

File No. 250652

Committee Item No. 10

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date July 23, 2025

Board of Supervisors Meeting Date _____

Cmte Board

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

OTHER (Use back side if additional space is needed)

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Resolution No. 23-36 7/11/2023</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Resolution No. 25-28 5/13/2025</u>
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Completed by: Brent Jalipa Date July 17, 2025

Completed by: Brent Jalipa Date _____

1 [Real Property Lease - TEC of California, Inc. - Pier 80 - Not to Exceed \$2,735,362]

2
3 **Resolution approving Port Commission Lease No. L-17253 with TEC of California, Inc.,**
4 **a California corporation ("TEC") for approximately 21,842 square feet of shed space**
5 **and 11,540 square feet of paved land at Pier 80 for a three year term, effective upon**
6 **approval of this Resolution, with three one-year options to extend, for a not to exceed**
7 **amount of \$2,735,362.**

8
9 WHEREAS, California Statutes of 1968, Chapter 1333 (as amended, the "Burton Act")
10 and Charter, Sections 4.114 and B3.581 empower the Port Commission ("Port" or "Port
11 Commission") with the power and duty to use, conduct, operate, maintain, manage, regulate
12 and control the lands within Port Commission jurisdiction in the City and County of San
13 Francisco; and

14 WHEREAS, TEC of California, Inc. ("TEC") is a tenant in good standing under its
15 current Lease Nos. L-16782 and L-16792 in and outside Pier 80 G&M Building ("Pier 80 G&M
16 Space") for the service, repair, and maintenance of commercial trucks and truck parts, general
17 business administration, storage, and parking; and

18 WHEREAS, Port and TEC have negotiated the terms of a new three year Lease No. L-
19 17253 (the "Lease") with three one-year options to extend for approximately 21,842 square
20 feet of shed space and 11,540 square feet of paved land at Pier 80 G&M Space; and

21 WHEREAS, The proposed use is a continuation of existing and related uses and is
22 therefore not a project subject to review under the California Environmental Quality Act; and

23 WHEREAS, The Port Commission approved the Ramp Up Leasing Incentive Program
24 that provides a ramp-up of lease rates at 70%, 80%, and 100% of parameter rate for shed
25 leases with at least a three-year term pursuant to Port Resolution No. 23-36; and

1 WHEREAS, TEC qualifies for the Ramp Up Leasing Incentive Program for Parcel A
2 (Shed), and the rent for Parcel A shall be phased over a three-year period, beginning at 70%
3 of the established parameter rate in the first year, increasing to 80% in the second year, and
4 reaching 100% of the established parameter rate in the third year; and

5 WHEREAS, The rent for Parcels B and C (Paved Land) is not subject to the Ramp Up
6 Leasing Program and shall be charged at the full parameter rate from the commencement of
7 the lease term; and

8 WHEREAS, The total term, including extension options, exceeds five (5) years and
9 revenue generated exceeds \$1 million - \$1,219,690 for the initial lease term and \$2,735,362 if
10 all extension options are exercised; and

11 WHEREAS, At its May 13, 2025 meeting, the Port Commission authorized the
12 Executive Director of the Port, or her designee, to enter into Lease No. L-17253 with TEC of
13 California, Inc. for a three-year lease term with three one-year extension options for
14 approximately 21,842 square feet of shed space and 11,540 feet of paved land at Pier 80
15 G&M Space for the service, repair, and maintenance of commercial trucks and truck parts,
16 general business administration, storage and parking; and

17 WHEREAS, Charter, Section 9.118 requires Board of Supervisors' approval of certain
18 leases that either have a term of 10 years or more or have anticipated revenue to the City of
19 \$1,000,000 or more; and

20 WHEREAS, The Port anticipates revenues from Lease No. L-17253 to exceed
21 \$1,000,000 over the term of Lease No. L 17253; and

22 WHEREAS, Other key terms of Lease No. L-17253 are described in the Port staff
23 report to the Port Commission dated May 9, 2025, and the draft Lease No. L-17253, both of
24 which are on file with the Clerk of the Board of Supervisors in File No. 250652; now, therefore,
25 be it

1 RESOLVED, That the Board of Supervisors hereby approves Lease No. L-17253 and
2 authorizes the Executive Director of the Port, or her designee, to execute such Lease No. L-
3 17253 in a form approved by the City Attorney and in substantially the same form on file with
4 the Clerk of the Board of Supervisors in File No. 250652; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors authorizes the Port Executive
6 Director to enter into any additions, amendments, or other modifications to Lease No. L-17253
7 that the Port Executive Director, in consultation with the City Attorney, determines, when
8 taken as a whole, to be in the best interest of the Port, do not materially increase the
9 obligations or liabilities of the City or the Port or materially reduce the benefits to the City or
10 the Port, and are necessary or advisable to complete the transactions which this Resolution
11 contemplates and effectuate the purpose and intent of this Resolution, such determination to
12 be conclusively evidenced by the execution and delivery by the Port Executive Director of
13 such documents; and, be it

14 FURTHER RESOLVED, That within thirty (30) days of Lease No. L-17253 being fully
15 executed by all parties, the Port shall provide a copy of the lease to the Clerk of the Board for
16 inclusion into the official file.

Item 10 File 25-0652	Department: Port of San Francisco
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve a new lease agreement between the Port as landlord, and TEC of California, Inc. (TEC) as tenant for a three-year term with three one-year options to extend for a projected rent of \$1,219,691 over the initial three-year term, and up to \$2,735,362 in total rent if all extension options are exercised. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The Port currently has two separate leases with TEC of California, Inc. (TEC) at Pier 80 that are both in holdover status. The Port will consolidate the premises of these two existing leases under a proposed new lease to continue the use of the property for TEC's current operations, which includes servicing commercial trucks, storage, and parking. The 33,382 square feet of premises are comprised of approximately 21,842 square feet of shed space and 11,540 square feet of paved land. The proposed lease relies on Port Commission-approved FY2023-24 parameter lease rate terms and conditions to determine the base rental rates. To incentivize and retain tenants, the Port determined the monthly base rent for the shed space by using a ramp-up rent schedule. The proposed lease is on the low end of the range for parameter rents for paved land, at \$0.55 per square foot per month. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Over the first three years of the initial lease term of the proposed lease, total rent to be paid by TEC to the Port for all parcels is approximately \$1,219,691. If each of the three one-year lease extension options are exercised, the total rental income would be approximately \$2,735,362. 6.5 percent of lease revenues will go towards the Port's Southern Waterfront Community Benefits and Beautification Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> The current leases and the proposed lease were not competitively procured. The Port manages approximately 550 relatively small areas of land that are routinely leased and it is determined that competitively bidding such a large volume of leases would be impractical. Rents for such leases are based on parameter rents established by the Port and whether the tenant is in good standing. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter 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, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Port currently has two separate leases with TEC of California, Inc. (TEC) at Pier 80.¹ One lease (Lease No. L-16782) was approved for approximately 12,326 square feet of shed space and 2,000 square feet of paved land with a term from February 1, 2021 through January 31, 2025. According to the Port, this lease has been on month-to-month holdover status effective February 1, 2025 with a rental rate of \$19,589 per month. The other lease with TEC at Pier 80 (Lease No. L-16792) was approved for approximately 7,353 square feet of shed space and 3,420 square feet of paved land with a term from July 1, 2021 through June 30, 2025. According to the Port, this lease has been on month-to-month holdover status effective July 1, 2025 with a rental rate of \$12,911. Because the leases had anticipated revenues of less than \$1 million and were less than ten years, they did not require Board of Supervisors' approval. To streamline administration, the Port will consolidate the premises of these two existing leases under a proposed new lease with TEC at Pier 80.

