

File No. 200009

Committee Item No. 7

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 29, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

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

OTHER (Use back side if additional space is needed)

- General Plan Referral
- _____
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Completed by: Linda Wong

Date January 24, 2020

Completed by: Linda Wong

Date _____

1 [Real Property Lease - Mission 1275 SF LLC and Baskin Investment Group LLC - 1271-
2 1275 Mission Street - \$577,500 Annual Base Rent]

3 **Resolution authorizing and approving the lease of 1271-1275 Mission Street,**
4 **commonly known as 1275 Mission Street, consisting of approximately 8,750 square**
5 **feet of office space for San Francisco Digital Services, with Mission 1275 SF LLC and**
6 **Baskin Investment Group LLC, limited liability companies and tenants in common,**
7 **as landlord, for a six-year term with two five-year options for renewal, to commence**
8 **on or around February 1, 2020, at an initial monthly base rent of \$48,125 for a total**
9 **annual rent of \$577,500 with 3% annual adjustments thereafter; and making findings**
10 **the proposed lease is in conformance with the California Environmental Quality Act,**
11 **the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

12
13 WHEREAS, San Francisco Digital Services (“Digital Services”) is a service provider
14 under the City Administrator’s Office using technology and a service-oriented approach to
15 make local government more accessible and easier to navigate through newly launch SF.gov,
16 focusing particularly on permitting services and affordable housing; and

17 WHEREAS, Digital Services currently leases office space at 1231 Stevenson Street
18 and that lease expires on February 29, 2020; and

19 WHEREAS, The Real Estate Division, on behalf of Digital Services and in consultation
20 with the City Attorney, negotiated a six-year lease with two five-year renewal options (“Lease”)
21 for approximately 8,750 square feet of office space (the “Premises”, consisting of the entire
22 building) located close to public transportation at 1275 Mission Street, between the City as
23 “Tenant” and Mission 1275 SF LLC and Baskin Investment Group LLC, limited liability
24 companies and tenants in common (as “Landlord”), a copy of the Lease is on file with the
25 Clerk of the Board of Supervisors under File No. 200009; and

1 WHEREAS, The proposed initial annual rent of \$577,500 (\$66 per square foot per
2 year), increasing by 3% annually, has been determined to be equal to or less than fair market
3 rent by an independent MAI appraisal, which was also reviewed, both in accordance with
4 Administrative Code, Chapter 23; and

5 WHEREAS, The City shall pay for its utilities, janitorial services, and all other operating
6 expenses attributable to the Premises, except that City will only be responsible for operating
7 expenses and taxes above base year 2020; and

8 WHEREAS, The Lease contains a First Right of Refusal to Purchase the Premises;
9 and

10 WHEREAS, Landlord shall provide to City an allowance in the amount of \$5,000 to be
11 applied against the cost of any related services or expenses not covered under the Lease that
12 the City may require, such as painting, frosting windows, etc.; and

13 WHEREAS, The Premises are fully furnished ("Landlord Furniture") and the value of
14 the Landlord Furniture is estimated to be over \$100,000 and Landlord has agreed to lease the
15 Landlord Furniture to City for a total amount not to exceed \$25,000 over the term, and at the
16 expiration or earlier termination of Lease, City may elect to retain any, all, or none of the
17 Landlord Furniture at no additional cost; and

18 WHEREAS, The Planning Department, through letter dated December 13, 2019
19 ("Planning Letter"), has verified that the Lease is consistent with the General Plan, and the
20 eight priority policies under Planning Code, Section 101.1 and is not defined as a project
21 under CEQA Guidelines, Sections 15378 and 15060(c)(2), a copy of which is on file with the
22 Clerk of the Board of Supervisors under File No. 200009; now, therefore, be it

23 RESOLVED, That the Board of Supervisors hereby finds that (i) the Lease is consistent
24 with the General Plan, and eight priority policies of Planning Code, Section 101.1; and (ii)

1 finds its exempt from CEQA findings; and hereby incorporates such findings by reference as
2 though fully set forth in this Resolution; and, be it

3 FURTHER RESOLVED, In accordance with the recommendation of the Chief Digital
4 Services Officer, the Director of Property, and the City Administrator, on behalf of the City, as
5 Tenant, the Director of Property is hereby authorized to take all actions necessary to execute
6 the Lease and any other documents that are necessary or advisable to effectuate the purpose
7 of this Resolution; and, be it

8 FURTHER RESOLVED, The initial annual monthly base rent shall be \$48,125, or
9 \$240,625 for the period from February 1, 2020, to June 30, 2020, and subject to annual
10 adjustments of 3%; and, be it

11 FURTHER RESOLVED, The City shall pay for its utilities, janitorial services, and all
12 other operating expenses attributable to the space occupied by the City under the Lease; and,
13 be it

14 FURTHER RESOLVED, City is authorized to lease, and later, opt to retain any of the
15 Landlord Furniture, at a total cost not to exceed \$25,000; and, be it

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

18 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
19 Property to enter into any extensions, amendments or modifications to the Lease (including
20 without limitation, the exhibits and options, so long as the options are renewed in
21 accordance with the Lease and the Administrative Code) that the Director of Property
22 determines, in consultation with the Chief Digital Services Officer, and the City Attorney,
23 are in the best interest of the City, do not increase the rent or otherwise materially increase
24 the obligations or liabilities of the City, are necessary or advisable to effectuate the
25

1 purposes of the Lease or this Resolution, and are in compliance with all applicable laws,
2 including City's Charter; and, be it

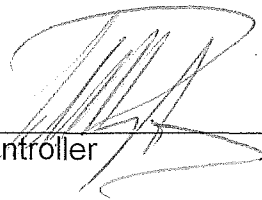
3 FURTHER RESOLVED, That the City shall occupy the Premises for the full term of the
4 Lease unless funds for rental payments are not appropriated in any subsequent fiscal year at
5 which time City may terminate the lease with advance written notice to Landlord, and the
6 Lease shall be subject to certification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

8 FURTHER RESOLVED, That within 30 days of the Lease being fully executed by all
9 parties, the Director of Property shall provide a copy to the Clerk of the Board for inclusion
10 into the official file.

