-up provision of the Lease (i.e., expenses to be grossed up to reflect full occupancy of the Building) to reflect an average charge for power costs);
15. Services provided, taxes attributable to, and costs incurred in connection with the operation of retail, or restaurant operations in the Building;
16. Costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance;
17. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;
18. Costs arising from the presence of Hazardous Material in or about the Building including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought onto the Building by City in violation of applicable laws;
19. Landlord's charitable or political contributions;
20. To the extent the following costs arise during any applicable warranty periods, costs as a result of repairs of latent defects in the Building core and shell or improvements installed by Landlord, and any costs incurred by Landlord in the event any portion of the Building is made untenantable by fire or other casualty required to be insured against pursuant to the terms of the Lease (except deductibles);
21. Capital costs for sculpture, paintings or other objects of art;
22. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Building;
23. All direct cost of refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs;

24. Reserves for bad debts, rent loss, capital items or further Operating Costs; and
25. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Building.
26. Any other expense that under generally accepted accounting principles would not be considered maintenance or operating expense.

**EXHIBIT D**

**BUILDING RULES AND REGULATIONS**

***[TO BE PROVIDED BY LANDLORD; SUBJECT TO CITY REVIEW AND APPROVAL]***

**EXHIBIT E**

**WORK LETTER**

**750 Brannan Street**

This Work Letter is part of the Office Lease dated as of \_\_\_\_\_, \_\_\_\_\_ (the "Lease"), executed concurrently herewith, by and 750 Brannan Street Properties, LLC, as Landlord, and the City and County of San Francisco, as Tenant, covering certain premises described in the Lease. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease.

Landlord, at its sole cost and expense (except as otherwise specifically set forth herein), and through its general contractor (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents finally approved by City pursuant to paragraph 1 below (the "Leasehold Improvements"), in accordance with the provisions of this letter.

1. Plans and Specifications

a. Schematic Design Documents. City and Landlord hereby approve the schematic design plans and programming requirements for the Leasehold Improvement Work dated \_\_\_\_\_, prepared by Lincoln Lighthill Architects (the "Schematic Design Documents") in accordance with the program requirements of City; provided, however, such approval shall not limit Landlord's obligations hereunder. The Schematic Design Documents are attached hereto as Exhibit \_\_\_\_.

b. Design Development Documents. Based on the Schematic Design Documents and promptly following the Effective Date, Landlord shall have caused its architect or space planner (the "Architect") and its qualified and licensed engineer (the "Engineer") and a Leadership in Energy and Environmental Design ("LEED") consultant (if required to meet City's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code) to prepare and submit to City for its approval plans and specifications expanding in greater detail the representations of the Schematic Design Documents and fixing and describing the size and character of the Leasehold Improvements, including, without limitation, architectural, structural, mechanical, electrical, fire and life safety systems, materials and such other elements as may be appropriate, together with fully developed floor plans, all and building sections (collectively, the "Design Development Documents"). The Design Development Documents shall be subject to approval by City in accordance with Paragraph 1.e below.

2. Upon completion of the Design Development Documents, General Contractor shall provide a good faith initial line item construction budget ("ROM"). The ROM budget shall provide line items and apportionments to exclude the costs of the work outlined in Section 6.a and Section 6.b [Accessibility and Demising Improvements] below. City shall have ten (10) business days to review and either approve of the Design Development Documents and ROM budget (which approval shall not be unreasonably withheld) or provide Landlord with City's adjustments to the Design Development Documents. If the City fails to approve or disapprove the Design Development Plans within such ten-day period the Design Development Plans shall be deemed approved by the City. In the event the ROM exceeds the maximum City contribution pursuant to Section 6.d of this Work Letter, Landlord, Contractor and City shall reduce the scope such that the ROM is below the maximum contribution.

3. Immediately following City's approval (or deemed approval) of the Design Development Plans, based on the Design Development Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings in sufficient detail to show 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 (the "Construction Drawings") to City within sixty (60) days after the City's approval of such Design Development Plans. The Construction Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld. City shall have ten (10) business days to review and either approve of the Construction Drawings or provide Landlord with the revisions that City reasonably requires in order to obtain City's approval. If the City fails to approve or disapprove the Construction Drawings within such ten-day period, the Construction Drawings shall be deemed approved. As soon as reasonably possible thereafter, Landlord shall submit to City revised Construction Drawings that incorporate the revisions required by City. City shall have five (5) business days to review and approve the revisions to the Construction Drawings (which approval shall not be unreasonably withheld). If the City fails to approve or disapprove the revisions to the Construction Drawings within such five-day period, the revisions to the Construction Drawings shall be deemed approved.

a. Construction Documents. Based on the Design Development Documents, the Construction Drawings and any further adjustments approved by City, Landlord shall promptly cause its Architect, Engineer and LEED consultant, if appropriate, to prepare and submit to City for its approval final plans, specifications and working drawings for the Leasehold Improvements, 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"). Such Construction Documents shall be subject to approval by City in accordance with Paragraph 3.b below.

b. City's Approval of Plans. The Design Development Documents and Construction Documents, the Construction Budget or proposed Change Orders shall be subject to approval by City, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Design Development Documents, Construction Documents, Construction Budget or Change Order, City shall have five (5) days to disapprove any element thereof. If City does so, then City shall notify Landlord within such period of its disapproval and of the revisions that City reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to City documents incorporating the required revisions. Such revisions shall be subject to approval by City, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by City if City fails to notify Landlord of any objection within five (5) days after receipt of the revision.

c. Payment for Plans. The costs of preparing the Design Development Documents, Construction Documents and LEED costs shall be paid by Landlord and shall be deducted from the Allowance (as defined in paragraph 4.b below), subject to City's prior approval of such costs as provided in paragraph 4.c below. Landlord shall evidence such costs by invoices and other substantiation as City may reasonably require.

d. 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 shall cause

the Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration. Within three (3) days of City's request, Landlord shall notify City of the cost that would be incurred by reason of such proposed City Change Order and any delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the cost of the City Change Order within five (5) days of receipt from Landlord, then Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. City shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any City Change Order, as evidenced by invoices or other substantiation reasonably required by City, regardless of whether the City actually approves the Change Order in question. In the event the City Change Order results in the construction budget exceeding the maximum City contribution pursuant to Section 6.d of this Work Letter, Landlord, Contractor and City shall reduce the scope such that the ROM is below the maximum contribution.

ii. Landlord Change Orders. If following City's approval of the Construction Documents, Landlord requests or is required to make any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide City with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to City's prior written approval, in accordance with Paragraph 1.b above. No approval by City of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the approved construction schedule, nor shall any such approval limit any of City's rights or remedies hereunder or under the Lease. Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto, and no such amount shall be paid or deducted from the Allowance.

iii. Appointment of Representatives. City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Inquiries and requests shall be made only between Landlord's and City's Representatives or Alternates, and shall not be made to, nor shall instructions or authorizations be given to, any other employee or agent of the other party, including without limitation, the other party's architect, engineers, consultants and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. The initial Representatives and Alternates shall be:

City:	Representative -- _____
	Alternate -- _____
Landlord:	Representative -- _____
	Alternate -- _____

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

#### 4. Permits

a. Responsibility for Obtaining Permits. Landlord shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work, and promptly upon receipt thereof shall deliver copies of all of such permits and approvals to City. Landlord shall use commercially reasonable efforts to promptly obtain all such approvals and permits. Landlord shall have the responsibility of calling for all inspections required by City's Bureau of Building Inspection.

b. Landlord acknowledges that City requires that the Construction Documents be reviewed by the San Francisco Mayor's Office of Disability ("MOD") for compliance with the Americans With Disabilities Act of 1990 ("ADA") and other related laws before Landlord submits them to the San Francisco Department of Building Inspection ("DBI") for construction permits. Landlord shall cause the Architect to submit the Construction Documents to MOD for review promptly following City's approval of the final Construction Drawings. If MOD requires revisions to the Construction Documents or modifications or additional improvements to the Property, Landlord shall cause Architect to revise the Construction Documents and/or design and prepare all additional plans and specifications as required by such MOD review, in conformity with ADA and other legal requirements. Such revised Construction Documents and additional plans shall thereafter be referred to as the "Construction Plans." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to notify Landlord and City that the Construction Plans have been approved and to identify the additional work, if any, specified therein as a result of the MOD review.