Procurement of Proposed Lease

According to the Port, the proposed lease was not competitively procured because a competitive bid was determined impractical under Administrative Code Section 23.33 due to the size of the site and rental rates.² The tenant was in compliance with the lease obligations and met all of the criteria in accordance with the Port's Tenant in Good Standing Policy³ (Commission Resolution No. 09-49) and was therefore eligible for Port consideration of an additional term and change in leasehold size. Consequently, on May 13, 2025, the San Francisco Port Commission adopted a resolution approving the new proposed lease between the Port and TEC. This lease is now being considered by the Board of Supervisors for approval because the new lease's initial three-year term would generate over \$1 million in rent revenue.

¹ According to the Port, TEC has leased space at Pier 80 since 2017.

² San Francisco Administrative Code Section 23.33 permits the Port to enter leases that are expected to produce more than \$2,500 per month in revenue without competitive bidding procedures when competitive bid is impractical or impossible.

³ Under this policy, a Tenant in Good Standing is one who, in the professional judgment of Port staff, meets the following criteria: (1) being current on all financial obligations and having paid all amounts due on time; (2) accurately calculating any percentage rents owed, with no unauthorized offsets; (3) maintaining required lease records and making them available for Port staff or auditors; (4) using the premises as permitted in the lease, with no encroachments, trespasses, or unauthorized sublets or transfers; (5) complying with all insurance requirements under the lease; (6) meeting all regulatory obligations, including those related to CEQA, BCDC, and environmental operation plans; (7) maintaining the leasehold property in good condition as required; (8) obtaining all necessary permits; (9) complying with all other lease covenants and obligations; and (10) having no ongoing litigation or disputes that are adverse to the Port.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease agreement between the Port as landlord, and TEC of California, Inc. (TEC) as tenant for a three-year term with three one-year options to extend for a projected rent of \$1,219,691 over the initial three-year term, and up to \$2,735,362 in total rent if all extension options are exercised. The lease is for 21,842 square feet of shed space and 11,540 square feet of paved land at Pier 80. The initial monthly base rent would be \$29,281 (\$1.05 per square foot for shed space and \$0.55 per square foot for paved land), for a total annual base rent of \$351,373. The new lease agreement would commence upon approval of this resolution. Exhibit 1 below summarizes the terms and conditions of the lease provisions.

Exhibit 1. Summary of Proposed Lease

	Proposed Lease
Premises	21,842 square feet of shed space (Parcel A), 7,540 of paved land (Parcel B), and 4,000 square feet of paved land (Parcel C) at Pier 80, San Francisco
Total Base Rent (annual)	\$351,373 (Year 1) (\$10.53/sf, including \$12.60/sf for shed space and \$6.60/sf for paved land)
Utilities, Maintenance and Repair	Tenant solely responsible
Term	Three years from commencement date ⁴
Options to extend	Three one-year options to extend
Rent Ramp Up for Shed Space	Base rent for shed space is adjusted to 70% in Year 1, 80% in Year 2, and 100% in Year 3
Base Rent Adjustment Amount	Parcel A (shed space): 3% per year for Years 4 – 6 (extension options) Parcels B and C (paved land areas): 3% per year
Security Deposit	\$79,143.20 (twice the monthly base rent at all times, calculated based on Year 3 monthly rent). \$59,123.67 already held by the Port under the current leases. Tenant to owe \$20,019.53 to meet the total required amount.

Source: Proposed Lease Agreement

Note: Lease term commences upon approval of the proposed resolution.

Site Usage

The 33,382 square feet of premises are comprised of approximately 21,842 square feet of shed space (Parcel A), and 11,540 square feet of paved land (Parcels B and C) at both the interior and exterior areas of the Pier 80 G&M Building. The proposed lease allows for a continuation of the existing use of the property for TEC's current operations, which includes maintenance, repair,

⁴ According to the Port, TEC is only able to commit financially to a maximum six-year term, which includes the initial three-year lease and three one-year extension options.

and service of commercial trucks and truck parts, storage, and general business operations/administration on the shed space, and parking of vehicles and commercial trucks on the paved land areas.

The new lease increases the size of the currently leased premises by 2,163 square feet of shed space, from 19,679 square feet to 21,842 square feet, and 6,120 square feet of paved land, from 5,420 square feet to 11,540 square feet. According to the Port, this increase is needed to support TEC's growing operational needs.

Utilities, Maintenance & Repair

Under the proposed lease, the tenant will pay the utilities separately from the rent. The tenant is also responsible for all maintenance and repair to the premises.

Rent Determination

According to the Port, the base rental rates for the proposed lease were determined based on the Port Commission-approved FY 2023-24 parameter lease rate terms and conditions.⁵ The Port states that the rental rate structure listed in the parameter terms is informed by a third-party analysis of comparable rent charged in the private sector and/or existing conditions of individual properties as adjusted annually to reflect market conditions. Parameter rents for shed space at Pier 80 are set in a range of \$1.50 - \$1.75 per square foot per month. However, to incentivize and retain tenants (as approved as part of the FY 2023-24 parameter rate terms), the Port determined the monthly base rent for the shed space (Parcel A) by using the following graduated (ramp-up) rent schedule:

- Year 1: \$1.05, which is 70 percent of the Port's adopted rental (parameter) rate of \$1.50;
- Year 2: \$1.20, which is 80 percent of the parameter rate of \$1.50; and
- Year 3: \$1.50, which is 100 percent of the parameter rate

Parameter rents for the paved land areas (Parcel B and C) are set in a range of \$0.55 - \$0.75 per square foot per month. The initial base rent for the proposed lease is at the low end of that range, at \$0.55 per square foot per month. Paved land areas are not subject to or are eligible for the ramp-up rent schedule.

For the shed space, the annual rent adjustment is three percent for Years 4 – 6 (extension options), while the rent for the paved land areas increases by a fixed three percent per year for the entirety of the term.

⁵ Due to market conditions, Port staff recommended in July 2023 that most rental rates be maintained at FY 2022-23 levels and that 3% of the rates be lowered (for locations that were consistently vacant). According to the Port, rental rates have not been updated since July 2023 because of market conditions over the past few years, which did not support an increase. The Port determined that maintaining the existing rates was appropriate after evaluation of market trends and comparable rates and is in the process of completing a rental rate review for the upcoming fiscal year. Any adjustments will be informed by updated market analysis.

Security Deposit

The security deposit from the current leases will be applied toward the security deposit required under the new lease. The lease provisions require that the security deposit should at all times be equal to two times the applicable monthly base rent.

FISCAL IMPACT

As shown in Exhibit 2 below, over the first three years of the initial lease term of the proposed lease, total rent to be paid by TEC to the Port for all parcels is approximately \$1,219,691. If each of the three one-year lease extension options are exercised, the total rental income would be approximately \$2,735,362.