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Available Funds: \$240,625
(Rent for February 1, 2020 – June 30, 2020)

Fund ID: 10020
Department ID: 208671
PS Project ID: 10022322
Authority ID: 16537
Account ID: 530110
Activity ID: 0001



Controller

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

RECOMMENDED:




Carrie Bishop
Chief Digital Services Officer



Andrico Q. Penick
Director of Property

1 RECOMMENDED:

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Naomi Kelly
City Administrator

<p>Item 7 File 20-0009</p>	<p>Department: Real Estate</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would approve a lease between the City and 1275 SF LLC and Baskin Investment Group LLC, the joint owners of the property at 1275 Mission Street. The proposed resolution also would find that the proposed lease is consistent with the City’s General Plan and eight priority policies of the Planning Code and that the lease is exempt from review under the California Environmental Quality Act (CEQA). 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The City Administrator intends to co-locate the Digital Services and DataSF programs at 1275 Mission Street. Currently, Digital Services leases office space at 1231 Stevenson Street and has 29 staff. The program is adding 12 additional staff in the current fiscal year. DataSF has five positions working in City Hall. In order to accommodate the additional Digital Services staff, the City proposes to move the Digital Services and DataSF programs to a new location at 1275 Mission, which consists of approximately 8,750 square feet of office space, equivalent to approximately 190 square feet per staff for all 46 staff. The City’s average square feet of office space per position is approximately 200. • The proposed lease would have an initial term of six years and an annual base rent of \$577,500, escalating 3 percent annually. The proposed lease also has two optional extensions at five years each. The base rent would reset at each extension to 95 percent of market rate and then escalate 3 percent annually. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The total rent for the initial six-year term is \$3,687,382. In addition to rent expenses, the City must pay custodial and utility expenses, which are expected to total approximately \$61,250 per year and, starting in year 2, insurance and taxes, which are expected to add \$3,000 to the building’s operating costs annually. • All rent and building operating expenses would be paid from the General Fund allocation to the City Administrator budget. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed resolution to have the Director of Real Estate submit a resolution to the Board of Supervisors approving the option to extend the lease prior to exercising each of the two options to extend. • Approve the proposed resolution, as amended. 	

MANDATE STATEMENT

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

Administrative Code Section 23.27 states that the Board of Supervisors shall approve all leases on behalf of the City as tenant by resolution for which the term is longer than a year and costs over \$15,000 per month. The Real Estate Division must obtain an appraisal of the fair market rent if the rent exceeds \$45 per square foot per year and appraisal review if the rent exceeds \$60 per square foot per year.

BACKGROUND**Digital Services and DataSF Office Relocation**

Digital Services is a division of the City Administrator's Office responsible for improving the City's online services and currently leases office space at 1231 Stevenson Street. The program currently has 29 full time positions and is expected to expand to 41 full time positions in the next two to three months. The program currently leases 4,113 square feet of office space at 1231 Stevenson Street equivalent to approximately 102 square feet per position for 40 positions. DataSF is responsible for maintaining the City's public data catalogue and currently has five positions working in City Hall. The City Administrator plans to co-locate both programs at 1275 Mission Street.

According to Ms. Claudia Gorham, Deputy Managing Director of the Real Estate Division, the City's average square feet per position of this type is approximately 200. In order to accommodate the additional Digital Services staff, the City proposes to move the Digital Services and DataSF programs to a new location at 1275 Mission, which consists of approximately 8,750 square feet of office space, equivalent to approximately 190 square feet per staff for 46 staff. According to Ms. Gorham, a comparable building was not available to purchase that could accommodate Digital Services. The existing lease at 1231 Stevenson Street terminates once it is vacated by Digital Services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease between the City and 1275 SF LLC and Baskin Investment Group LLC, the joint owners of the property at 1275 Mission Street. The property is a two-story office building with a basement and is currently vacant.

The proposed resolution also would find that the proposed lease is consistent with the City's General Plan and eight priority policies of the Planning Code¹ and that the lease is exempt from

¹ The eight priority policies of the Planning Code are: (1) That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced; (2) That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) That the City's supply of affordable housing be preserved and enhanced; (4) That commuter traffic not impede Muni transit service or overburden our streets or

review under the California Environmental Quality Act (CEQA). In December 2019 the Planning Department found that the lease is exempt from CEQA review and that the project is consistent with the eight priority policies of the Planning Code.

Lease Terms

The proposed lease would have the following conditions:

Exhibit 1: Proposed Lease Terms for 1275 Mission

Landlord	1275 SF LLC and Baskin Investment Group LLC
Tenant	City
Initial Lease Term	Six years to approximately February 2026
Rentable Square feet	8,750
Base Rent, Initial Term	\$577,500 (\$66 per square foot)
Annual Rent Increase, Initial Term	3 percent
Options to Extend Term	Two options to extend, each by five years
Base Rent, Extended Term	95% of prevailing market rate of similar space in SoMA or initial base rent, whichever is higher
Annual Rent Increase, Extended Term	3 percent
Tenant Improvements	\$5,000 Landlord’s Allowance to City at any time during Initial Term
City Costs	Building operating expenses, including: elevator maintenance, fire safety, licenses, property management, interior repairs and maintenance, insurance, utilities, and janitorial expenses
Landlord Costs	Exterior repairs and maintenance; heating, air conditioning & ventilation, security system
Furniture	Landlord may lease existing furniture to City at a total not to exceed amount of \$25,000

Source: Proposed Lease

In addition, the proposed lease requires the landlord to offer the City the right of first refusal if it puts the building up for sale.

FISCAL IMPACT

The lease provides a base rent of \$48,125 per month for the first year. Annual rent adjustments at 3 percent thereafter through January 31, 2026. Exhibit 2 below summarizes the fiscal impact of the initial term of the proposed lease.

neighborhood parking; (5) That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) That landmarks and historic buildings be preserved; and, (8) That our parks and open space and their access to sunlight and vistas be protected from development.

Exhibit 2: Annual Rent Under Proposed Lease for 1275 Mission Street

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
\$529,375	\$594,825	\$612,670	\$631,050	\$649,981	\$669,481	\$3,687,382

Source: Proposed Lease for 1275 Mission Street

The proposed rent of \$66 per square foot per year in the first year of the lease is consistent with the appraisal and appraisal review that were completed by independent third-party appraisers contracted by the Real Estate Division, as required by Administrative Code Section 23.27.

In addition to rent expenses, as noted above in Exhibit 1 above, the proposed lease requires the City to pay for services (custodial) and utilities (electric, gas, water, sewer) and, starting in year 2 of the proposed lease, insurance and taxes. The landlord will be providing a security card access system and heating and air ventilation. According to Ms. Gorham, utilities and janitorial costs are expected to be \$61,250 per year, increasing by approximately \$3,000 annually once insurance and taxes are factored in. In addition, the City plans to use the landlord’s existing office furniture at a total one-time cost of \$25,000 for the term of the lease, including extensions. According to data provided by the Real Estate Division, this is approximately \$38,388 less than the total cost of purchasing furniture for new staff.²

According to Ms. Gorham, the proposed Base Rent and operating costs for the initial term of the lease would be made using General Fund monies in the City Administrator budget.

Lease Extension

If the City exercises its option to extend the initial lease term, the rent would be 95 percent of the prevailing market rate for office space in the SoMA neighborhood. If the City and the landlord do not agree on the market rate value, each may obtain an appraisal to determine the prevailing market rate for similar space. If the appraisals have a difference of less than ten percent of value, the proposed lease requires that the new rent be an average of the two appraisals. If the appraisals are greater than 10 percent different in their estimates of market rate, then the appraisers must agree on a third appraiser and an average two of the three appraised values will set the new base rent.