#### 5. Construction

a. Construction of Leasehold Improvements. Following City's approval of the Construction Documents, Landlord shall 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 Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. City shall not have any obligation with respect to any such work other than as provided herein.

b. Construction Schedule. Landlord shall promptly commence construction of the Leasehold Improvements after approval of all required permits for construction in accordance with the approved Construction Documents, and shall diligently pursue construction to completion, all in accordance with the construction schedule reasonably approved by City (the "Construction Schedule").

c. Status Reports; Inspections. Landlord shall keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall meet weekly with the City's Representative(s) on site or such other location as acceptable to the Parties so as to monitor the construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its Representative must accompany City during any such inspection.

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

i. All of the Leasehold Improvement Work shall be performed in compliance with all laws, codes, regulations and governmental entity requirements (collectively, "Laws") bearing on construction of the Leasehold Improvements;

ii. Without limiting the foregoing, the construction of the Leasehold Improvements shall 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 federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabled Access Laws"); and

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

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

e. Cooperation. Landlord shall reasonably cooperate at all times with City in bringing about the timely completion of the Leasehold Improvements. Landlord and the City shall work in good faith to resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner which shall allow work to proceed expeditiously.

f. Telecommunications, Data and Computer Cabling Installation Work to be Performed by City. City, or its consultants and contractors, shall, at City's cost, perform surveys and develop plans and specifications for the installation of telecommunications, data and computer cabling for City's occupancy of the Premises. Landlord shall cause the Contractor to cooperate with City in the installation work and coordinate such work with the Leasehold Improvement Work. Landlord agrees to cause Contractor to cooperate reasonably with City and its consultants, contractors and subcontractors during all surveying work and the installation of such telecommunications, data and computer cabling (provided such access and entry shall not result in any delay to the construction schedule). The foregoing obligation shall include, without limitation, an obligation to give City and its consultants, contractors and subcontractors access and entry to the Premises and sufficient opportunity and time during each work day without separate charge therefor, to enable City to install such telecommunications, data and computer cabling.

g. Asbestos Related Work. In the event that 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 agrees to be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof. In no event shall any such costs be deducted from the Allowance or otherwise be City's responsibility. Any delay due to the presence of unknown ACM in the Building shall be considered a Landlord Delay.

h. Construction Improvements that Disturb or Remove Exterior Paint. Landlord, on behalf of itself and its agents, employees, officers and contractors, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord, its agents, employees, officers and contractors shall give to City three (3) business days prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under the Lease and similarly that notice under the Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its agents, employees, officers and contractors, when disturbing or



removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (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 covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Paragraph, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.]

i.

6. Payment for Work; Allowance

a. Accessibility Improvements. Landlord shall through its approved Contractor furnish and install all improvements that are required to bring the Premises including, without limitation, the stairs, stair vestibules and restrooms, and signage in all such areas, into full compliance with all Disabled Access Laws in accordance with Paragraph 3.d.ii. above. All costs of such work shall be performed at Landlord's sole cost and expense, and no such costs shall be deducted from the Allowance (as hereafter defined).

b. Demising Improvements. Landlord shall through its approved Contractor furnish and install all improvements that are required to demise the Premises as if for two tenant as shown on the Schematic Plans. All costs of such work shall be performed at Landlord's sole cost and expense, and no such costs shall be deducted from the Allowance (as hereafter defined).

c. Delivery of Existing Improvements in Good Working Condition. Landlord, at Landlord's sole cost, shall also be responsible for delivery of the Premises in good working condition (e.g. security gate, HVAC units, doors and windows). All costs of such work shall be performed at Landlord's sole cost and expense, and no such costs shall be deducted from the Allowance (as hereafter defined).

d. Other Leasehold Improvement Work. Excluding those costs incurred by Landlord pursuant to Sections 6.a to 6.c above, Landlord shall pay for the cost of constructing and installing the Leasehold Improvements (as defined below) up to a total sum of Two Hundred Forty One Thousand Seven Hundred Thirty Dollars (\$241,730) (approximately \$10.00 per rentable square foot in the Premises) (the "Allowance"). The Allowance may not be used to offset rent or for any furniture, fixtures or equipment not permanently affixed to the Premises. In the event that the actual costs to construct and install the Leasehold Improvement Work incurred by Landlord exceed the amount of the Allowance, City shall pay such excess costs upon receipt of required documentation in accordance with Section 6.e below. City's share of the Leasehold Improvement costs in excess of the Allowance hereunder shall in no event exceed Seven Hundred Fifty Five Thousand Nine Hundred Seventy Dollars (\$755,970) provided City has reduced the scope pursuant to sections 2 and 3. City shall not be responsible for, and the Allowance shall exclude, any review, supervision, administration or management fees of any person or entity, any overhead or other general expenses of Landlord or any other person or entity, and any charges for parking or use of hoists or freight elevators. Landlord shall be solely responsible for the base, core and shell of the Premises including, without limitation, earthquake, fire and life safety and other work, and no portion of the Allowance shall be applied to any such

costs. City shall be solely responsible for the costs of the telecommunications, data and computer cabling work described in Section 5.f above, except as otherwise provided in Section 5.g.

e. City's Approval of Costs. The Leasehold Improvement Work shall include costs based on a detailed construction budget prepared by Landlord and approved by City. Following approval of the Construction Documents, Landlord shall provide City with an initial construction budget for its approval. The approved construction budget (the "Construction Budget") shall restrict all costs to be included in the Allowance and any other costs to be paid by City in the Construction Budget. If the Leasehold Improvements cannot be completed in strict conformity with the Construction Budget, Landlord shall immediately submit to City for its approval a revised construction budget and shall identify to City changes in line items and the reasons for the changes. If further changes are required, Landlord shall seek City's approval, following the same procedures. No costs shall be included in the Allowance, and City shall not be obligated to pay any costs in excess of the Allowance, unless and until it approves the Construction Budget and any revisions thereto. If such Construction Budget exceeds the ROM, then the Architect, General Contractor, and City shall, at City's option, diligently pursue reductions in scope so that the Construction Budget can be equal to or less than the ROM. No such approval or disapproval shall be unreasonably delayed. The most recently approved Construction Budget shall supersede all previously approved budgets. Under no circumstances shall any Construction Budget impose additional cost or expenses on the Landlord in excess of the Allowance.

f. Required Documentation of Costs. Landlord shall provide City with copies of (i) all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, and (ii) satisfactory evidence of payment of such invoices.

g. Progress Payments. After the Allowance has been exhausted in full and provided that the conditions set forth in Paragraph 4.e below with respect to documentation of costs have been met, City shall pay Landlord an amount equal to the estimated cost for the additional scope of work in the Construction Budget. Landlord shall promptly apply all such payments from City to the payment of the invoice or invoices to which the payment relates.

## 7. Substantial Completion

a. Construction Schedule. Landlord shall use commercially reasonable efforts to complete the Leasehold Improvement Work on or before the date which is one hundred eighty (180) days after the Effective Date. However, in no event shall construction of the Leasehold Improvements be Substantially Completed later than one hundred eighty (180) days from City's approval of the Permits under the terms of Section 4 of this Work letter, except as extended by Tenant Delays and Unavoidable Delays (as such terms are defined in Paragraph 8 below). When construction progress so permits, but not less than fifteen (15) calendar days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify City when the Leasehold Improvement Work is in fact Substantially Completed and the Premises are ready for occupancy by City, and City or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

b. Substantial Completion. The Leasehold Improvements shall be deemed to be "Substantially Completed" for purposes hereof when (i) all necessary inspections required for occupancy of the Premises have been completed and signed off as approved by the appropriate governmental authority(ies), (ii) a temporary certificate of occupancy with respect to City's

occupancy (or similar documentation showing required building department sign-off) of the Premises has been issued by the appropriate governmental authority, and (iii) the Architect reasonably determines and certifies in writing to City that the Leasehold Improvements have been Substantially Completed in accordance with the Construction Documents to the extent necessary to enable City to occupy the Premises and to conduct its normal business operations therein without unreasonable impairment or interference, but subject to "punchlist" items, the completion of which will not unreasonably interfere with City's normal business operations therein]. City may, at its option, approve the Leasehold Improvements even though there remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within ten (10) calendar days after acceptance of the Premises, or as soon thereafter as practicable, a written "punchlist" consisting of any items that have not been finished in accordance with the Construction Documents and the terms of this Work Letter. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and in any event within thirty (30) calendar days after the delivery of such list. City's failure to include any item on such list shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the Construction Documents and the provisions hereof, nor constitute a waiver of any latent defects.