Exhibit 2. Annual Rents Paid by TEC (All Parcels)

	Monthly Base Rent	Annual Rent	Annual Rent/sf
Year 1	\$29,281	\$351,373	\$10.53
Year 2	32,788	393,458	11.79
Year 3	39,572	474,859	14.23
Subtotal		\$1,219,691	
Extension Option 1	\$40,779	\$489,349	14.66
Extension Option 2	42,102	505,224	15.13
Extension Option 3	43,425	521,099	15.61
Subtotal, Extensions		\$1,515,672	
Lease Total		\$2,735,362	

Source: Proposed Lease Agreement. Totals may not add due to rounding.

The initial monthly base rent will be \$29,281, totaling \$351,373 for the first year, or \$10.53 per square foot. The annual rent would be \$469,320 (\$14.06 per square foot) without the 30 percent rent reduction for shed space in Year 1.

Annual rent of \$351,373 is \$38,627 (11 percent) less under the proposed lease compared to the combined annualized holdover rent of \$390,000 (\$15.54 per square foot) for the two existing leases with TEC, despite a 33 percent increase in the leased premises due to the temporarily reduced rent for shed space in Year 1.⁶

Southern Waterfront Community Benefits and Beautification Fund

In accordance with the Port's Policy for Southern Waterfront Community Benefits and Beautification, and the FY 2023-24 Monthly Rental Rate Schedule, 6.5 percent of lease revenues will go towards the Port's Southern Waterfront Community Benefits and Beautification Fund. Over the initial three-year lease term, this equates to approximately \$79,280, and \$177,799 if all

⁶ The Port is undergoing a roof repair/replacement project at the shed space during the new lease term. To retain a tenant willing to occupy the space and accommodate the construction activity, the Port offered ramp-up rental rates. The Port states that while this approach leads to lower revenue initially, they anticipate revenue to exceed the current rent over the course of the lease term.

three one-year options to extend are exercised. The funds will be applied to any or all of the Port's Southern Waterfront beautification projects, including open space, wetlands restoration, pier removal, public art, historic preservation, or other community-focused projects.

POLICY CONSIDERATION

The current leases, as well as the proposed new lease, on Port land with TEC were not competitively procured. San Francisco Administrative Code Section 23.33 states that any leases that are expected to produce more than \$2,500 per month in revenue be awarded in accordance with Competitive Bidding Procedures, unless such procedures are impractical or impossible.

According to the Port, they manage approximately 550 relatively small areas of land that are routinely leased. The Port has determined that competitively bidding such a large volume of leases would be impractical because the cost of resources that would be required to competitively bid on the leases outweighs the prospective return on rent.

As previously mentioned, according to the Port, TEC has consistently been in compliance with all terms and conditions of the lease during their tenancy and is considered to be a "tenant in good standing." In addition, rental rates are consistent with Port Commission-approved FY 2023-24 parameter lease rate terms and conditions.

RECOMMENDATION

Approve the proposed resolution.



**CITY AND COUNTY OF SAN FRANCISCO
DANIEL LURIE, MAYOR**

LEASE NO. L-17253

BY AND BETWEEN

**THE CITY AND COUNTY OF SAN FRANCISCO
OPERATING BY AND THROUGH THE
SAN FRANCISCO PORT COMMISSION**

AND

TEC OF CALIFORNIA, A CALIFORNIA CORPORATION

PIER 80 - G&M BUILDING

JUNE 10, 2025

**ELAINE FORBES
EXECUTIVE DIRECTOR**

SAN FRANCISCO PORT COMMISSION

**GAIL GILMAN, VICE PRESIDENT
WILLIE ADAMS, COMMISSIONER
STEPHEN ENGBLOM, COMMISSIONER
STEVEN LEE, COMMISSIONER**

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**LEASE AGREEMENT
BASIC LEASE INFORMATION**

<i>Lease Date:</i>	June 10, 2025
<i>Lease Number:</i>	L-17253
<i>Landlord or Port:</i>	CITY AND COUNTY OF SAN FRANCISCO , a municipal corporation, operating by and through the SAN FRANCISCO PORT COMMISSION
<i>Landlord's Address:</i>	Port of San Francisco Pier 1 San Francisco, California 94111 Attention: Deputy Director, Real Estate and Development Telephone: (415) 274-0400 Facsimile: (415) 274-0494
<i>Tenant:</i>	TEC OF CALIFORNIA, INC. , a California corporation
<i>Tenant's Main Contact Person and Mailing Address:</i>	Jason Trimm TEC of California, Inc. 400 Cesar Chavez Street San Francisco, Ca 94124 Telephone: (415) 822-9800 Cell: (510) 921-6264 Email: jtrimm@tecequipment.com
<i>Tenant's Billing Contact and Address:</i>	Same as Main Contact
<i>Tenant's Emergency Contact and Address:</i>	Same as Main Contact
<i>Tenant's Insurance Contact and Address (not broker):</i>	Same as Main Contact
<i>Tenant's Parking Contact and Address:</i>	Same as Main Contact

<i>Contact Information for Tenant's Agent for Service of Process (including address):</i>	1505 Corporation Northwest Registered Agent, Inc. 750 NE Columbia Blvd Portland, OR 97211			
<i>Premises:</i>	A portion of Pier 80 G&M Building (400 Cesar Chavez Street) and paved land			
<i>Facility:</i>	Pier 80 G&M Building 400 Cesar Chavez Street San Francisco, California 94124			
<i>Premises Rentable Square Footage:</i>	<p>The Premises consists of the following as further described in <i>Exhibit A</i> attached hereto:</p> <p><u>Parcel A (Shed)</u> – Approx. 21,842 rentable square feet of shed space</p> <p><u>Parcel B (Paved Land)</u> – Approx. 7,540 square feet of paved land</p> <p><u>Parcel C (Paved Land)</u> – Approx. 4,000 square feet of paved land</p>			
<i>Length of Term:</i>	Thirty-six (36) months			
<i>Extension Option:</i>	<p>As further described in <i>Section 33</i>, Tenant shall have three (3) consecutive options (each an “Extension Option”) to extend the Term for a period of twelve (12) months (each an “Extension Term”), as to one or more of the Parcels or all of the Premises (“Extension Premises”) by providing written notice to Port at least sixty (60) days’ prior to the applicable expiration date. On the first day of each Extension Term, the Monthly Base Rent shall be increased to the amount shown in the rent schedule below.</p> <p>If Tenant exercises an Extension Option for only some parcels, then the Extension Option for the remaining parcels will automatically terminate without the need for any further documentation between the Parties.</p>			
<i>Commencement Date:</i>	[Insert the date of lease execution by Port following approval of this Lease by the Board of Supervisors.]			
<i>Rent Commencement Date:</i>	Commencement Date			
<i>Expiration Date:</i>	Thirty-six (36) months after Commencement Date			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A (Shed)	1-12	21,842	\$1.05	\$22,934.10