According to the proposed resolution, the Board of Supervisors authorizes the Director of Property to enter into any extensions, amendments, or modifications to the lease without further Board of Supervisors approval. Because the lease could extend for an additional 10 years after the expiration of the original term in approximately February 2026, with the rent being adjusted to 95 percent of fair market value, the Budget and Legislative Analyst recommends amending the proposed resolution to have the Director of Real Estate submit a resolution to the Board of Supervisors approving the option to extend the lease prior to exercising each of the two options to extend, consistent City Charter Section 9.118(c) noted above.

² According to the Real Estate Division, the furniture cost per current Digital Service employee was approximately \$2,756 when they moved into their current space. \$2,756 x 22 (17 new FTE plus 5 more desks for current FTE without desks) = \$63,388 new furniture costs, which is \$38,388 greater than the \$25,000 cost for renting the existing furniture at the new space under the proposed lease, which is sufficient for all 46 Digital Service and DataSF staff.

RECOMMENDATIONS

1. Amend the proposed resolution to have the Director of Real Estate submit a resolution to the Board of Supervisors approving the option to extend the lease prior to exercising each of the two options to extend.
2. Approve the proposed resolution, as amended.

OFFICE LEASE

between

Mission 1275 SF LLC and Baskin Investment Group LLC,
as Tenants in Common, collectively as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
1271 - 1275 Mission Street
San Francisco, California

December 23, 2019

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- EXHIBIT A – Floor Plan(s) of Premises
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Exclusions From Operating Costs
- EXHIBIT D – Standards for Janitorial Service
- EXHIBIT E – Landlord Furniture Inventory

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of December 23, 2019, is by and between Mission 1275 SF LLC, a California limited liability company; and Baskin Investment Group LLC, a California limited liability company as tenants in common (collectively, "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:	November 8, 2019
Landlord:	MISSION 1275 SF LLC and BASKIN INVESTMENT GROUP, LLC, as Tenants in Common
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	1271 - 1275 Mission Street, San Francisco
Premises (<u>Section 2.1</u>):	Entire Building located at 1271-1275 Mission Street, consisting of three floors, commonly known as 1275 Mission Street.
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 8,750 rentable square feet in accordance with <u>Section 2.1</u>
Term (<u>Section 3</u>):	Estimated Commencement date: February 1, 2020 Estimated Expiration date: January 31, 2026
Extension Options (<u>Section 3.4</u>):	Two (2) additional terms of five (5) years each, exercisable by City by notice to Landlord given not less than 180 days in advance, and not more than 270 days in advance, with rent determined in accordance with <u>Section 4.3</u> .
Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$577,500.00 (\$66.00 per sq. ft.) Monthly payments: \$48,125.00 (\$5.50 per sq. ft.)

Adjustment Dates (Section 4.2):

Annually, following the first anniversary date of the Commencement Date, the Base Rent shall be increased by three percent (3%) of the Base Rent for the lease year preceding such Adjustment Date.

Additional Charges (Section 4.3):

Throughout the Term, City shall pay, as Additional Charges to Base Rent, City's Percentage Share of Operating Costs and Real Estate Taxes as described in Section 4.4.

Base Year (Section 4.5):

Year 2020

City's Percentage Share (Section 4.4)

One-hundred Percent (100%)

Use (Section 5.1):

General office, administrative and incidental uses, as permitted by law, for Digital Services Department and other City departments and other public or nonprofit agencies for the performance of their services under contract with the City and uses incidental thereto, if required by the City's Charter of Laws, provided that at all times use of the Premises shall be consistent with standards of a first-class office building.

Utilities (Section 8.1):

Landlord, at its own cost, shall ensure all utilities (electric, gas, water and sewer) are separately metered at the Premises. Actual utility expenses shall be paid by Tenant to Landlord as Additional Charges. If City elects to transfer meters to the San Francisco Public Utilities Commission (SFPUC), transfer will be at Tenant's expense.

Janitorial Services (Section 8.2(a)):

Landlord shall provide at its cost, janitorial service in accordance with the specifications contained in Exhibit D attached hereto. The actual cost of janitorial service shall be reimbursed to Landlord as Additional Rent.

Additional Services/Improvements (Section 6.1):

Tenant, at its sole cost, shall have the right to request that Landlord perform Lease related services or incur additional expenses, not covered under this Lease that City may require from time to time as requested by the City and County of San Francisco Real Estate Division. Landlord shall provide to City an allowance in the amount of Five Thousand Dollars (\$5,000)

("Allowance") to be applied to the cost of any such additional services or expenses requested by City. City shall reimburse Landlord for the cost of such requested additional services or expenses in excess of the Allowance at rates and in accordance with a budget mutually agreed upon in advance, and including a construction administration/oversight fee not to exceed two percent (2%) of total construction costs, as they are incurred.

Landlord Furniture (Section 5.3):

The Premises are fully-furnished by Landlord as described in Exhibit E – Landlord Furniture Inventory ("Landlord Furniture"). During the Term of this Lease, including any Extended Terms, Landlord shall lease to the City the Landlord Furniture for the total amount of \$25,000. City shall have the option to retain any, all or none of the Landlord Furniture at the expiration or earlier termination of this Lease.

Security (Section 8.2(b)):

Landlord shall, at its sole cost, provide door and monitor sensors monitored by a monitoring provider, currently ADT, as well as a key-card enabled access control system to Premises currently controlled through Brivo. Landlord shall, at no cost to Tenant, provide the first forty (40) access key cards for use with the access control system.

Landlord's Repairs and Maintenance Responsibility (Section 7.1):

Landlord shall maintain at its cost the roof, building structure, foundation, and all building systems to include plumbing, electrical, gas, water heater, mechanical, HVAC, fire sprinkler system, fire extinguishers placed throughout Premises by Landlord, at no cost to Tenant, elevators, restroom fixtures, and kitchen fixtures.

Notice Address of Landlord (Section 23.1):

Baskin Investment Group, LLC and Mission
1275 SF LLC c/o 2B Living, Inc.
626 El Camino Real
San Carlos, CA 94070

Key Contact for Landlord:

Mr. Brooks Baskin

Email for Key Contact for Landlord:

brooks@twobliving.com

Landlord Contact Telephone No.:

(650) 208-9635

Notice Address for Tenant (Section 22.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Andrico Penick
Director of Property
Re: 1275 Mission Street
Fax No.: (415) 552-9216

with a copy to:

Digital Services
1275 Mission Street
San Francisco, CA 94103
Attn: Carrie Bishop

Re: 1275 Mission Street
San Francisco CA, 94103
carrie.bishop@sfgov.org

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Charles Sullivan
Deputy City Attorney
Re: 1275 Mission Street
Fax No.: (415) 554-4757

Key Contact for Tenant:

Elsa Lamb

Tenant Contact Telephone No.:

(415) 554-9861

Tenant Contact email address:

elsa.lamb@sfgov.org

Alternate Contact for Tenant:

City and County of San Francisco Real Estate
Division

Alternate Contact Telephone No.:

(415) 554-9850

Brokers (Section 22.8):

Phil Fletcher
Avison Young
Lic #01980703

John Casin
Avison Young
Lic #01353680

Other Noteworthy Provisions (Sections 22.17
and 21.1):

Signage: Tenant, at Tenant's sole cost and
expense, may install signage on the interior
and exterior of the Building subject to
Landlord's approval of size, design and
location. All signage must be per City
approval requirements.