#### 8. Delays in Construction

a. Unavoidable Delays. For purposes hereof, "Unavoidable Delays" shall mean any delays by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, protests, riots, demonstrations, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance, and thereafter shall keep the other party regularly informed of the status of such Unavoidable Delay.

b. Tenant Delays. City shall be responsible for any actual and reasonable delay in the construction of the Leasehold Improvements due solely and directly to any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of Design Development Documents, Construction Documents, Construction Budget and any subsequent changes to the Construction Budget (subject to the periods granted in Section 1(e) of this Work Letter) that exceed twelve (12) days, (ii) City Change Orders to the Construction Documents, (iii) any delay in the payment of additional costs associated with the Leasehold Improvements that exceed the Allowance; (iv) delay attributable to any other acts or omissions of City or Agents; (v) delay attributable to the interference of City and Agents with the completion of Leasehold Improvements, including delays resulting from entry into the Premises by such persons and (vi) any failure to provide information or documents within two (2) days following the reasonable request of Landlord in connection with the construction of the Leasehold Improvement Work (unless otherwise provided in this Work Letter). Such Tenant Delays in the completion of construction of the Leasehold Improvement Work shall extend the date for Substantial Completion hereunder on a day for day basis. Notwithstanding the foregoing, City shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

#### 9. General Provisions.

a. Notices. Except as may be otherwise specifically provided herein, any notice given under this Work Letter shall be in accordance with the notice procedures set forth in the Lease, 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: 750 Brannan Street Properties, LLC  
1300 S. 51<sup>st</sup> Street  
Richmond, CA 94804  
Attn: Steven H. Oliver

b.

c. Landlord's Duty to Notify City. Landlord shall 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, rules and regulations; (ii) any known material adverse change in the physical condition of the Property, including, without limitation, any damage suffered as a result of earthquakes; and (iii) any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

d. Prevailing Wages for Construction Work. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to require its Contractors and Subcontractors performing (i) labor in the construction of a "public work" as defined in California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

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

e. Tropical Hardwood and Virgin Redwood Ban.

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

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

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

f. Days. Unless otherwise provided herein, all periods specified by a number of days in this Work Letter shall refer to business days. Saturdays, Sundays and recognized City holidays shall not constitute business days.

g. Approvals. Landlord understands and agrees that 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 herein, no approval by City of the plans for the Leasehold Improvements (including the Design Development Documents or Construction Documents), completion of the Leasehold Improvement Work nor any other approvals by City hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of City as tenant hereunder may be made by City's Director of Property or City's Appointed Representatives.

10. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

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

**LANDLORD:** 750 Brannan Street Properties, LLC,  
a California limited liability company

By: \_\_\_\_\_

Its: Manager \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

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

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property

RECOMMENDED:

\_\_\_\_\_  
City Librarian

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_

Deputy City Attorney

Sublease Draft 6/30/16

**SUBLEASE**

**between**

**THE CITY AND COUNTY OF SAN FRANCISCO**

**as Sublandlord**

**and**

**FRIENDS AND FOUNDATION OF THE SAN FRANCISCO PUBLIC LIBRARY**

**as Subtenant**

**for a portion of the Building at  
750 Brannan Street, San Francisco, CA**

**San Francisco, California**

**June 30, 2016**

**SUBLEASE**

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**LIST OF EXHIBITS:**

- EXHIBIT A - Master Lease
- EXHIBIT B - Subtenant's Insurance Requirements
- EXHIBIT C - Diagram of Sublease Premises



## SUBLEASE

### [NEED TO CHECK ALL SECTION REFERENCES]

THIS SUBLEASE (the "**Sublease**"), dated for reference as of June 30, 2016, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**Sublandlord**" or the "**City**") and FRIENDS AND FOUNDATION OF THE SAN FRANCISCO PUBLIC LIBRARY, a 501 (c) 3 non profit agency ("**Subtenant**" or "**FFOL**"). From time to time, Sublandlord and Subtenant may be referred to herein as a "**Party**" and together as the "**Parties**".

This Sublease is made with reference to the following facts and circumstances:

A. 750 Brannan Street Props, LLC, a California limited liability company ("**Master Landlord**"), owns the property commonly known as 750 Brannan Street, San Francisco, California, which is improved with a commercial building containing approximately 24,173 rentable square feet of space (the "**Building**").

B. Sublandlord and Master Landlord have negotiated a new Lease (the "**Master Lease**") pursuant to which Master Landlord will lease the Building referred herein as the "**Master Leased Premises**" to Sublandlord.

C. Sublandlord and Subtenant desire to sublease a portion of the Building, as shown on Exhibit C attached hereto (the "**Sublease Premises**") for a bookstore and donation drop off center on the terms and conditions herein.

D. Sublandlord's execution of the Master Lease is subject to the review and approval of the San Francisco Board of Supervisors, which approval is being requested simultaneously with the approval of this Sublease.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

### 1. **BASIC SUBLEASE INFORMATION**

The following is a summary of basic information about this Sublease (the "**Basic Sublease Information**"). Each item below shall be deemed to incorporate all of the terms in this

Sublease pertaining to such item. In the event of any conflict between the Basic Sublease Information and any more specific provision of this Sublease, the more specific provision shall control.

**Commencement Date:** The date the Master Lease commences and the LCA Lease is terminated

**Sublandlord:** City and County of San Francisco

**Subtenant:** FRIENDS AND FOUNDATION OF THE SAN FRANCISCO PUBLIC LIBRARY, a 501 (c) 3 non-profit agency

**Use ( Section 6):** Sublease Premises shall only be used for a bookstore, staffing, and a book donation drop off center and for no other purposes.

**Sublease Premises and Subtenant's Rentable Square Footage:**  
Sublease Premises (Section 2.5): Approximately 2,833 rentable square feet, generally depicted on Exhibit C, the Diagram of Sublease Premises. No parking is provided to Subtenant.

**Subtenant's Proportionate Share (Section 2.5):** Eleven and 72/100 percent (11.72 %)

**Term and Term Extensions:**  
Term (Section 4.3): The Term of this Sublease shall commence on the Commencement Date and shall end on Expiration Date, unless sooner terminated or extended under the provisions of the Sublease

**Early Termination:**  
Term (Section 4.3): Subtenant shall have the annual right to terminate this Sublease on each July 1 provided Subtenant has provided not less than 270 days prior advanced notice.

**Rent:**  
Sublease Rent (Section 5.1): Consists of Subtenant's share of Base Rent and Additional Charges payable by Subtenant under the Master Lease, including but not

limited to Additional Services requested by Subtenant

Initial Base Rent (Section 5.1):

\$9,207.25 monthly based Subtenant's share of Base Rent payable by Sublandlord under the Master Lease

**Additional Charges:**

As set forth in Section 4 of the Master Lease

**Tenant Improvements:**  
(Section \_\_\_\_\_):

Subtenant shall be entitled to its prorata share (\$28,330.00) of the Tenant Improvement Allowance provided to Subtenant

Sublandlord and Subtenant agree to use good faith efforts to coordinate Leasehold Improvements in order to maximize the use of the Tenant Improvement Allowance. (as provided in the Work Letter to the Master Lease).

**Additional Services:**

As set forth in Section 9 of the Master Lease

**Notices (Section 21.1):**

All notices shall be provided in writing in the manner indicated in Section 21.1, unless otherwise indicated in the Sublease

## 2. PREMISES

**2.1. Sublease Premises and License.** Subject to the terms, covenants and conditions of this Sublease, Sublandlord (i) subleases to Subtenant the Sublease Premises, as shown on Exhibit C.

**2.2. Condition of Sublease Premises.** Subtenant acknowledges and agrees that the Sublease Premises are being subleased subject to the Master Lease and all applicable Laws, and Subtenant acknowledges that neither Sublandlord, nor any of its Agents, have made any representations or warranties, express or implied, concerning any aspect of the Master Lease Premises the Sublease Premises.

**2.3. Sublease Premises, Subtenant's Rentable Square Footage, Subtenant's Prorata Share and Subtenant's Proportionate Share.**

(a) **Sublease Premises and Subtenant's Rentable Square Footage.** The Parties agree that the Sublease Premises consist of approximately 2,833 square feet ("**Subtenant's Rentable Square Footage**").