Parcel B (Paved Land)		7,540	\$0.55	\$4,147.00
Parcel C (Paved Land)		4,000	\$0.55	<u>\$2,200.00</u>
				\$29,281.10
Parcel A (Shed)	13-24	21,842	\$1.20	\$26,210.40
Parcel B (Paved Land)		7,540	\$0.57	\$4,297.80
Parcel C (Paved Land)		4,000	\$0.57	<u>\$2,280.00</u>
				\$32,788.20
Parcel A (Shed)	25-36	21,842	\$1.50	\$32,763.00
Parcel B (Paved Land)		7,540	\$0.59	\$4,448.60
Parcel C (Paved Land)		4,000	\$0.59	<u>\$2,360.00</u>
				\$39,571.60
Parcel A (Shed)	<i>1st Extension</i>	21,842	\$1.55	\$33,855.10
Parcel B (Paved Land)	<i>Term: 37-48</i>	7,540	\$0.60	\$4,524.00
Parcel C (Paved Land)		4,000	\$0.60	<u>\$2,400.00</u>
<i>Extension Option 1</i>				\$40,779.10
Parcel A (Shed)	<i>2nd Extension</i>	21,842	\$1.60	\$34,947.20
Parcel B (Paved Land)	<i>Term: 49-60</i>	7,540	\$0.62	\$4,674.80
Parcel C (Paved Land)		4,000	\$0.62	<u>\$2,480.00</u>
<i>Extension Option 2</i>				\$42,102.00
Parcel A (Shed)	<i>3rd Extension</i>	21,842	\$1.65	\$36,039.30
Parcel B (Paved Land)	<i>Term: 61-72</i>	7,540	\$0.64	\$4,825.60
Parcel C (Paved Land)		4,000	\$0.64	<u>\$2,560.00</u>
<i>Extension Option 3</i>				\$43,424.90
<i>Security Deposit:</i>	<p>Seventy-Nine Thousand One Hundred Fourteen Dollars and 20/100 (\$79,143.20)</p> <p>As of the Commencement Date, Port holds a security deposit on behalf of Tenant in connection with the two Prior Leases in the total amount of Fifty-Nine Thousand One Hundred Twenty-Three Dollars and 67/100 (\$59,123.67) as indicated below:</p>			

	<ul style="list-style-type: none"> Lease No. L-16782 – Thirty-Nine Thousand Three Hundred Eighty-Two Dollars and 02/100 (\$39,382.02) Lease No. L-16792—Nineteen Thousand Seven Hundred Forty Dollars and 65/100 (\$19,740.65) <p>Tenant agrees and consents to Port retaining and applying the security deposits the Port currently holds under the Prior Leases to Tenant’s obligation to provide the Security Deposit under this Lease in lieu of returning such amount to Tenant upon the expiration or termination of the Prior Leases. On or before the Commencement Date, Tenant shall deliver Twenty Thousand Nineteen Dollars and 53/100 (\$20,019.53) to Port to bring the total Security Deposit in Port’s possession to the amount required under this Lease. The Security Deposit shall at all times be no less than two (2) times the Monthly Base Rent.</p>
<i>Permitted Use:</i>	<p>The parcels within the Premises shall be used for the following and for no other purpose:</p> <p>Parcel A (Shed) – service, repair and maintenance of commercial trucks and truck parts, general business administration, and storage.</p> <p>Parcels B and C (Paved Land)-- parking.</p>
<i>Environmental Requirements:</i>	<p>Tenant shall comply with the Operations Plan attached hereto as <i>Exhibit E</i>. Throughout the term of this Lease, Tenant shall:</p> <ul style="list-style-type: none"> Submit updates to the Operations Plan for the Port’s review and approval; Comply with the Operations Plan at all times; and Obtain the Port’s written approval for any revisions to the Operations Plan
<i>Substructure:</i>	See <i>Schedule 2</i> attached hereto.
<i>Maintenance and Repair:</i>	Tenant's sole responsibility, as further described in <i>Section 11</i> below
<i>Utilities:</i>	Tenant's sole responsibility, as further described in <i>Section 12</i> below
<i>Location of Asbestos in Facility:</i>	See <i>Schedule 1</i> attached hereto.

<i>Signage:</i>	Subject to Port permitting, Tenant shall post a 24" x 24" metal sign at its entrance gate providing the emergency contact name and phone number. The sign shall be removed upon expiration or termination of this Lease.
<i>Hazardous Materials Disclosure:</i>	See Schedule 4 attached hereto.
<i>Rules & Regulations:</i>	See Exhibit D attached hereto.
<i>Pier 80 G&M Building Roof Project:</i>	Tenant acknowledges that the Port has commenced a roof repair project at Pier 80 G&M Building affecting the Premises. Tenant agrees to cooperate with the Port, its contractors, Agents, and Invitees in connection with the completion of the roof repair project. Tenant shall provide reasonable access to the Premises as necessary to facilitate the work, including but not limited to allowing entry by contractors and temporarily relocating items or operations within the Premises to accommodate the work at no cost to Port. The Port shall use commercially reasonable efforts to minimize interference with Tenant's operations and shall provide advance notice of any access or work that may adversely impact Tenant's use of the Premises.
<i>Development Project:</i>	Pier 80 Gear & Maintenance Building Roof Project; Pier 80 Permanent Fendering Project; Pier 80 Subsidence Project
<i>Prior Lease:</i>	The parties agree that as of the Commencement Date, Lease No. L-16782 and L-16792 (the " Prior Leases "), between TEC of California, Inc. and Port are hereby terminated; provided, however, that the Parties shall continue to be liable for any obligations under the Prior Leases which have accrued prior to the date of termination and any obligations which by their terms survive the termination or expiration of the Prior Leases.
<i>Lease Prepared By:</i>	Jennifer Gee, Senior Property Manager

LEASE AGREEMENT

This Lease Agreement, dated for reference purposes only as of the Lease Date set forth in the Basic Lease Information, is by and between the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation ("**City**"), operating by and through the **SAN FRANCISCO PORT COMMISSION** ("**Port**"), as landlord, and the Tenant identified in the Basic Lease Information ("**Tenant**"). The basic lease information (the "**Basic Lease Information**"), the exhibits, schedule and this Lease Agreement are and shall be construed as a single instrument and are referred to herein as this "**Lease**". In the event of any conflict or inconsistency between the Basic Lease Information and this Lease Agreement, the Basic Lease Information will control.

1. DEMISE.

In consideration for the rents and all other charges and payments payable by Tenant, and for the agreements, terms and conditions to be performed by Tenant in this Lease, Port does hereby lease to Tenant, and Tenant does hereby hire and take from Port, the Premises upon the agreements, terms and conditions of this Lease for the Term hereinafter stated.

2. DEFINITIONS.

Definitions used in this Lease are found in the specified locations in this Lease or are set forth below. Definitions that are not capitalized below are not capitalized when used in this Lease.

"ACMs" is defined in Section 15.6 below.

"ADA" means the Americans with Disabilities Act, a federal law codified at 42 U.S.C. §§ 12101 et seq., including, but not limited to, Title III thereof, and all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof, including all requirements of Title 24 of the State of California, as the same may be in effect on the date of this Lease and may be hereafter modified, amended or supplemented.

"Additional Rent" means all taxes, assessments, insurance premiums, operating and maintenance charges, fees, costs, expenses, liabilities and obligations of every description which Tenant assumes or is obligated to pay or discharge pursuant to this Lease, together with every fine, penalty, interest or other charge which may be added for non-payment or late payment, whether payable to Port or to other persons, parties or entities designated herein.