First Right of Refusal: In the event the

Landlord decides to sell the Building and Building and property during the Term of the Lease, Landlord shall first offer the Building and property to the City and County of San Francisco in accordance with the terms of Section 21.

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached 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. As used in this Lease, the term "rentable area" shall mean approximately 8,750 square feet.

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. The law does not require landlords to have the inspections performed, but the Landlord may not prohibit City from obtaining a CASp inspection of the Premises for its occupancy or potential occupancy if requested by City. If City elects to obtain such inspection, City and Landlord shall mutually agree on the arrangements for the time and manner of such CASp inspection, the payment of the CASp inspection fee, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date or earlier date, with City's written acceptance, and City's Mayor and Board of Supervisors shall have 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 the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option(s), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) as provided 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

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 thirty (30) days after the Estimated Commencement Date, then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

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 of this Lease except that Base Rent shall be determined in accordance with Section 4.3. City may exercise the Extension Option(s), if at all, by giving written notice to Landlord not less than one-hundred eighty (180) days and not more than two hundred and seventy (270) 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.

4. Rent

4.1 Base Rent

Beginning on the Commencement Date, City shall pay to Landlord, c/o 2B Living, Inc., Landlord's property management company, 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 (Base Rent) shall be adjusted as follows:

On each Adjustment Date, the Base Rent for the following twelve month period shall be increased by three percent (3%) of the Base Rent for the lease year preceding such Adjustment Date.

4.3 Base Rent During Extension Period(s)

4.3.1. Determination of Base Rent for the Extended Terms

At the commencement of each Extended Term, the Base Rent shall be adjusted to equal ninety-five percent (95%) of the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the SoMa sub-market area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (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 the Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises. 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 City's Director of Property does not approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property shall revoke the exercise of the Extension Option by City.

(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 SoMa sub-market area. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

4.4 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."

4.5 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 managing and maintaining the Premises including but not limited to expenses associated with elevator maintenance, fire safety, licenses, property management, repairs and maintenance, and insurance, the cost of utilities and janitorial expenses. The computation of Operating Costs shall be made in accordance with generally accepted accounting principles.

In no event shall Landlord recapture more than one hundred percent (100%) of the Operating Costs in any Expense Year.

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, or 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 calendar 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 writing 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 sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), prepared by an independent certified public accountant, 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 writing delivered to City. With reasonable promptness not to exceed thirty (30) 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 five (5) business days' notice to Landlord, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of City's Percentage Share of Operating Costs for any Expense Year, Landlord shall immediately refund to City the amount of any overpayment by City. City shall pay the cost of such audit, provided that if such audit discloses any discrepancies which result in a reduction of City's Percentage Share of Operating Costs of three percent (3%) or more for any Expense Year, then Landlord shall pay the costs of such audit.

4.10 Records

Landlord shall maintain at the Building or at its offices in San Francisco 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 4.8 (Audits).

4.11 Landlord's Compliance with San Francisco Business and Tax and Regulations Code

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

4.12 Taxes, Assessments, Licenses, Permit Fees, and Liens

San Francisco Administrative Code Sections 23.38 and 23.39 require that certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease be provided to the County Assessor within sixty (60) days after the transaction. Accordingly, Tenant must provide a copy of this Lease to the County Assessor not later than sixty (60) days after the Effective Date, and notify Landlord of such action, and any failure of Tenant to timely provide a copy of this Lease to the County Assessor will be a default under this Lease.

5. USE

5.1 Permitted Use

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

5.2 Interference with Access

Landlord shall provide to City 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 or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition 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 City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 11 (Damage and Destruction) hereof.

5.3 Landlord Furniture

The Premises is fully-furnished by Landlord as described in Exhibit E – Landlord Furniture Inventory ("Landlord Furniture"). During the Term of this Lease, including any Extended Terms, Landlord shall lease to the City the Landlord Furniture for the total amount of \$25,000.00, and City shall have the option to retain any, all or none of the Landlord Furniture at the expiration or earlier termination of this Lease in accordance with Section 19 (Surrender). Landlord agrees to remove, store, and re-install excess Landlord Furniture not in use by the City at the Premises, during the Term of the Lease, including Extended Terms, at no cost to the City. Landlord does hereby represent to City that Landlord is the lawful owner of such Landlord Furniture, that such Landlord Furniture is free and clear of all encumbrances, and that Landlord has good right to lease the same. Nothing in this Lease shall prevent Tenant from reconfiguring the Landlord Furniture within the Premises or utilizing its own furniture throughout the Lease Term and any Extended Terms.

6. ALTERATIONS

6.1 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). Landlord shall, without cost to itself, cooperate with City in securing building and other permits

and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

Tenant, at its sole cost, shall have the right to request that Landlord perform Lease related services or incur additional expenses, not covered under this Lease that City may require from time to time as requested by the City and County of San Francisco Real Estate Division. Landlord shall provide to City an allowance in the amount of Five Thousand Dollars (\$5,000) ("Allowance") to be applied to the cost of any such additional services or expenses requested by City. City shall reimburse Landlord for the cost of such requested additional services or expenses in excess of the Allowance at rates and in accordance with a budget mutually agreed upon in advance, and including a construction administration/oversight fee not to exceed two percent (2%) of total construction costs, as they are incurred.

6.2 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.

6.3 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 and Landlord Furniture, 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 and any Landlord Furniture it elects to remove from the Premises in accordance with Section 19 (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 City's Personal Property from the Premises within thirty (30) days after 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 or within thirty (30) days after the Expiration Date.

6.4 Alteration by Landlord

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

7. REPAIRS AND MAINTENANCE

7.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in first-class condition, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, water heater, restroom fixtures, kitchen fixtures and appliances, electrical, gas, fire protection, fire sprinkler system, fire extinguishers, life safety, security, elevators, and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems"). Without limiting the foregoing, Landlord shall maintain the Building in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency, and shall not disturb or interfere with City's use of the Premises or permit to be done in or about the Building anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

7.2 City's Repairs

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. 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.

7.3 Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises.