(b) **Subtenant's Prorata Share.** The Parties further agree that Subtenant's prorata share of utilities and other costs pertaining to Subtenant's use of the Sublease Premises shall be calculated at the rate of eleven and 72/100 percent (11.74%) ("**Subtenant's Prorata Share**") of such costs, which the Parties agree is the Subtenant's prorata share of the Building's 24,173 rentable square feet contained in the Master Lease..

(c) **Subtenant's Share of Additional Charges; Subtenant's Proportionate Share.** Unless otherwise agreed in writing, or unless an Additional Charge is attributable to one Party, then Sublandlord and Subtenant agree that all Additional Charges be allocated on a per **Subtenant's Proportionate Share.** , as appropriate; provided, however, that the Parties may agree to a different cost allocation methodology for any Additional Charge or Additional Service.

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. Subtenant is hereby advised that the Premises have been inspected by a CASp and a copy of the CASp report has been provided to Subtenant.

2.5. **Energy Consumption** Subtenant acknowledges and agrees that Landlord delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises to Sublandlord and Sublandlord has delivered a copy to Subtenant, copies of which are attached as Schedule 1 to the Master Lease, no less than 24 hours prior to Subtenant's execution of this Sublease.

### 3. COMPLIANCE WITH MASTER LEASE

3.1 **Relationship of Master Lease to Sublease.** This Sublease is subject and subordinate to the Master Lease. Subtenant's estate shall in all respects be limited to, and construed in a fashion consistent with, the estate granted to Sublandlord by Master Landlord. The terms and conditions of the Master Lease are incorporated herein by reference as if fully set forth herein, and shall, as between Sublandlord and Subtenant (as if they were the landlord and tenant, respectively, under the Master Lease), constitute the terms of this Sublease, except to the extent that they are inapplicable to, inconsistent with, or modified by the terms of this Sublease.

3.2 **Interpretation of Master Lease.** For purposes of incorporation herein, the terms of the Master Lease are to be interpreted as follows:

(a) In all provisions of the Master Lease requiring the approval or consent of Master Landlord, Subtenant shall be required to obtain the approval or consent of Sublandlord and Master Landlord.

(b) In all provisions of the Master Lease requiring the Tenant to submit, supply or provide evidence, certificates, or other items to the Master Landlord, Subtenant shall submit, supply or provide such evidence, certificates or other items to Master Landlord and to Sublandlord.

(c) Sublandlord agrees that Subtenant shall be entitled to receive all services and repairs to be provided by Master Landlord under the Master Lease, and otherwise be the beneficiary of, all of the Master Landlord's obligations under the Master Lease with respect to the Sublease Premises. Sublandlord and Subtenant shall jointly look solely to Master Landlord for all such services, repairs and other obligations to be performed by Master Landlord, and Subtenant shall not make any claim upon Sublandlord for any damages or losses which may arise by reason of Master Landlord's default under the Master Lease. In the event of any such default by Master Landlord, Sublandlord and Subtenant shall cooperate in all enforcement and remedial actions against Master Landlord, and each shall be responsible for their own costs and expenses in connection therewith.

(d) In all instances where Sublandlord's consent is required by this Sublease or where Subtenant seeks rights and benefits under the Master Lease, Sublandlord agrees to treat Subtenant in the same manner as it treats the City department located in the Building.

(e) As between Sublandlord and Subtenant, Sublandlord agrees that this Sublease shall be interpreted as providing Subtenant with the same rights and benefits as those available to the Tenant under the Master Lease, and as providing Subtenant with the same obligations as those required of Tenant under the Master Lease, in so far as they relate to the Sublease Premises.

(g) Subtenant covenants and agrees that all obligations to Master Landlord under the Master Lease shall be done or performed by Subtenant in so far as they relate to or affect the Sublease Premises

**3.3 Compliance with Master Lease.** Neither Sublandlord nor Subtenant shall do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord.

#### **4. SUBLEASE COMMENCEMENT DATE, TERM AND EXTENSIONS**

##### **4.1 Approval of Sublease and Amendments to Sublease.**

(a) **Required City Approvals.** Notwithstanding anything to the contrary contained in this Sublease, Subtenant acknowledges and agrees that no officer or employee of City has the authority to commit City to this Sublease or any amendment hereto unless and until

the City's Board of Supervisors shall have exercised its absolute discretion and duly adopted a resolution authorizing the City's execution of this Sublease or such amendment to this Sublease;

(b) **Effective Date.** Any obligations or liabilities of either Party under this Sublease and any amendment to this Sublease are contingent upon adoption of resolutions authorizing the execution of this Sublease or any amendments thereto by the City's Board of Supervisors. The Effective Date of this Sublease shall be the date upon which each of the following has occurred: (i) the City's Board of Supervisors has enacted a resolution approving the Master Lease and this Sublease, and (ii) the Parties have executed this Sublease, with Master Landlord's consent, in the space provided below.

**4.2 Commencement Date.** The term of this Sublease shall commence on the Commencement Date (as defined in the Master Lease) (the "**Commencement Date**"). Accordingly, Subtenant shall have the right to occupy the Sublease Premises, at the same time as Sublandlord commences payments of Rent.

**4.3 Term and Term Extensions.**

(a) **Term.** The term of this Sublease shall begin on the Commencement Date and, except for liabilities and obligations which expressly survive termination of this Sublease, automatically terminate on the Expiration Date, unless this Sublease is extended pursuant to Section 4.3 (b) below (the "**Term**"). Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease.

(b) **Extended Term.** At Sublandlord's sole option, Sublandlord may extend the term of this Sublease to coincide with the new Expiration Date if City's Lease is extended by an Option to Extend Term. Sublandlord shall copy Subtenant on its Option Notice and within ten (10 business days, Subtenant shall notify Sublandlord in writing of its desire to extend the term. Within 20 business days, Sublandlord shall notify Subtenant of its determination to either extend the Sublease Term or to not extend the Sublease Term which is such case, Subtenant shall vacate the Sublease premises on the Expiration Date.

(c) **Early Termination.** Subtenant shall have the right to Terminate this Sublease, without cost or penalty, on each July 1 following the Commencement Date by providing Sublandlord with at least 270 days advance written notice.

**5. RENT**

**5.1 Sublease Rent.** The Sublease Rent shall consist of the Base Rent and Additional Charges payable by Subtenant beginning on the Commencement Date and continuing through the Term. Subtenant shall pay to Sublandlord, Base Rent, its proportionate share of the Rent and

Additional Charges payable by Sublandlord to Master Landlord under the Master Lease. Sublandlord agrees to provide to Subtenant with any and all invoices of Additional Charges received by Master Landlord.

**5.2 Rent Payments.** All Sublease Rent shall be due and payable on or before the dates set forth in the Master Lease, and payments shall be made in the manner required under the Master Lease; provided, Subtenant shall make payments to Sublandlord at the following address: City and County of San Francisco, c/o Real Estate Division, 25 Van Ness Avenue, Suite 400, San Francisco, CA 94102. With regard to any separately invoiced costs, Subtenant shall make payment promptly following Subtenant's receipt of an invoice from Sublandlord.

**5.3 Base Rent During Sublease Extension Terms.** In the event that Sublandlord exercises its option to Extend the Term under the Master Lease and Sublandlord notifies Subtenant that it will extend the Sublease Term under Section 4.3 (b) above, Sublandlord and Subtenant hereby agree that Fair Market Rent shall be determined as outlined in Section 4.2 of the Master Lease, and Sublandlord and Subtenant shall each pay the same per square foot amount for space as determined per the terms of the Master Lease.

**5.4 Additional Rent.** As defined in the Masterlease Section \_\_\_\_\_

## 6. USE

**6.1. Subtenant's Permitted Uses.** Subtenant may use the Sublease Premises for the purposes explicitly defined in the Basic Sublease Information and for no other purpose. Subtenant and Sublandlord each agree that neither Party shall use the Sublease Premises in any manner prohibited by the Master Lease. All of the terms and provisions of Article 5 of the Master Lease are incorporated into this Sublease by this reference and are to be interpreted by replacing the terms "Lease" with "Sublease", "Rent" with "Sublease Rent", "Landlord" or "City" with "Sublandlord", and "Tenant" with "Subtenant". Without limiting the foregoing, Subtenant agrees to comply with the Rules and Regulations and any additional reasonable rules and regulations prescribed by Sublandlord for the sharing of the Building.