"Affiliate" means: (i) a Person that Controls or is Controlled by Tenant, or is Controlled by the same Person that Controls Tenant; or (ii) if Tenant is a natural Person, any designated successor by trust, will, or court order following Tenant's death or incapacity.

"Agents" when used with reference to either party to this Lease or any other person means the officers, directors, employees, agents, commissioners, and contractors of the party or other person, and their respective heirs, legal representatives, successors, and assigns.

"Alterations" means any alterations, installations, improvements, or additions to any Improvements or to the Premises.

"Anniversary Date" means the first and each subsequent anniversary of the Commencement Date; provided, however, that if the Commencement Date is not the first day of a month, then each Anniversary Date shall be calculated from the first day of the thirteenth (13th) month after the Commencement Date.

"Assignment" means a proposed or actual Transfer of Tenant's rights, title, and interest in all or any part of the Premises under a contractual assignment or an assignment by operation of Law.

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

"Base Rent" means the monthly Base Rent specified in the Basic Lease Information and described further in Section 5.1 hereof.

"BCDC" means the San Francisco Bay Conservation and Development Commission.

"Books and Records" means all of Tenant's books, records, and accounting reports or statements relating to its business, this Lease, and the operation and maintenance of the Premises, including cash journals, rent rolls, general ledgers, income statements, bank statements, income tax schedules relating to the Premises and any other bookkeeping documents used in Tenant's business operations for the Premises, whether maintained by Tenant or a third-party contractor.

"business day" means any week day during which businesses are generally open for business, excluding local, state, and federal holidays observed by Port.

"CMD" means the Contract Monitoring Division of the City's General Services Agency.

"Cal-OSHA" means the Division of Occupational Safety and Health of the California Department of Industrial Relations.

"Changes" is defined in Section 10.2 below.

"City" means the City and County of San Francisco, a municipal corporation.

"Claims" means all liabilities, injuries, losses, costs, claims, demands, rights, causes of action, judgments, settlements, damages, liens, fines, penalties and expenses, including without limitation, direct and vicarious liability of any kind for money damages, compensation, penalties, liens, fines, interest, attorneys' fees, costs, equitable relief, mandamus relief, specific performance, or any other relief.

"Commencement Date" means the date on which the Term commences as specified in the Basic Lease Information.

"Commission" means the San Francisco Port Commission.

"Common Areas" means all areas outside of the Premises and within the boundaries of the Facility that are not now or hereafter exclusively leased or exclusively permitted to other tenants or permittees, and that are designated by Port from time to time for the general common use or convenience of Port, Tenant, or other tenants of Port, and the respective authorized Agents and Invitees of the same. The Common Areas include, without limitation, driveways, delivery areas, pedestrian walkways, service corridors accessing loading docks, utility rooms, and other areas or improvements provided or designated by Port for common use. The Common Areas shall not include any parking areas located outside the boundaries of the Facility.

"Concession" is defined in Section 30.16 below.

"Conduct Code" is defined in Section 28.13 below.

"Control" means the direct or indirect ownership of: (a) fifty percent (50%) or more of each class of equity interests in the entity; or (b) fifty percent (50%) or more of each class of interests that have the right to nominate, vote for, or otherwise select the members of the governing body that directs or causes the direction of substantially all of the management and policies of the entity or otherwise has the right to direct or cause the direction of substantially all of the management and policies of the entity.

"Core Benefits" is defined in Section 28.1(c) below.

"CPA" means an independent certified public accounting firm acceptable to Port in its reasonable discretion.

"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.

"disturbed or removed" is defined in Section 13.2(f) below.

"Encroachment Area" is defined in Section 3.3 below.

"Encroachment Area Charge" is defined in Section 3.3 below.

"Environmental Laws" means any Laws relating to Hazardous Material (including its Handling, Release, or Remediation) or to human health and safety, industrial hygiene, or environmental conditions in the environment, including structures, soil, air, bay water, and groundwater, and any environmental mitigation measure adopted under Environmental Laws affecting any portion of the Facility.

"Environmental Regulatory Action" when used with respect to Hazardous Materials means any inquiry, Investigation, enforcement, Remediation, agreement, order, consent decree, compromise, or other action that is threatened, instituted, filed, or completed by an Environmental Regulatory Agency in relation to a Release of Hazardous Materials, including both administrative and judicial proceedings.

"Environmental Regulatory Agency" means the United States Environmental Protection Agency, OSHA, any California Environmental Protection Agency board, department, or office, including the Department of Toxic Substances Control and the San Francisco Bay Regional Water Quality Control Board, Cal-OSHA, the Bay Area Air Quality Management District, the San Francisco Department of Public Health, the San Francisco Fire Department, the San Francisco Public Utilities Commission, Port, or any other Regulatory Agency now or later authorized to regulate Hazardous Materials.

"Environmental Regulatory Approval" means any approval, license, registration, permit, or other authorization required or issued by any Environmental Regulatory Agency, including any hazardous waste generator identification numbers relating to operations on the Premises and any closure permit.

"Exacerbate" or **"Exacerbating"** when used with respect to Hazardous Materials means any act or omission that increases the quantity or concentration of Hazardous Materials in the affected area, causes the increased migration of a plume of Hazardous Materials in soil, groundwater, or bay water, causes a Release of Hazardous Materials that had been contained until the act or omission, or otherwise requires Investigation or Remediation that would not have been required but for the act or omission. Exacerbate also includes the disturbance, removal or generation of Hazardous Materials in the course of Tenant's operations, Investigations, maintenance, repair, Improvements and Alterations under this Lease. **"Exacerbation"** has a correlating meaning.

"Excess Rent" means Sublease rent and any other sums paid or payable to Tenant under a Sublease, excluding the value of goodwill, in excess of Tenant's concurrent Rent obligation for the Sublease premises.

"Expiration Date" means the date on which the Term expires as specified in the Basic Lease Information.

"Event of Default" is defined in Section 21 below.

"Facility" means the pier, building or other structure in or on which the Premises is located.

"Facility Systems" means the plumbing, electrical, fire protection, life safety, security and other mechanical, electrical, and communications systems of the Facility.

"financial statements" mean a current balance sheet and profit and loss statements that have been reviewed or examined by a CPA.

"Habitual Late Payer" means Tenant has received (a) at least two (2) notices of monetary default, or (b) at least three (3) notices of default within a twelve (12) month period.

"Handle" or **"Handling"** means to use, generate, process, manufacture, produce, package, treat, transport, store, emit, discharge, or dispose of a Hazardous Material.

"Hard costs" is defined in Section 11.3 below.

"Hazardous Material" means any substance, waste, or material that is now or in the future designated by any Regulatory Agency to be capable of posing a present or potential risk of injury to human health or safety, the environment, or property. This definition includes anything designated or defined in any Environmental Law as hazardous, hazardous substance, hazardous waste, toxic, pollutant, or contaminant; any asbestos, ACMs, and PACMs, whether or not part of the structure of any existing Improvements on the Premises, any Improvements to be constructed on the Premises by or on behalf of Tenant, or occurring in nature; and other naturally-occurring substances such as petroleum, including crude oil or any fraction, and natural gas or natural gas liquids.