8. UTILITIES AND SERVICES

8.1 Landlord's Provision of Utilities

Landlord shall furnish the following utilities and services to the Premises: **(a)** heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises, during the period from 7:00 a.m. to 6:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; **(b)** electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, seven (7) days a week basis ("Daily Basis"); **(c)** unattended automatic passenger elevator service serving all the floors of the Premises on a Daily Basis; and **(d)** water for lavatory, kitchen and drinking purposes, and hot and cold water in the Premises for drinking and kitchen purposes, on a Daily Basis. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease

in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Building in the San Francisco SOMA Sub-Market District.

8.2 Services

(a) Janitorial Service

Landlord shall provide at its cost janitorial service in accordance with the specifications contained in Exhibit E attached hereto. The actual cost of janitorial service shall be reimbursed to Landlord as Additional Charges.

Tenant reserves the right to discontinue Landlord's janitorial services, at no cost to Tenant, by providing written notice to Landlord thirty (30) days in advance of discontinuation, and Tenant shall make other arrangements for janitorial services at Tenant's sole cost.

(b) Security Service

Landlord shall provide at its sole cost, a security system for the Building. The Premises has an existing security system which includes door and monitor sensors monitored by a monitoring provider, currently ADT. Landlord shall pay for the ongoing costs of the security system. City shall be responsible for the management of the security account, setting up log-in, and receiving messages and calls from the monitoring provider.

In addition to the security system, a key-card enabled access control system currently exists at the Premises controlled by a access control system monitoring service, currently controlled through Brivo. Landlord shall pay for the ongoing costs of the access control system. City shall be responsible for management of the account, setting up employees and vendors with access, and adding/replacing/removing users from the account. Landlord shall provide Tenant, at no cost to Tenant, the first forty (40) access key cards for use with the access control system.

8.3 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.

8.4 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 one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises.

Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

9. COMPLIANCE WITH LAWS; PREMISES CONDITION

9.1 Premises Condition and Landlord's Compliance with Laws; Indemnity

Landlord represents and warrants to City, and covenants with City, as follows to the current actual knowledge of Landlord : **(a)** the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, , restrooms, elevators, lobbies, telephone banks and drinking fountains) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); **(b)** the Building is not an unreinforced masonry building; and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(c)** the Building, the and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); **(d)** the Building, the and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and **(e)** there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 15.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, , Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

9.2 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 (Alterations) 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 (Premises Condition) above. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

9.3 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.

10. 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. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

(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.

11. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within sixty (60) days after Landlord obtains all necessary permits for such repairs but not later than two hundred ten (210) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

Notwithstanding the foregoing, in the event the Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. Such notice from Landlord shall include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

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

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

12. EMINENT DOMAIN

12.1 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.

12.2 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.

12.3 Total Taking; Automatic Termination

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

12.4 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 12.4 shall do so by giving written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

12.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3 (Total Taking; Automatic Termination), or pursuant to an election under Section 13.4 (Partial Taking; Continuation of Lease) 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.

12.6 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 (Partial Taking; Continuation of Lease) 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.

12.7 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.

13. 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. Any rent or other economic consideration realized by City under an approved sale, assignment, or transfer in excess of the rent payable hereunder shall be divided and paid fifty percent (50%) to Landlord and fifty percent (50%) to City. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease which shall not be deemed as an assignment or sublet.

14. DEFAULT; REMEDIES

14.1 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); or

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

14.2 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.

14.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Utilities or Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

15. INDEMNITIES

15.1 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.

15.2 Landlord's Indemnity

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

16. INSURANCE

16.1 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.

16.2 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord hereby waives any right of recovery against City for any loss or damage relating to the Building or the Premises or any operations or contents therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance that Landlord is required to purchase under this Lease or is otherwise actually recovered from insurance held by Landlord or its agents. Landlord agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

17. 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 six (6) months 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.

18. 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.

19. 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. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, any Landlord Furniture it elects to remove, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 6.1 (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. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

20. HAZARDOUS MATERIALS

20.1 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.

20.2 Landlord's Representations and Covenants

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

20.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 15.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, under or about the Property, unless City or its Agents caused such Release.

20.4 City's Covenants

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

20.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 20.4 (City's Covenants), 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.

21. First Right of Refusal to Purchase

21.1 First Right of Refusal to Purchase

(a) **Purchase Rights.** If Landlord decides to sell or exchange the Property during the Term, Landlord shall first offer the Property to City at the purchase price that the Property will be offered to the real estate market or as otherwise provided in the offer to exchange (the "**Listing Price**"). The Listing Price shall be stated in a notice ("**Sale Notification**") from Landlord to City. City shall have forty-five (45) days from the date it receives the Sale Notification to submit either an offer to purchase at the Listing Price or an all-cash-on-closing counteroffer at a lesser price and otherwise upon business terms consistent with this Section and agreeable to the parties (the "**City's Counteroffer**").

City's obligation to purchase the Property shall be subject to (i) the approval of the Board of Supervisors and the Mayor within seventy five (75) days of the parties' mutual execution and delivery of a purchase agreement with respect to the Property ("**Purchase Agreement**"), (ii) the written commitment of a title company reasonably acceptable to City to issue ALTA Title Insurance acceptable to City, and (iii) City's successful issuance of debt to fund the purchase.

If City does not agree to purchase the property for the Listing Price or make a City's Counteroffer within the forty-five (45)-day period, then this right of first refusal shall terminate and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City. If, however, City refuses to offer the Listing Price, but makes a City's Counteroffer within the forty-five (45) day period that is not 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) exceeding the amount of City's Counteroffer.

In the event Landlord is unable to sell the Property for more than City Counteroffer, Landlord may give another Sale Notification with a reduced purchase price and the above procedure for City's first right of refusal (the "**First Right of Refusal**") shall be repeated.

THIS FIRST RIGHT OF REFUSAL SHALL TERMINATE AND BE OF NO FURTHER EFFECT IF A SALE OF THE PROPERTY TO AN ARM'S-LENGTH THIRD PARTY IS CONSUMMATED IN ACCORDANCE WITH THE FOREGOING PROVISIONS.

(b) **Due Diligence.** Within (3) days of the mutual execution and delivery of a Purchase Agreement, Landlord shall deliver copies of all reports, appraisals, and other documents relating to the Property in Landlord's possession and not previously delivered to City. Landlord shall cooperate with City in its due diligence investigation.

(c) **Closing.** Close of escrow shall occur on or before one hundred and fifty-five (155) days from the date of City's notice of the approval by City's Board of Supervisors and Mayor of the purchase. At closing, City shall pay for the cost of the premium of the extended coverage title insurance policy, one half the escrow fees, and one half of the other typical closing expenses. Landlord shall pay transfer taxes, one half the escrow fees, and one half the other typical closing expenses such as notary fees and overnight express charges. Landlord shall

deliver the following (among other customary items) through a mutually agreeable escrow company:

(i) a grant deed conveying ALTA insurable title subject only to taxes not yet due and payable and other exceptions acceptable to City,

(ii) a bill of sale for all personal property on the Property, and

(iii) a written disclosure of all facts known to Landlord (including any and all property inspection reports) that affect the marketability or City's intended use of the Property.