## 7. SUBLEASE LEASEHOLD IMPROVEMENTS

**7.1. Leasehold Improvements.** Subtenant and Sublandlord have each submitted to Master Landlord their basic space needs and requirements for the Building, and Master Landlord has prepared Pricing Plans and a Preliminary Budget as set forth in Master Lease. Sublandlord shall enter into the Work Letter with Master Landlord for the Leasehold Improvement Work, which shall be designed and constructed by Master Landlord and its Agents in accordance with the Master Lease. Sublandlord shall pass through to Subtenant's prorate share of the Allowance of \$28,330.00 (or approximately \$10 per rentable square foot) for the design and construction of the Leasehold Improvements to the Sublease Premises. Any Leasehold Improvement costs relating to the Sublease Premises in excess of the Allowance shall be paid by Subtenant directly to Sublandlord as and when required under the Master Lease and the applicable Work Letter. Any Leasehold Improvement Costs that exceed the Allowance up to a maximum cost of \$141,650.00

(or \$50 per rentable square foot) shall be amortized over 10 years and paid to Sublandlord as Additional Rent.

**7.2. Telecommunications Equipment.** . Sublandlord and Subtenant agree to coordinate all telecommunications lines and equipment in an effort to obtain operational and cost efficiencies. Subtenant shall have the right to install additional telecommunications, data and/or computer cabling facilities and equipment to serve the Sublease Premises, at Subtenant's sole cost, with the prior written consent of Sublandlord, which shall not be unreasonably withheld or delayed and any Master Landlord consent that may be required by the Master Lease.

**7.3. Alterations.** Subtenant shall comply with the procedures and standards of Article 7 of the Master Lease relating to Alterations, fixtures and other property by providing prior notice of any proposed Alteration to Sublandlord, who shall request Master Landlord's permission as required by the Master Lease. Without limiting the foregoing, Subtenant shall not construct or make any Alterations without Sublandlord's prior written consent, which consent will not be unreasonably withheld or delayed. Unless otherwise agreed in writing by the Parties, Subtenant shall be solely responsible for the cost of any Alterations requested or installed by or on behalf of Subtenant. Except for Subtenant's Personal Property, as defined in Section 6. \_\_\_ of the Master Lease, all appurtenances, fixtures, improvements (including but not limited to the initial installation of work stations and furniture), equipment, additions and other property permanently installed in the Sublease Premises as of the Commencement Date or during the Term shall be and remain SubLandlord's property. Subtenant shall not remove such property unless Master Landlord and Sublandlord consent thereto.

**7.4. Subtenant's Personal Property.** All furniture, furnishings and articles of movable personal property and equipment installed in the Sublease Premises by Subtenant that that can be removed without structural or other damage to the Master Lease Premises or the Building (all of which are herein called "**Subtenant's Personal Property**") shall also be the property of SubLandlord.

**7.5. Sublandlord's Alterations of the Building and Building Systems.** Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the Common Areas or any other part of the Building or the building systems, provided that Subtenant is given at least thirty (30) days advance notice and that any such alterations or additions shall not materially adversely affect the functional utilization of the Sublease Premises for purposes stated herein.

## **8. REPAIRS AND MAINTENANCE**

**8.1. Master Landlord's Repairs.** Master Landlord shall be responsible for all the repair and maintenance obligations described in Section 8.1 of the Master Lease.

**8.2. Subtenant's Repairs.** Subtenant shall comply with all maintenance, repair and lien obligations of City under Master Lease Article 8 with respect to the Sublease Premises. If any



portion of the Building is damaged by any activities conducted by Subtenant or Subtenant's Agents or Invitees, Subtenant shall promptly repair such damage to pre-damage conditions at no cost to Sublandlord.

**8.3. Utilities.** Master Landlord shall provide to Subtenant all utilities and services provided to City under Master Lease Article 9, and Subtenant shall comply with the City's obligations under Master Lease Article 9 with respect to payment of utilities for the Sublease Premises. Accordingly, Subtenant shall pay directly to SubLandlord, the Subtenant's Proportionate Share for (i) utilities and services covered in Master Lease relating to the Sublease Premises and (ii) additional utilities or services not covered in Master Lease Sections 9.1 and 9.2 requested by Subtenant. Subtenant shall be responsible for furnishing at its sole cost or, if provided by Sublandlord, then paying Sublandlord for, any additional utilities or services not supplied by Master Landlord.

**8.4. No Right to Repair and Deduct.** Subtenant expressly waives the benefit of any Laws that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of the failure to keep the Sublease Premises in good order, condition or repair, or to abate or reduce Subtenant's obligations hereunder on account of the condition of the Sublease Premises. Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease or any right of Subtenant to make repairs or replacements and deduct the cost thereof from Sublease Rent and to any right to terminate this Sublease due to the Master Landlord's failure to carry out such repair or replacement obligations. The Parties agree to cooperate in all actions against the Master Landlord relating to the condition of the Sublease Premises or the Building, and Subtenant shall have all the same rights and benefits granted to Sublandlord under the Master Lease in the event Master Landlord fails to fulfill its obligations relating to the condition of the Sublease Premises or the Building.

## 9. LIENS

**9.1. Creation of Liens Prohibited.** Subtenant shall keep the Sublease Premises and the Building free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. Subtenant shall provide Master Landlord and Sublandlord with at least ten (10) days prior notice of commencement of any repair or construction by Subtenant on the Sublease Premises to allow Master Landlord and Sublandlord to post a Notices of Non-Responsibility with respect to the Work.

**9.2. Sublandlord's Rights.** In the event Subtenant does not, within ten (10) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant

upon demand.

## 10. COMPLIANCE WITH LAWS

**10.1. Compliance with Laws; Indemnity.** With respect to the Sublease Premises, Subtenant shall comply with all of the City's obligations under Section 10.2 of the Master Lease. Subtenant shall Indemnify Sublandlord against any and all Claims arising out of Subtenant's failure to comply with applicable Laws, and Sublandlord shall Indemnify Subtenant against any and all Claims arising out of Sublandlord's failure to comply with applicable Laws.

**10.2. Compliance with Insurance Requirements.** With respect to the Sublease Premises, Subtenant shall comply with all City's obligations under Section 10.3 of the Master Lease. Subtenant shall not do anything, or permit anything to be done, in or about the Sublease Premises or the Building that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord and Master Landlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Sublease Premises or the Building. Sublandlord shall provide to Subtenant all notices relating to insurance requirements that Sublandlord receives from Master Landlord.

## 11. ENCUMBRANCES

**11.1. Encumbrances.** Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security (collectively, "**Encumbrances**") in any manner against the Sublease Premises or Sublandlord's or Subtenant's interest under this Sublease. Sublandlord shall not create any Encumbrances against the Sublease Premises or Sublandlord's or Subtenant's interest under this Sublease except in connection with any financing to purchase the Building.

## 12. DAMAGE OR DESTRUCTION; EMINENT DOMAIN

**12.1. Damage or Destruction to the Sublease Premises or the Building.** The provisions of Article 12 of the Master Lease are incorporated herein. In the event of any damage or destruction, the Master Landlord shall repair the Building and the Sublease Premises if and to the extent required under Article 12 of the Master Lease. If and to the extent City is required to make any repairs to the Master Lease Premises, then Subtenant shall make the same repairs to the Sublease Premises, as applicable. Upon any Major Damage or Destruction, City shall make its determination of whether to terminate the Master Lease. In the event of any such termination, Subtenant shall be given the same period of time to remove Subtenant's Personal Property as Sublandlord is given under the Master Lease. In the event the Master Lease is not terminated, this Sublease will remain in full force and effect during any period of repair and

restoration, and Subtenant's Base Rent shall be abated if and to the extent permitted under the Master Lease. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Sublease Premises or any Leasehold Improvements therein. However, Sublandlord and Subtenant shall cooperate in any enforcement action against the Master Landlord in order to ensure that the Sublease Premises are repaired following any damage and destruction per the terms of the Master Lease. From and after any City acquisition of the Property, Subtenant shall not have the right to sue the City in order to require the City to repair, replace or rebuild the Sublease Premises; provided, however, if the Sublease Premises are damaged or destroyed and the City does not fulfill the Master Landlord's repair and replacement obligations per the terms of the Master Lease, then Subtenant shall have the right to terminate this Sublease. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Sublease Premises.