"Hazardous Material Claim" means any Environmental Regulatory Action or any Claim made or threatened by any third party against the Indemnified Parties, or the Premises or the Facility, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence or Release of any Hazardous Materials, including, without limitation, losses based in common law. Hazardous Material Claims include, without limitation, Investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, any other part of the Facility, or other Port property, the loss or restriction of the use or any amenity of the Premises, any other part of the Facility, or other Port property, and attorneys' fees and consultants' fees and experts' fees and costs.

"Hazardous Material Condition" means the presence, Release, or threatened Release of Hazardous Materials in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises.

"HEPA" is defined in Section 13.2(f) below.

"Improvements" means any and all buildings, structures, fixtures or other improvements constructed or installed on the Premises or any other part of the Facility, including those constructed by or on behalf of Tenant pursuant to this Lease (including, without limitation, any trailers, signs, roads, trails, driveways, parking areas, curbs, walks, fences, walls, stairs, poles, plantings and landscaping).

"Improvement Costs" is defined in Section 4.2 below.

"Improvements Pertaining to the Realty" means machinery or equipment installed for use on the property that cannot be removed without a substantial economic loss or without substantial damage to the property on which it is installed, regardless of the method of installation. In determining whether particular property can be removed "without a substantial economic loss," the value of the machinery or equipment in place and considered as part of the realty should be compared with its value if it were removed and sold.

"Indemnified Parties" is defined in Section 19.1 below.

"Indemnify" means to indemnify, protect, defend, and hold harmless forever.
"Indemnification" and **"Indemnity"** have correlating meanings.

"Interest Rate" means ten percent (10%) per year or, if a higher rate is legally permissible, the highest rate an individual is permitted to charge under Law.

"Investigate" or "Investigation" when used with reference to Hazardous Materials means any activity undertaken to determine and characterize the nature and extent of Hazardous Materials that have been, are being, or are threatened to be Released in, on, under or about the Premises, any other part of the Facility, other Port property, or the environment, and includes, without limitation, preparation and publication of site history, sampling, and monitoring reports, performing equipment and facility testing such as testing the integrity of secondary containment and above and underground tanks, and sampling and analysis of environmental conditions before, during, and after Remediation begins and continuing until the appropriate Environmental Regulatory Agency has issued a no further action letter, lifted a clean-up order, or taken similar action.

"Invitees" means Tenant's clients, customers, invitees, patrons, guests, members, licensees, permittees, concessionaires, assignees, subtenants, and any other person whose rights arise through them, except that for the purposes of Article 20 (Assignment and Subletting), **"Invitees"** excludes Tenant's licensees, assignees, subtenants, and any other person whose rights arise through them.

"Late Charge" means a fee of fifty dollars (\$50.00).

"Law" means any present or future law, statute, ordinance, code, resolution, rule, regulation, judicial decision, requirement, proclamation, order, decree, policy (including the Waterfront Land Use Plan), and Regulatory Approval of any Regulatory Agency with jurisdiction over any portion of the Premises, including Regulatory Approvals issued to Port which require Tenant's compliance, and any and all recorded and legally valid covenants, conditions, and restrictions affecting any portion of the Facility, whether in effect when this Lease is executed or at any later time and whether or not within the present contemplation of the parties, as amended from time to time.

"Lease" is defined in the preamble to this Lease.

"Non-Affiliate" means a Person that is not an Affiliate.

"Notice of Removal" is defined in Section 13.4 below.

"Notice to Cease Prohibited Use" is defined in Section 8.3 below.

"Notice to Vacate" is defined in Section 3.3 below.

"Official Records" means the official records of the City and County of San Francisco.

"OSHA" means the United States Occupational Safety and Health Administration.

"PACMs" is defined in Section 15.6 below.

"Person" means any natural person, corporation, limited liability entity, partnership, joint venture, or governmental or other political subdivision or agency.

"Port" means the San Francisco Port Commission.

"Port program or project" means (a) any development, removal or renovation, by public and/or private parties, of the building, pier or seawall lot in, on or in the vicinity of the Premises (including, but not limited to any Development Project described in the Basic Lease Information), or (b) with respect to any areas owned by Port or under Port's jurisdiction between and including Piers 80-96, maritime uses (by way of example only and not as a limitation, cargo shipping, fishing, passenger cruises, ship repair, ferries and excursion boats, historic ships and recreational boating).

"Port representative" means Port, a City auditor, or any auditor or representative designated by Port.

"Port Work" is defined in Section 13.9 below.

"Premises" means the real property described in Section 3.1 below and depicted on *Exhibit A*.

"~~preservative-treated wood containing arsenic~~" is defined in Section 28.12 below.

"Prevailing party" is defined in Section 23.1 below.

"Prohibited Use(s)" is defined in Section 8.2 below.

"Regulatory Agency" means the municipal, county, regional, state, or federal government and their bureaus, agencies, departments, divisions, courts, commissions, boards, officers, commissioners, or other officials, including BCDC, any Environmental Regulatory Agency, Port (in its regulatory capacity), other departments, offices, and commissions of the City and County of San Francisco (each in its regulatory capacity), Port's Chief Harbor Engineer, the Dredged Material Management Office, the State Lands Commission, the Army Corps of Engineers, the United States Department of Labor, the United States Department of Transportation, or any other governmental agency now or later having jurisdiction over Port property.

"Regulatory Approval" means any authorization, approval, license, registration, or permit required or issued by any Regulatory Agency.

"Release" when used with respect to Hazardous Materials means any actual or imminent spilling, introduction, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing in, on, under or about the Premises, any other part of the Facility, other Port property, or the environment.

"Remediate" or "Remediation" when used with respect to Hazardous Materials means to clean up, abate, contain, treat, stabilize, monitor, remediate, remedy, remove, or otherwise control Hazardous Materials, or to restore the affected area to the standard required by the applicable Environmental Regulatory Agency in accordance with applicable Environmental Laws and any additional Port requirements. "Remediation" also includes the creation of a remedial work plan to be approved by the appropriate Environmental Regulatory Agency when required.

"Renewable Energy System" is defined in Section 12.3 below.

"Rent" means the Base Rent, Additional Rent and all other sums payable by Tenant to Port hereunder, including, without limitation, any Late Charge and any interest assessed pursuant to Section 5.

"Rent Commencement Date" means the date on which the payment of Rent commences as specified in the Basic Lease Information.

"Repair Period" means two hundred ten (210) days after the date of damage to the Premises or the Facility by fire or other casualty.

"Rules and Regulations" means the Rules and Regulations, if any, applicable to the Facility, set forth in *Exhibit D* attached hereto, as may be amended from time to time.

"saltwater immersion" is defined in Section 28.12 below.

"Security Deposit" means the amount specified in the Basic Lease Information and as further described in Section 7 below.

"Sublease" means a proposed or actual Transfer of all or any part of the Premises under a sublease or a sub-sublease.

"Subletting Expenses" means verifiable and reasonable brokerage commissions incurred in connection with a Sublease and the costs of any new tenant improvements for which Tenant is responsible under the Sublease.

"SWPPP" is defined in Section 15.8(a) below.

"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.

"Tenant" means the party identified as Tenant in the Basic Lease Information.