(d) **1031 Exchanges** City agrees to cooperate with Landlord and any escrow holder or exchange facilitator selected by Landlord in facilitating a tax-deferred exchange pursuant to the Internal Revenue Code of 1986 undertaken by Landlord with respect to the Property, provided that Landlord shall Indemnify the City against all costs and liabilities incurred by the City in connection with any such exchange, and provided further that: (i) consummation or accomplishment of such an exchange shall not be a condition precedent or a condition subsequent to either party's obligations under this Lease; (ii) Landlord shall effect the exchange through an assignment of this Lease, or its rights under this Lease, to a qualified intermediary without release of Landlord from any liability hereunder; (iii) Landlord shall pay any additional costs that would not otherwise have been incurred by Landlord or the City had Landlord not undertaken such exchange; and (iv) the City shall not be required to take an assignment of the purchase for purposes of consummating the exchange. Neither party by this agreement or acquiescence to an exchange shall have its rights under this Lease affected or diminished in any manner or be responsible for compliance with or be deemed to have warranted to the other party that the exchange in fact complies with Section 1031 of the Code. Landlord shall have the right to extend the closing date by two (2) periods of up to thirty (30) days each in order to effectuate a property exchange; provided, Landlord gives City written notice of such extension not less than ten (10) days prior to such closing date. The Closing Date shall be the date proposed by Landlord, provided, City shall have a period of not less than thirty (30) days following notification to deposit funds into escrow and otherwise satisfy its closing obligations pursuant to this Section 21.

22. GENERAL PROVISIONS

22.1 Notices

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

22.2 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.

22.3 Amendments

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

22.4 Authority

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

22.5 Parties and Their Agents; Approvals

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

22.6 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.

22.7 Successors and Assigns

Subject to the provisions of Section 13 (Assignment and Subletting) relating to assignment and subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord and City and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease.

22.8 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.

22.9 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.

22.10. Governing Law

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

22.11 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.

22.12 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.

22.13 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 of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

22.14 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.

22.15 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.

22.16 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.

22.17 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.

22.18 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. Without limiting the provisions of Section 15.2 (Landlord's Indemnity), Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

22.19 Bankruptcy

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

22.20 Transfer of Landlord's Interest

Landlord shall have the right to transfer its interest in the Property, the Building or this Lease to any other financially responsible person or entity. In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor,

of any obligations accruing hereunder from and after the date of such transfer and upon delivering to City an express assumption by the transferee of all of Landlord's obligations hereunder.

22.21 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.

22.22 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.

22.23 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. Prevailing Wages and Working Conditions

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

Landlord shall include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing

Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Landlord's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

22.24 Non Discrimination in City Contracts and Benefits Ordinance

22.24.1 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.

22.24.2 Subcontracts

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

22.24.3 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.

22.24.4 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.

22.25. 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.

22.26 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 wood product, virgin redwood, or virgin redwood wood products.

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

22.27 Bicycle Parking Facilities

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

22.28 Resource-Efficient City Buildings

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

22.29 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.

22.30 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 approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto.

22.31 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.

22.32 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.

22.33 Notification of Prohibition on Contributions

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

22.34 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.

22.35 Cooperative Drafting

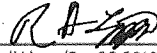
This Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Lease reviewed and revised by legal counsel. No party shall be considered the drafter of this Lease, and no presumption or rule that an ambiguity shall be construed against the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

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.

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

LANDLORD:

MISSION 1275 SF LLC, a California limited liability company


By: 
Randall Lipps (Dec 26, 2019)

Its: Randall A. Lipps, Trustee of Lipps Revocable Trust, its sole Member

By: _____

Its: _____


BASKIN INVESTMENT GROUP, a California limited liability company

By: 

Its: Bryan Baskin, Member

By: 
James K Baskin (Dec 26, 2019)

Its: James Baskin, Member

By: 
Brooks Baskin (Dec 26, 2019)

Its: Brooks Baskin, Member

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
Andrico Penick
Director of Property

RECOMMENDED:

Digital Services Department

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

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

Dear Mr. Penick:

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: _____
Andrico Penick
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 incurred by Landlord due to violation by Landlord or any other tenant or occupant of the Building 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, or to any party as a result of a non-competitive selection process, 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 or in the parking garage in the Building;
13. All items and services for which City or any other tenant or occupant of the Building separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of operating expenses), or which Landlord provides selectively to one or more other tenants or occupants without reimbursement, or which are not provided in reasonable proportion to the space leased by City but which Landlord provides to another tenant or other occupant of the Building;
14. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any other tenant or occupant of the Building;
15. 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);
16. Services provided, taxes attributable to, and costs incurred in connection with the operation of retail, restaurant and garage operations in the Building;
17. 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;
18. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;
19. 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;
20. Landlord's charitable or political contributions;
21. 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 or in the Building Systems, and any costs incurred by Landlord in the event any portion of the Building is made untenable by fire or other casualty required to be insured against pursuant to the terms of the Lease;
22. Capital costs for sculpture, paintings or other objects of art;

23. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes, including, without limitation, tax disputes where the tenants of the Building would receive benefits if Landlord prevails) in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Building;

24. 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;

25. Reserves for bad debts, rent loss, capital items or further Operating Costs;

26. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Building; and

27. Any other expense that under generally accepted accounting principles would not be considered a maintenance or operating expense.

EXHIBIT D

STANDARDS FOR JANITORIAL SERVICE

1271 - 1275 Mission Street

- I. SPECIFICATION OF SERVICES TO BE PERFORMED - SCOPE OF WORK
- A. Landlord's Contractor shall furnish all labor, materials and equipment required to perform exterior and interior janitorial service five days a week, Monday through Friday, excluding holidays, at the above location in accordance with these specifications:
- B. All windows and glass broken by Landlord's Contractor will be replaced at its expense.
- C. Landlord's Contractor must, at all times, maintain adequate staffing that meets these specifications. All employees must wear uniforms (See Section II). Tenant may request Landlord to remove any janitor from the Premises at any time it desires and for any reason whatsoever, and an immediate replacement will be provided. All written notices are to be submitted to:
- City and County of San Francisco
Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn.: Director of Property
- D. All services must be performed after 5:00 p.m.
- E. All employees of Landlord's Contractor shall be fully trained and experienced in the custodial service trade.
- F. Tenant will assign space in the Building to Contractor for the storage of supplies and equipment. Materials and equipment shall be neatly stored only in areas provided by Landlord. No supplies or equipment will be stored in the Premises without the prior approval of Tenant.
- G. Tenant's Recycling Program includes recycling materials from offices in the Building. Bins for recyclable materials can be obtained from Tenant.
- H. Landlord's Contractor will provide, upon Lease Commencement, a schedule for all periodic services specified herein.
- I. Janitorial Service Specifications for Offices and Common Areas.
1. Nightly Services
- a. Secure all lights as soon as possible each night.
- b. Vacuum all carpets. Move electric cords to prevent damage to the corner bead.