**12.2. Eminent Domain.** In the event there is a Taking affecting the Master Lease Premises and the Master Lease is not terminated per the terms of the Master Lease, then this Sublease shall continue unless the Taking renders the Sublease Premises unsuitable or untenable for Subtenant's continued use. If there is a partial Taking of the Sublease Premises and this Sublease is not terminated, then Subtenant's Rent shall be reduced in accordance with Master Lease section 13.6. If there is a Taking and the Master Lease is terminated, or the Master Lease is not terminated but this Sublease is terminated (because the Sublease Premises are untenable or unsuitable), then any award to the City shall be allocated between the City and Subtenant based upon their respective interest in the portion of the Building acquired by a Taking, together with any interest thereon from the Taking Date to the date of payment at the rate paid on the Award, and attorneys fees and costs, to the extent awarded. If there is a Temporary Taking as set forth in Master Lease section 13.7, then this Sublease shall remain unaffected thereby, Subtenant shall continue to pay Rent and perform all of its obligations under this Sublease, and Subtenant shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Sublease Premises up to the total Rent owing by Subtenant for the period of the Taking.

**12.3. Cooperation.** The Parties agree to meet, confer and cooperate with regard to all matters relating to any damage or destruction and any Taking affecting the Sublease Premises. Sublandlord and Subtenant shall also cooperate in any enforcement action against the Master Landlord in order to ensure that the Sublease Premises are repaired following any damage and destruction per the terms of the Master Lease.

### **13. ASSIGNMENT AND SUBLETTING**

**13.1. Restriction on Assignment and Subletting.** Any assignment or subletting shall be subject to the terms and conditions of the Master Lease. In addition, Subtenant shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Sublease Premises or its subleasehold estate hereunder, permit all or any portion of the Sublease Premises to be occupied in contravention of

this Sublease; or sublet all or any portion of the Sublease Premises, without Master Landlord's and Sublandlord's prior written consent in each instance. Sublandlord shall have same rights and time frames as Master Landlord under the Master Lease. The above notwithstanding, Sublandlord may withhold such consent in its sole and absolute discretion and in such event the affected portions of the Sublease Premises (that Subtenant wished to sublet or assign) shall be deleted from the Sublease Premises 180 days following Sublandlord's receipt of Subtenant's request.

#### **14. DEFAULT; REMEDIES**

**14.1. Events of Default by Subtenant.** Any of the following shall constitute an event of default ("**Event of Default**") by Subtenant hereunder:

(a) Subtenant's failure to make any timely payment of Rent, as required, and to cure such nonpayment within five (5) business days after receipt of notice thereof from Sublandlord; or

(b) Subtenant's abandonment of the Sublease Premises (within the meaning of California Civil Code Section 1951.3); or

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

**14.2. Sub Landlord's Remedies.** Upon the occurrence of an Event of Default by Subtenant that is not cured within the applicable grace period as provided above, Sublandlord shall have all rights and remedies available pursuant to law or granted hereunder, including the following:

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

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

**14.3. Events of Default by Master Landlord or Sublandlord.** With respect to the Sublease Premises, Subtenant shall have all of the rights and remedies against Master Landlord provided to City under Section 15.3 of the Master Lease in the event that Master Landlord fails to perform any of its obligations under the Master Lease or Sublandlord fails to fulfill any of its obligations under this Sublease.

**14.4. Sublandlord's Right to Cure Subtenant's Defaults.** If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with ten (10) days prior notice (except in the event of an emergency as determined by Sublandlord), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums reasonably expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

**14.5. Meet and Confer Requirements.** The Parties, by and through their appropriate staff, agree to meet and confer in good faith as to any disputes arising from this Sublease, before either party declares an Event of Default.

## **15. INDEMNIFICATION**

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

**15.2. Sublandlord's Indemnity.** Sublandlord shall Indemnify Subtenant and its Agents

against any and all Claims incurred as a result of (a) Sublandlord's activities on the Sublease Premises or Property that cause injury or damage to person or property, (b) any default by Sublandlord in the performance of any of its material obligations under this Sublease, or (c) any negligent acts or omissions of Sublandlord or its Agents in, on or about the Sublease Premises or the Property; provided, however, Sublandlord shall not be obligated to Indemnify Subtenant or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Subtenant or its Agents. In any action or proceeding brought against Subtenant or its Agents by reason of any Claim Indemnified by Sublandlord hereunder, Sublandlord may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by Sublandlord, or both. Sublandlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Subtenant shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Sublandlord's obligations under this Section shall survive the termination of the Sublease.

## 16. INSURANCE

**16.1. SubLandlord's Self Insurance.** Sublandlord shall be permitted to self-insure for all risks under this Sublease. Subtenant agrees to perform all obligations required of the City under Master Lease Article 17, if and to the extent applicable to the Sublease Premises, including but not limited to the delivery of self-insurance certificates.

**16.2. Subtenant's Insurance Requirements.** Subtenant shall maintain the insurance coverages contained in Exhibit B

**16.3. Waiver of Subrogation.** Sublandlord and Subtenant each waive any right of recovery against the other for any loss or damage sustained with respect to the Building or the Sublease Premises or any portion or contents thereof or any operation therein, regardless of fault or negligence, to the extent such loss or damage would have been covered by insurance which each Party would have been required to provide under Master Lease Sections 17.1 – 17.4 if each Party had been required to carry such insurance. If either Party obtains any policy of insurance with respect to the Building or the Sublease Premises or any portion or contents thereof or any operation therein, then such Party agrees to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to the Building or the Sublease Premises, provided the failure to do so shall not affect the above waiver.

## 17. ACCESS

**17.1. Access to Master Lease Premises.** Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease Section 18. Sublandlord reserves for itself and Sublandlord's Agents the right to enter the Sublease Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours' notice to Subtenant. In the event of any emergency, Sublandlord may access the

Sublease Premises, without liability and without prior notice, and take such actions as may be reasonably required under the circumstances.

## 18. ESTOPPEL CERTIFICATES

**18.1. Estoppel Certificates.** If required by Master Landlord, Subtenant shall deliver an estoppel certificate pertaining to this Sublease in the time and the manner and containing the information specified in Section 19 of the Master Lease.

## 19. SURRENDER

**19.1. Surrender.** Upon the expiration or sooner termination of this Sublease, Subtenant shall surrender the Sublease Premises to Sublandlord as required under Master Lease Section 20. Subtenant shall remove from the Sublease Premises all of Subtenant's Personal Property, Subtenant's telecommunications, data and computer facilities and any Alterations Subtenant desires or is required to remove from the Sublease Premises, pursuant to the Master Lease. Subtenant shall repair or pay the cost of repairing any damage to the Sublease Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Sublease, Subtenant shall not be required to demolish or remove from the Sublease Premises any of the Leasehold Improvements. Subtenant's obligations under this Section shall survive the expiration or earlier termination of this Sublease.

**19.2. Holding Over.** In the event Subtenant does not surrender the Sublease Premises upon the expiration or sooner termination of this sublease, Subtenant Two hundred (200%) percent of the Base Rent and Additional Charges as in effect during the last month of the Sublease or its prorata share of Sublandlord's Rent under the Master Lease, whichever is higher.

## 20. HAZARDOUS MATERIALS

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

**20.2. Environmental Indemnity.** Without limiting the Indemnities in Article 14 above, if either Party breaches its obligations contained in the preceding Section 19.1, or if either Party or its respective Agents cause the Release of Hazardous Material from, in, on or about the Sublease Premises or the Property, then such Party shall Indemnify the other Party against any and all Claims arising during or after the Term of this Sublease as a result of such Release, except to the extent Master Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation of existing physical conditions.