"Tenant's Property" means all furniture, trade fixtures, office equipment, and articles of movable personal property installed in the Premises by or for the account of Tenant, and any Improvements or Alterations constructed on or affixed to the Premises if designated under this Lease as Tenant's Property, in either case without cost to Port.

"Term" is defined in Section 4.1 below.

"trade fixtures" means those items of personalty, furniture, equipment, machinery used in trade by Tenant which are customarily removed without damage to the Premises at the end of a lease term in the ordinary course of businesses of the type operated by Tenant at the Premises.

"Transfer" means any of the following events or proposed events, whether voluntary, involuntary, or by operation of Law: (a) any sale, assignment, encumbrance, sublease, or other transfer of any of Tenant's interest in this Lease or in the Premises; (b) any Person other than Tenant occupies or claims a right of possession to any part of the Premises; (c) if Tenant is a corporation, limited liability company, partnership or similar entity and is not traded on a nationally recognized security exchange, any change in Control of Tenant (including without limitation a dissolution, merger, consolidation, transfer or sale); or (d) any interest of any subtenant, assignee, or other Transferee of Tenant's interest in the Lease or premises is sold, assigned, encumbered, or otherwise Transferred.

"Transfer Agreement" means all document(s) effecting or evidencing Tenant's proposed sale, assignment, encumbrance, sublease, or other Transfer.

"Transfer Date" means the effective date of a Transfer.

"Transfer Notice" means Tenant's prior written notice to Port of an intent to Transfer to a Non-Affiliate, specifying: (a) the Transferee's name, address, other contact information, and, if the Transferee is not a natural Person, its form of organization and the identity of each Person with Control of the Transferee; (b) the proposed Transfer Date and a full description of the Transfer Terms; (c) a description of the Transferee's proposed use of the Premises, including any required or desired Alterations or Improvements to the Premises that the Transferee may undertake in order to facilitate its proposed use; and (d) a list of the Transferee's personal, business, and credit references.

"Transfer Terms" means the terms and conditions in the proposed or final Transfer Agreement, as appropriate in context.

"Transferee" means the Person to which Tenant makes or proposes to make a Transfer.

"Utilities" means electricity, water, gas, heat, sewers, oil, telecommunication services and all other Utilities.

"Waiving Party" is defined in Section 16.5 below.

"Work" when used in reference to construction is defined in Section 13.2(c) below.

"worth at the time of award" is defined in Section 22.2 below.

3. PREMISES; AS-IS CONDITION.

3.1. Premises.

(a) Subject to the provisions of this Lease, Port hereby leases to Tenant, and Tenant hereby leases from Port, the Premises in the Facility identified in the Basic Lease

Information. The Premises has the address and contains the square footage specified in the Basic Lease Information. The location and dimensions of the Premises are depicted on **Exhibit A** attached hereto and incorporated herein by reference. Port and Tenant agree and acknowledge that any statement of rentable or usable (if applicable) square footage set forth in this Lease is an approximation which Port and Tenant agree is reasonable and that the usable square footage of the Premises may be less than the rentable square footage of the Premises. Port and Tenant further agree and acknowledge that the rentable square footage of the Premises shall be used at all times to calculate the Base Rent due and payable by Tenant under this Lease and neither the Base Rent nor any other economic term based on rentable square footage shall be subject to revision whether or not the actual rentable or usable square footage is more or less.

(b) Tenant shall have the non-exclusive right to use, together with other tenants, the Common Areas. All of the Common Areas shall at all times be subject to the exclusive control, regulation, and management of Port. Port shall have the right to construct, maintain, and operate lighting facilities on all Common Areas; to patrol all Common Areas; to temporarily close any Common Areas for maintenance, repairs or alterations; from time to time to change the area, level, location and arrangement of Common Area facilities; to use the Common Areas and restrict access and use of the same during the maintenance, repair, construction or reconstruction of buildings, additions or improvements; to erect buildings, additions and improvements on the Common Areas from time to time; and to restrict parking by tenants, their Agents and Invitees. Port may operate and maintain the Common Areas and perform such other acts and make such other changes at any time and from time to time in the size, shape, location, number and extent of the Common Areas or any of them as Port in its sole discretion shall determine; provided, however, that no exercise by Port of its rights hereunder shall unreasonably restrict access to the Premises.

3.2. Accessibility Inspection Disclosure.

California law 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. The law does not require landlords to have the inspections performed. Tenant is hereby advised that the Premises has not been inspected by a CASp and Port shall have no liability or responsibility to make any repairs or modifications to the Premises in order to comply with accessibility standards. The following disclosure is required by law:

"A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises."

3.3. No Right to Encroach.

(a) If Tenant (including, its Agents, Invitees, successors and assigns) uses or occupies space outside the Premises without the prior written consent of Port (the "**Encroachment Area**"), then upon written notice from Port ("**Notice to Vacate**"), Tenant shall immediately vacate such Encroachment Area and pay as Additional Rent for each day Tenant used, occupied, uses or occupies such Encroachment Area, an amount equal to the rentable square footage of the Encroachment Area, multiplied by the higher of the (i) highest rental rate then approved by the San Francisco Port Commission for the Premises or the Facility, or (ii) then current fair market rent for such Encroachment Area, as reasonably determined by Port (the "**Encroachment Area Charge**"). If Tenant uses or occupies such Encroachment Area for a fractional month, then the

Encroachment Area Charge for such period shall be prorated based on a thirty (30) day month. In no event shall acceptance by Port of the Encroachment Area Charge be deemed a consent by Port to the use or occupancy of the Encroachment Area by Tenant, its Agents, Invitees, successors or assigns, or a waiver (or be deemed as a waiver) by Port of any and all other rights and remedies of Port under this Lease (including Tenant's obligation to Indemnify Port as set forth in Section 3.3(c), at law or in equity.

(b) In addition, Tenant shall pay to Port, as Additional Rent, an amount equaling Two Hundred Dollars (\$200.00) upon delivery of the initial Notice to Vacate plus the actual cost associated with a survey of the Encroachment Area. In the event Port determines during subsequent inspection(s) that Tenant has failed to vacate the Encroachment Area, then Tenant shall pay to Port, as Additional Rent, an amount equaling Three Hundred Dollars (\$300.00) for each additional Notice to Vacate, if applicable, delivered by Port to Tenant following each inspection. The parties agree that the charges associated with each inspection of the Encroachment Area, delivery of each Notice to Vacate and survey of the Encroachment Area represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Port's inspection of the Premises, issuance of each Notice to Vacate and survey of the Encroachment Area. Tenant's failure to comply with the applicable Notice to Vacate and Port's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights and remedies of Port under this Lease, at law or in equity.

(c) In addition to Port's rights and remedies under this Section, the terms and conditions of the indemnity and exculpation provision set forth in Section 19 below (Indemnity and Exculpation) shall also apply to Tenant's (including, its Agents, Invitees, successors and assigns) use and occupancy of the Encroachment Area as if the Premises originally included the Encroachment Area, and Tenant shall additionally Indemnify Port from and against any and all loss or liability resulting from delay by Tenant in surrendering the Encroachment Area including, without limitation, any loss or liability resulting from any Claims against Port made by any tenant or prospective tenant founded on or resulting from such delay and losses to Port due to lost opportunities to lease any portion of the Encroachment Area to any such tenant or prospective tenant, together with, in each case, actual attorneys' fees and costs.