DRAFT
CONFIDENTIAL
ATTORNEY CLIENT PRIVILEGED

- c. Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.
 - d. Spot clean any stains on carpet.
 - e. Dust all desks and office furniture with treated dust cloths.
 - f. Papers and folders on desks are not to be moved.
 - g. Sanitize all telephone receivers.
 - h. Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by Tenant.
 - i. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
 - j. Return chairs and waste baskets to proper positions.
 - k. Clean, sanitize and polish drinking fountains.
 - l. Police any interior public planters.
 - m. Dust and remove debris from all metal door thresholds.
 - n. Wipe clean smudged brightwork.
 - o. Spot clean resilient and composition floors as required.
 - p. Service all walk-off mats as required.
 - q. Close all window coverings.
 - r. Check for burned out lights and replace from building stock (supplied by Landlord).
2. Weekly Services
- a. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
 - b. Dust inside of all door jambs.
 - c. Clean and polish all metal door thresholds.
 - d. Wipe clean and polish all brightwork
 - e. Sweep the service stairwell.
 - f. Damp mop all vinyl bases.

- g. Edge all carpeted areas.
3. Monthly Services
- a. Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
 - b. Vacuum upholstered furniture.
 - c. Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
 - d. Clean and buff all building standard resilient and/or composite flooring.
4. Quarterly Services
- a. Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
 - b. Wash all chair pads.
5. Semi-Annual Services
- a. Vacuum all window coverings.
 - b. Dust light diffusers.
6. Annual Services
- a. Shampoo carpets in offices (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.
- J. Rest Room Service Specifications
1. Daily Service
- a. Re-stock all rest rooms with supplies from the Landlord's stock, including paper towels, toilet tissue, seat covers and hand soap, as required.
 - b. Re-stock all sanitary napkin and tampon dispensers from Contractor's stock, as required.
 - c. Wash and polish all mirrors, dispensers, faucets, flushometers and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
 - d. Wash and sanitize all toilets, toilet seats, urinals and sinks with non-scratch disinfectant cleaner.

- e. Remove stains, scale toilets, urinals and sinks, as required.
 - f. Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
 - g. Empty and sanitize all waste and sanitary napkin and tampon receptacles.
 - h. Remove all rest room trash.
 - i. Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.
 - j. Check for burned out lights and replace from building stock (supplied by Landlord).
 - k. Ventilate rest rooms.
2. Weekly Services
- a. Dust all low reach and high reach areas, including but not limited to, structural ledges, mirror tops, partition tops and edges, air conditioning diffusers and return air grilles.
3. Monthly Services
- a. Wipe down all walls and metal partitions. Partitions shall be left clean and not streaked after this work.
 - b. Clean all ventilation grilles.
 - c. Dust all doors and door jambs.
4. Quarterly Services
- a. Thoroughly clean and reseal all ceramic tile floors, using approved sealers.
- K. Main Floor Elevator Lobbies and Public Corridors Specifications
1. Nightly Services
- a. Spot clean all glass including low partitions and the corridor side of all windows and glass doors to tenant premises.
 - b. Spot clean all chrome brightwork including swinging door hardware, kick plates, base partition tops, handrails, waste paper receptacles, planters, elevator call button plates, hose cabinets and visible hardware on the corridor side of tenant entry doors.
 - c. Thoroughly clean all door saddles of dirt and debris.

- d. Empty, clean and sanitize all waste paper baskets and refuse receptacles as required.
 - e. Vacuum and spot clean all carpets as necessary.
 - f. Spot clean all elevator doors and frames.
- L. Exterior Structure and Grounds Services Specifications
- 1. Daily Service
 - a. Spot clean accumulations of dirt, papers and leaves in all corner areas where winds tend to cause collections of debris.
 - b. Spot clean all exterior glass at building entrances.
 - c. Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.
 - d. Empty all waste receptacles and remove trash to designated trash areas.
 - e. Clean sidewalk, steps and landscaped area, walks and benches; including gum removal.
 - 2. Monthly Weekend Services
 - a. Steam clean exterior sidewalk and walk way areas.
- M. Carpet Cleaning
- 1. Provide spot cleaning to tenant space as necessary and shampoo carpets in tenant office space and any common areas once each year (exact schedule to be approved in advance by Tenant).
- N. Window Cleaning
- 1. All work to be performed in accordance with generally accepted industry standards.
 - 2. Proper safety standards are to be maintained at all times, including but not limited to, use of proper warning signs and clean up of water in compliance with all City, State and Federal laws (OSHA).
 - 3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
 - 4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.
 - 5. Interior and exterior window washing shall be scheduled immediately prior to Lease Commencement. Interior glass shall be cleaned not less than once

per year. Exterior glass shall be cleaned as needed, but not less than once every six months, including May of each year.

6. Contractor to notify the Tenant for specific scheduling of window washing one week prior to scheduled cleaning.
7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
8. Exterior surfaces of windows are not to be washed when it is raining.
9. The words "window" and "light" as used herein are synonymous and are to be construed to mean any pane of glass, or glass substitute.

II. UNIFORMS

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

III. EMPLOYEE SAFETY

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

IV. SUPPLIES

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

V. APPROVAL OF PRODUCTS

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

VI. DISPOSITION OF REFUSE

All trash and refuse collected by the custodians shall be deposited in a debris box as designated by the Landlord. (Landlord will pay for debris box service).

VII. MAINTENANCE PROBLEMS

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

entertain, any claim that such problems prevented Contractor's performance if said claim is not entered in the log.

VIII. JANITORIAL LOG

Landlord's Contractor shall provide, and Tenant shall keep, a janitorial log on which deficiencies in performance, special problems or instructions shall be noted. Landlord's Contractor shall check the log daily, as arranged with Tenant, and correct any deficiencies in service within twenty-four (24) hours of the log entry. Contractor shall initial and date each entry when deficiency has been corrected.

IX. EMERGENCY CONTACT

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

X. PERFORMANCE

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

XI. VERIFICATION OF SERVICE

Tenant may provide, install, or establish a system of sign off slips, service receipts, or room service sign off cards. Landlord's Contractor shall faithfully comply with same by initialing, dating, and indicating time at which service was completed. It is agreed that no such service has been completed unless signed off by Contractor and countersigned by Tenant if said system so requires.