**21. GENERAL PROVISIONS**

**21.1. Notices.** Any notice (other than an emergency notice) that is required or may be otherwise provided hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid to the following addresses:

Notice Address of Sublandlord

Director of Property  
City and County of San Francisco  
25 Van Ness Ave., Suite 400  
San Francisco, CA 94102  
Fax No.: (415) 552-9216  
Telephone: (415) 554-9850

with a copy to:

Attn: Real Estate Team Leader  
Office of the City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4682  
Fax No.: (415) 554-4755  
Telephone: (415) 554-4735

with a copy to:

Attn: City Librarian  
Main Library  
100 Larkin St St.  
San Francisco, CA \_\_\_\_\_  
Fax No.: (415) 554-\_\_\_\_\_  
Telephone: (415) 554-\_\_\_\_\_

Notice Address of Sublandlord

Marie Ciepela, Executive Director  
Friends of the San Francisco Public Library  
710 Van Ness Avenue  
San Francisco, CA 94102  
marie.ciepela@friendssfpl.org  
Phone: (415) 477-5220  
Telefacsimile: (415) 626-7525



with a copy to:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

San Francisco, CA \_\_\_\_\_  
Telefacsimile: (415) - \_\_\_\_\_  
Telephone: (415) \_\_\_\_\_

Any notice address above may be changed by designating a new address for such purpose by notice given to the others in accordance with this Section. For convenience of the Parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth above or such other number as may be provided from time to time; however, neither Party may give official or binding notice by facsimile.

## 21.2. Non-Discrimination in City Contracts and Benefits Ordinance

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

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

(c) **Non-Discrimination in Benefits.** Subtenant does not as of the date of this Sublease and will not during the term of this Sublease, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration,

subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

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

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

**21.3. No Relocation Assistance; Waiver of Claims.** Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

**21.4. Requiring Health Benefits for Covered Employees.** Unless exempt, Subtenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Sublease as though fully set forth. The text of the HCAO is available on the web at [www.dph.sf.ca.us/HCRes/Resolutions/2004Res/HCRes102004.shtml](http://www.dph.sf.ca.us/HCRes/Resolutions/2004Res/HCRes102004.shtml). Capitalized terms used in this Section and not defined in this Sublease shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, Subtenant shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Subtenant chooses to offer the health plan

option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Subtenant is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection (a) above.

(c) Subtenant's failure to comply with the HCAO shall constitute a material breach of this Sublease. City shall notify Subtenant if such a breach has occurred. If, within thirty (30) days after receiving City's notice of a breach of this Sublease for violating the HCAO, Subtenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Subtenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Subcontract entered into by Subtenant shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Subtenant shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Subtenant shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Subtenant based on the Subcontractor's failure to comply, provided that City has first provided Subtenant with notice and an opportunity to obtain a cure of the violation.

(e) Subtenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Subtenant's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Subtenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) Subtenant shall keep itself informed of the current requirements of the HCAO.

(h) Subtenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and sub-subtenants, as applicable.

(i) Subtenant shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five (5) business days to respond.

(j) City may conduct random audits of Subtenant to ascertain its compliance with HCAO. Subtenant agrees to cooperate with City when it conducts such audits.

(k) If Subtenant is exempt from the HCAO when this Sublease is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) [Fifty Thousand Dollars (\$50,000) for nonprofits], but Subtenant later enters into an agreement or agreements that cause Subtenant's aggregate amount of all agreements with City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Subtenant and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

**21.5. Consent by Master Landlord.** The Master Lease requires Sublandlord to obtain the written consent of Master Landlord to this Sublease. Sublandlord shall promptly solicit such consent. This Sublease shall not become effective unless and until such consent has been obtained.

**21.6. Availability of Funds.** The terms of this Sublease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter as to actions that the City may or must take regarding this Sublease. Notwithstanding anything to the contrary contained in this Sublease, there shall be no obligation for the payment or expenditure of money by City unless 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 after the fiscal year in which the Term commences, sufficient funds for the payment of rent and any other payments required under this Sublease are not appropriated, then City may terminate this Sublease, without penalty, as of the last date on which sufficient funds are appropriated.

**21.7. Public Transit Information.** Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Subtenant's sole expense.

**21.8. Wages and Working Conditions.** Subtenant agrees that any person performing labor in connection with the Subtenant Improvements or any Alterations at the Premises that is a "public work" as defined under San Francisco Administrative Code Section 6.22(E) or California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case

are provided for similar work performed in San Francisco County. Subtenant shall include in any contract for such Subtenant Improvements and Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Subtenant shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

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

**21.10. Charter Provisions.** This Sublease is governed by and subject to the provisions of the Charter of the City and County of San Francisco.

**21.11. Drug-Free Workplace.** Subtenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Subtenant agrees that any violation of this prohibition by Subtenant, its Agents or assigns shall be deemed a material breach of this Sublease.

**21.12. Prohibition of Tobacco Sales and Advertising.** Subtenant acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product.

**21.13. Prohibition of Alcoholic Beverage Advertising.** Subtenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. ]

**21.14. Miscellaneous Provisions.** The following provisions of the Master Lease are hereby incorporated by this reference and are to be interpreted by replacing the terms "Lease" with "Sublease", "Rent" with "Sublease Rent", "Landlord" or "City" with "Sublandlord", and "Tenant" with "Subtenant" and as otherwise indicated below:

- 23.2. No Implied Waiver
- 23.3. Amendments (deleting reference to potential MTA approval)
- 23.4. Authority
- 23.5. Parties and Their Agents; Approvals
- 23.6. Interpretation of Lease
- 23.7. Successors and Assigns
- 23.8. Brokers
- 23.9. Severability
- 23.10. Governing Law
- 23.11. Entire Agreement
- 23.12. Attorneys' Fees
- 23.13. Holding Over (which shall survive the expiration or termination of this Sublease)
- 23.14. Cumulative Remedies
- 23.15. Time of Essence
- 23.16. Survival of Indemnities
- 23.17. Signs (requiring Master Landlord's and Sublandlord's approval)
- 23.18. Quiet Enjoyment and Title
- 23.19. Bankruptcy
- 23.20. Transfer of Landlord's Interest
- 23.21. Non-Liability of City Officials, Employees and Agents (adding the same nonliability provision for the benefit of Subtenant)
- 23.22. MacBride Principles - Northern Ireland
- 23.23. Controller's Certification of Funds (adding the same provision for the benefit of City as Sublandlord)
- 23.24. Prevailing Wages for Construction Work
- 23.26. Tropical Hardwood and Virgin Redwood Ban
- 23.27. Bicycle Storage Facilities
- ~~23.28. Resource Efficient City Buildings and Pilot Projects~~
- 23.29. Counterparts

Signatures on the next page

Wherefore, Sublandlord and Subtenant execute this Sublease, by and through their authorized representatives, as follows:

**SUBTENANT:**

FRIENDS AND FOUNDATION OF THE SAN FRANCISCO PUBLIC LIBRARY, a 501 (c) 3 non profit agency

By \_\_\_\_\_  
Executive Director

**SUBLANDLORD:**

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: \_\_\_\_\_  
Director of Property

Approved as to Form:

DENNIS J. HERRERA, City Attorney

\_\_\_\_\_  
Elizabeth Dietrich  
Deputy City Attorney Extraordinaire

**Recommended:**  
THE SAN FRANCISCO PUBLIC LIBRARY

\_\_\_\_\_  
City Librarian





**EXHIBIT A**

**Master Lease**

## EXHIBIT B

### Subtenant's Insurance Requirements

(a) Subtenant, at no cost to the City, shall procure and keep in effect at all times during the Term insurance as follows:

(i) Commercial general liability insurance with limits not less than Two Million Dollars (\$2,000,000) 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.

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

(iii) 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 Subtenant uses automobiles in connection with its use of the Premises.

(iv) Business Interruption Insurance insuring that the Rent will be paid to City for a period of at least one (1) year if Subtenant is unable to operate its business at the Premises. Such insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion.

(v) Such other insurance as is generally required by commercial owners of buildings similar in size, character, age and location as the Building, as may change from time to time.

(b) Should any of the required insurance be provided under a claims-made form, Subtenant shall maintain such coverage continuously throughout the Term and, without lapse, for a period of three (3) years beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims-made policies.

(c) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall double the occurrence or claims limits specified above.

(d) All liability insurance policies shall be endorsed to provide the following:

(i) Name as additional insured the City and County of San Francisco, its officers, agents and employees.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought.