XII. HOLIDAY SCHEDULE FOR TENANT

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

EXHIBIT E

LANDLORD FURNITURE INVENTORY

Furniture Count	Total
Office chairs	112
Stools	27
Stackable chairs	20
Couch - Love seat	4
Cushy Chair	3
Sit/Stand desks	12
Non sit/stand desks	65
Small high tables	3
Meeting room tables	6
Small TVs (32")	5
Large TV (50")	1
Whiteboards, rolling	3
Whiteboards, on wall	5
Ping pong table	1
Bike hooks	8
Kitchen High tables	4
Kitchen Chairs	12



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: December 13, 2019

Case No. Case No. 2019-021204GPR
City's long-term lease of property for office use

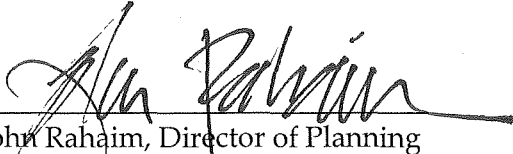
Block/Lot No.: 3728/075

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

Applicant: Elsa Lamb
Real Estate Division of San Francisco
25 Van Ness, Suite 400
San Francisco, CA 94102

Staff Contact: Ilaria Salvadori – (415) 575-9086
Ilaria.salvadori@sfgov.org

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

Recommended By: 
John Rahaim, Director of Planning

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROJECT DESCRIPTION

This GPR is for the lease of 1275 Mission Street (APN 3728/075) by the City and County of San Francisco for the Digital Service Department offices. The City's Digital Service Department currently occupies offices at 1231 Stevenson Street, Suite 101 in San Francisco. The department consists of twenty-five full time staff but will be increasing staff by 100% by the end of 2019. Digital Services' current office space cannot accommodate the increase in staff at their current location and is therefore proposing to enter into a lease for an office building located at 1275 Mission Street in San Francisco.

The property located at 1275 Mission Street is privately owned by Mission 1275 SF LLC and Baskin

Investment Group LC and consists of approximately 8,750 square feet. The City intends to enter into a long-term lease (6 years with two 5-year lease extensions). The City is currently negotiating with the property owner.

The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.52 and 2A.53 of the Administrative Code.

ENVIRONMENTAL REVIEW

On Dec 1, 2019, the Environmental Planning Division of the Planning Department determined that the project is a Real estate transaction only. Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The project is for the lease of 1275 Mission Street (APN 3728/075) by the City and County of San Francisco for the Digital Service Department offices. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

COMMUNITY FACILITIES ELEMENT

OBJECTIVE 1.

MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

POLICY 1.1

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

San Francisco Real Estate Department's lease of the above-mentioned property at 1275 Mission Street will help efficiently accommodate the increased number of employees of the Digital Services Department while having zero impact on the neighborhood.

OBJECTIVE 3.

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

POLICY 3.2

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

The proposed lease provides additional office infrastructure for an increase of 100% of the current City's Digital Service Department staff- The lease of the 8,750- square feet property from Mission 1275 SF LLC and Baskin Investment Group LC by the Real Estate department will support economic and job growth.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

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

Eight Priority Policies Findings

The subject 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 proposed use of the property by the City will not negatively impact neighborhood-serving retail uses and the enhanced and future opportunities for residents and 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 City's proposed use of the property will not alter the physical character of the building thus will not affect any housing or neighborhood characteristics. Existing housing and neighborhood characteristics along with its cultural and economic diversity will be preserved.

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

The City's proposed use of the property will not negatively impact supply of affordable housing. Affordable housing in the neighborhood will be preserved.

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

The City's use of the property will not impede or affect Muni transit service or overburden streets and 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.

Proposed use of the property will neither add or subtract from the current industrial and service sectors in the area.

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 achieving the greatest possible preparedness against injury and loss of life in an earthquake

7. That landmarks and historic buildings be preserved.

There will be no negative impacts to landmarks and/or historic buildings in and around the neighborhood due to proposed use of property.

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

Parks and open space and their access to sunlight and vistas will not be impacted due to proposed use of property by the City.

RECOMMENDATION:	Finding the Project, on balance, in-conformity with the General Plan
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Digital Services

City and County of San Francisco



1231 Stevenson Street, Suite #101, San Francisco, CA 94103

December 19, 2019

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 DEC 30 AM 11:44
AK

RE: San Francisco Digital Services – Real Property Lease for Office at 1275 Mission Street, San Francisco, CA

Dear Board Members:

Attached for your consideration is a resolution (“Resolution”) authorizing the lease of 1271-1275 Mission Street, commonly known as 1275 Mission Street, consisting of approximately 8,750 square feet of office space (“Lease”) for San Francisco Digital Services. The San Francisco Digital Services team (“Digital Services”) will occupy the property referenced above (“Premises”) to provide services under the City Administrator’s Office. The team uses technology and a service-oriented approach to make local government more accessible and easier to navigate through the newly launched SF.gov, focusing particularly on permitting services and affordable housing (DAHLIA). Digital Services currently leases office space at 1231 Stevenson Street, which expires on February 29, 2020. The proposed Resolution approving the lease at 1275 Mission Street will provide for an initial six-year lease terminating in 2026 or may otherwise be extended by exercising up to two five-year renewal options.

The Lease will commence on February 15, 2020. The monthly rent for the Lease will be \$48,125 (or \$5.50 per sq. ft. per month). The annual rate of \$577,500 (or \$66 per sq. ft., per year) was confirmed by an appraisal and appraisal review.

If you have any programmatic questions, please call me at 415-886-5434. If you have any questions regarding the lease terms, please contact Elsa Lamb of the Real Estate Division by phone at 415-554-9861.

Sincerely,

Carrie Bishop
Chief Digital Services Officer



San Francisco Ethics Commission

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

Received On:

File #:
200009

Bid/RFP #:

Notification of Contract Approval

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

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

1. FILING INFORMATION	
TYPE OF FILING	DATE OF ORIGINAL FILING (for amendment only)
original	
AMENDMENT DESCRIPTION – Explain reason for amendment	

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

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

4. CONTRACTING DEPARTMENT CONTACT	
NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Carrie Bishop	415.886.5434
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
ADM Digital Services	carrie.bishop@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Mission 1275 SF LLC and Baskin Investment Group LLC	TELEPHONE NUMBER 650.208.9635
STREET ADDRESS (including City, State and Zip Code) 626 El Camino Real, San Carlos 94070	EMAIL brookes@twobliving.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (if applicable) 200009
DESCRIPTION OF AMOUNT OF CONTRACT \$3,735,508.00 over term of 6 years.		
NATURE OF THE CONTRACT (Please describe) 6-year lease subject to Board of Supervisors and Mayor approval.		

7. COMMENTS
Commencing February 1, 2020

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

9. AFFILIATES AND SUBCONTRACTORS

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Lipps	Randall A.	Board of Directors
2	Lipps	Katherine A.	Board of Directors
3	Baskin	Bryan	Board of Directors
4	Baskin	Brooks	Board of Directors
5	Baskin	James	Board of Directors
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9. AFFILIATES AND SUBCONTRACTORS

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

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

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
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Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.

10. VERIFICATION

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

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

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