- (e) Each insurance policy required shall be issued by an insurance company licensed in the State of California and with a general policyholders' rating of "A-" or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.
- (f) All insurance policies required to be maintained by Subtenant hereunder shall be endorsed to provide thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to both Subtenant and City. Notice to City shall be mailed to the address(es) for City set forth in the Basic Sublease Information.
- (g) Subtenant shall deliver to City certificates of insurance and additional insured policy endorsements from insurers in a form satisfactory to City, evidencing the coverage required hereunder, on or before the Commencement Date, together with complete copies of the policies promptly upon City's request, and Subtenant shall provide City with certificates or policies thereafter at least thirty (30) days before the expiration dates of expiring policies. In the event Subtenant shall fail to procure such insurance, or to deliver such policies or certificates, City may procure, at its option, without waiving any rights or remedies which City may have for Subtenant's default hereunder, the same for the account of Subtenant, and the cost thereof shall be paid to City within five (5) days after delivery to Subtenant of bills therefor.
- (h) Upon City's request, Subtenant and City shall periodically review the limits and types of insurance carried pursuant to this Section. If the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or coverage materially greater than the amount or coverage then being carried by Subtenant for risks comparable to those associated with the Premises, then Subtenant shall, at City's request, increase the amounts or coverage carried by Subtenant to conform to such general commercial practice.
- (i) Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's liability under Section 18.2 (Subtenant's Indemnity), or any of Subtenant's other obligations under this Sublease.
- (j) Notwithstanding anything to the contrary in this Sublease, if any of the required insurance coverage lapses, this Sublease shall terminate upon three (3) days' notice to Subtenant, unless Subtenant renews the insurance coverage within notice period.

#### **Subtenant's Personal Property**

Subtenant shall be responsible, at no cost to the City, for separately insuring Subtenant's Personal Property.

**EXHIBIT C**

**Diagram of the Sublease Premises**





**San Francisco Public Library**  
100 Larkin Street  
San Francisco, CA 94102

July 5, 2016

Supervisor Mark Farrell  
Chair, Budget and Finance Committee  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, CA 94102

Subject: Release of property lease reserves for the San Francisco Public Library

Dear Supervisor Farrell:

The San Francisco Public Library (Library) respectfully requests that the Budget and Finance Committee release \$1,227,344 in property lease monies placed on reserve for fiscal year 2016-17. The Budget and Finance Committee placed \$1,772,592 of property lease budget on reserve as part of the fiscal year 2016-17 Annual Appropriation Ordinance pending submission of a proposed lease for the 750 Brannan site or another site for the consolidation of several of the Library's operations into one location.

In May 2016 the Department of Real Estate and the Library were in the beginning stages of lease negotiations with the landlord of 750 Brannan Street, 750 Brannon Street Props, LLC. Leasing this location would allow the Library to co-locate the City Archives, the Library's Community Redistribution Program, and the Mobile Outreach Services (bookmobiles), as well as locate a neighborhood book donation drop off and bookstore for the Friends of the San Francisco Public Library (Friends). Since May the Real Estate Department has developed a lease agreement for 750 Brannan Street and a sublease for a portion of that space for the Friends.

The Real Estate Department has drafted a resolution to authorize the lease and sublease for 750 Brannan Street, which accompanies this request to release the reserved property lease monies. Releasing \$1,227,344 in the property lease reserved monies would allow the City to proceed with the lease agreement and sublease with the Friends for 750 Brannan, including tenant improvements. Thank you for your consideration.

Sincerely,

Luis Herrera  
City Librarian  
San Francisco Public Library

cc: Angela Calvillo  
Melissa Whitehouse  
Ben Rosenfield  
Board of Supervisors Budget and Legislative Analyst



# SAN FRANCISCO PLANNING DEPARTMENT

## General Plan Referral

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

*Date:* June 30, 2016  
*Case No.* Case No. 2016-007810GPR  
750 Brannan Lease of City Property

Reception:  
**415.558.6378**

Fax:  
**415.558.6409**

*Block/Lot No.:* 3779/166

Planning  
Information:  
**415.558.6377**

*Project Sponsor:* John Updike, Director of Real Estate  
Real Estate Division  
City and County of San Francisco  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102

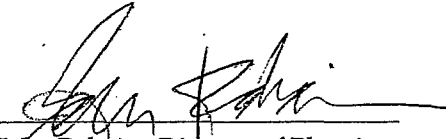
*Applicant:* Charlie Dunn, Agent  
Real Estate Division  
City and County of San Francisco  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102

*Applicant Contact:* Charlie Dunn 415.554.9861  
Real Estate Division

*Staff Contact:* Lily Langlois 415.575.9083  
[lily.langlois@sfgov.org](mailto:lily.langlois@sfgov.org)

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

*Recommended  
By:*

  
John Rahaim, Director of Planning

### PROJECT DESCRIPTION

The proposal is for the City and County of San Francisco's real estate Division to lease property for multiple library needs including the City's archival collection, community book redistribution, bookmobile staff and overnight bookmobile parking, associated support offices, a Friends of the Library bookstore and book donation drop off. The property, located at 750 Brannan is within the SALI (Service Arts Light Industrial) Zoning District and 40/55-X height district.

On May 31, 2016 a General Plan Referral (Case No. 2016-007810GPR) was submitted to the Planning Department requesting lease of parcel 3779/166. The Planning Department found the lease of the property to be in conformance with the General Plan.

## ENVIRONMENTAL REVIEW

The project was determined to be categorically exempt under CEQA Guidelines Section 15303 on 6/22/16 (Planning Record No. 2015-007810GPR).

## GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

As described below, the Project is consistent with the Eight Priority Policies of Planning Code Section 101.1; the proposed lease of these city owned properties would be **in conformity** with the General Plan. Sale of these properties would **not be in conformity** with the General Plan.

Note: General Plan Objectives and Policies are in **bold font**, General Plan text in regular font; staff comments are in *italic font*.

## COMMUNITY FACILITIES

### OBJECTIVE 6

**DEVELOPMENT OF A PUBLIC LIBRARY SYSTEM IN SAN FRANCISCO WHICH WILL MAKE ADEQUATE AND EFFICIENT LIBRARY SERVICE FREELY AVAILABLE TO EVERYONE WITHIN THE CITY, AND WHICH WILL BE IN HARMONY WITH RELATED PUBLIC SERVICE FACILITIES AND WITH ALL OTHER FEATURES AND FACILITIES OF LAND DEVELOPMENT AND TRANSPORTATION PROVIDED FOR IN OTHER SECTIONS OF THE GENERAL PLAN.**

*This project will provide the library with additional space to meet its needs*

## COMMERCE AND INDUSTRY ELEMENT

### OBJECTIVE 2

**MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.**

### POLICY 2.1

Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

### OBJECTIVE 3

**PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.**



**OBJECTIVE 4**

**IMPROVE THE VIABILITY OF EXISTING INDUSTRY IN THE CITY AND THE ATTRACTIVENESS OF THE CITY AS A LOCATION FOR NEW INDUSTRY.**

**POLICY 4.6**

Assist in the provision of available land for site expansion.

**PLANNING CODE SECTION 101.1 FINDINGS**

**Eight Priority Policies Findings**

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

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

*The project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses.*

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

*The project would have no adverse effect on the City's housing stock or on neighborhood character.*

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

*The project would have no 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 residential employment and ownership in these sectors be enhanced.

*The project would not adversely affect the industrial or service sectors or 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 not adversely affect preparedness against injury and loss of life in an earthquake and would comply with applicable safety standards.*

7. That landmarks and historic buildings be preserved.

*The project would have no effect on preservation of landmarks or historic buildings.*

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

*The project would have no adverse effect on parks and open space or their access to sunlight and vistas..*

**RECOMMENDATION:**

**Finding lease of this property is in conformity with the General Plan**

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [ ] inquires"
- 5. City Attorney request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission     Youth Commission     Ethics Commission
- Planning Commission     Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.**

**Sponsor(s):**


Supervisor Jane Kim

**Subject:**

Real Property Lease - 750 Brannan Street Props, LLC - \$927,747 Rent in Initial Year

**The text is listed below or attached:**

See attached.

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

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

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): SF Board of Supervisors	City elective office(s) held: Members, SF Board of Supervisors
<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: 750 Brannan Street Props LLC, a California limited liability company	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. (1) Steven Oliver (2) Steven Oliver is all three (3) Steven Oliver (4) None (5) None	
Contractor address: 1300 S. 51st St, Richmond, CA 94804	
Date that contract was approved:	Amount of contract: \$10,807,537.83 over 120 months
Describe the nature of the contract that was approved: Lease at 750 Brannan Street for the San Francisco Public Library	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form (Mayor, Edwin Lee)
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Clerk of the Board, Angela Calvillo	Contact telephone number: (415) 554-5184
Address: 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102	E-mail: Board.of.supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer) \_\_\_\_\_ Date Signed \_\_\_\_\_

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) \_\_\_\_\_ Date Signed \_\_\_\_\_