(d) All amounts set forth in this Section shall be due within three (3) business days following the applicable Notice to Vacate and/or separate invoice relating to the actual cost associated with a survey of the Encroachment Area. By signing this Lease, each party specifically confirms the accuracy of the statements made in this Section and the reasonableness of the amount of the charges described in this Section.

3.4. Proximity of Development Project. Tenant acknowledges that during the Term, a Port program or project and/or the Development Project(s) described in the Basic Lease Information, if any, is scheduled to be, or may be, constructed on the Premises or on property in the vicinity of the Premises. Tenant is aware that the construction of such project(s) and the activities associated with such construction will generate certain adverse impacts which may result in some inconvenience to or disturbance of Tenant. Impacts may include, but are not limited to, increased vehicle and truck traffic, traffic delays and re-routing, loss of street and public parking, dust, dirt, construction noise and visual obstructions. Tenant hereby waives any and all Claims against Port, City and their Agents arising out of such inconvenience or disturbance.

3.5. No Light, Air or View Easement. This Lease does not include an air, light, or view easement. Any diminution or shutting off of light, air or view by any structure which may be erected on lands near or adjacent to the Facility or by any vessels berthed near the Facility shall in no way affect this Lease or impose any liability on Port, entitle Tenant to any reduction of Base Rent or Additional Rent, or affect this Lease in any way or Tenant's obligations hereunder.

3.6. Unique Nature of Premises. Tenant acknowledges that: (a) the Facility is located along the waterfront in a building on a pier and/or wharf, supported by a partially-submerged substructure in a marine environment, which was originally built approximately 100 years ago; ; (b) Port's regular maintenance may involve activities, such as pile driving, that create noise and other effects not normally encountered in locations elsewhere in San Francisco due to the unique nature of the Premises; (c) there is a risk that all or a portion of the Premises will be inundated with water due to floods or sea level rise; (d) there is a risk that sea level rise will increase the cost of Substructure repairs and/or prevent or limit the ability to make repairs to the Substructure; and/or (e) Port cannot guarantee that piers, decks, wharves, and aprons will be suitable for leased occupancy during the entire Term of this Lease.

3.7. As-Is Condition. Tenant acknowledges and agrees that Tenant is familiar with the Premises, the Premises is being leased and accepted in their "as-is" condition, without any improvements or alterations by Port, without representation or warranty of any kind, and subject to all applicable Laws governing their use, occupancy and possession. Tenant represents and warrants to Port that Tenant has received and reviewed the FEMA disclosure notice attached as **Schedule 3** and a copy of the report(s), if any, relating to the substructure and/or structure of the Facility, as further described in **Schedule 2** attached hereto. Tenant further represents and warrants to Port that Tenant has investigated and inspected, either independently or through agents of Tenant's own choosing, the condition of the Premises and the suitability of the Premises for Tenant's business and intended use. Tenant acknowledges and agrees that neither Port nor any of its agents have made, and Port hereby disclaims, any representations or warranties, express or implied, concerning the rentable area of the Premises, the physical or environmental condition of the Premises or the Facility (including, but not limited to the substructure), the present or future suitability of the Premises for Tenant's business, or any other matter whatsoever relating to the Premises, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

3.8. Release and Waiver. As part of its agreement to accept the Premises in their "As Is With All Faults" condition, Tenant, on behalf of itself and its successors and assigns, will be deemed to waive any right to recover from, and forever release, acquit and discharge, Port and the other Indemnified Parties of and from any and all Claims, whether direct or indirect, known or unknown, foreseen or unforeseen, that Tenant may now have or that may arise on account of or in any way be connected with (i) the physical, geotechnical or environmental condition in, on, under, above, or about the Facility including any Hazardous Materials in, on, under, above or about the Facility (including soil and groundwater conditions), (ii) the suitability of the Facility and/or the Premises for the development of the Improvements, the Permitted Uses, (iii) any Laws applicable thereto, including Environmental Laws, (iv) damages by death of or injury to any Person, or to property of any kind whatsoever and to whomever belonging, and (v) goodwill, or business opportunities arising at any time and from any cause in, on, around, under, and pertaining to the Facility and/or the Premises, including all claims arising from the joint, concurrent, active or passive negligence of any of Indemnified Parties, but excluding any intentionally harmful acts committed solely by Port or City.

3.9. Port's Rights Regarding Premises. Port shall have the full right and authority to make, revoke, impose, and amend any Rules and Regulations pertaining to and reasonably necessary for the proper use, operation and maintenance of the Facility. If no Rules and Regulations currently exist for the Facility, Tenant agrees to be bound by any Rules and Regulations Port later imposes on the Facility. Tenant acknowledges receipt of a copy of the Rules and Regulations currently in force for the Facility and agrees to abide by them. Tenant also acknowledges that Port's exercise of any of its rights regarding the Premises and other Port property in the vicinity of the Premises will not entitle Tenant to any abatement or diminution of Rent.

4. TERM OF LEASE; TERMINATION BY PORT.

4.1. Term. The term of this Lease (the "**Term**") shall be for the period of months specified in the Basic Lease Information commencing on the Commencement Date and expiring on the Expiration Date. If the Commencement Date and Expiration Date occur on a date other than the Commencement Date and the Expiration Date set forth in the Basic Lease Information, then promptly following the actual Commencement Date, Port and Tenant shall execute a Commencement Date and Expiration Date Memorandum substantially in the form attached hereto as **Exhibit B**, confirming the actual Commencement Date and Expiration Date, but either party's failure to do so shall not affect the commencement or expiration of the Term.

If Port is unable to deliver possession of the Premises to Tenant on or before the Commencement Date, then the validity of this Lease shall not be affected thereby and Port shall not be liable to Tenant for any Claims resulting therefrom, and Tenant waives all provisions of any Laws to the contrary. In such case, the Term and regular payments of Rent shall not commence until Port delivers possession of the Premises. Notwithstanding anything to the contrary above, if Port's inability to deliver possession of the Premises on the estimated Commencement Date results from Tenant's or its Agents' acts or omissions, then Base Rent and Additional Rent payable by Tenant hereunder shall commence on the date when Port would have delivered possession of the Premises but for such acts or omissions.

4.2. Termination Rights.

(a) Port has the right to terminate this Lease under this Section when the Premises is needed in connection with a Port program or project. Port may exercise this right without liability or expense, except as specifically set forth in this Section, upon ninety (90) days' prior written notice. Tenant agrees and shall be required to surrender possession of the Premises by the end of the 90-day period.

(b) Port has the right to terminate this Lease under this Section if Port determines, in its sole and absolute discretion, that the condition of the Facility's structures, substructure or utilities has deteriorated to a condition that would create a foreseeable risk of hazard to health or safety. Port may exercise this right without liability or expense, except as specifically set forth in this Section. Port will attempt to provide Tenant with no less than ninety (90) days' prior written notice of termination under this Subsection, but reserves the right to terminate this Lease upon any shorter notice that the Port in its sole and absolute discretion determines is justified given the risk of hazard. Tenant agrees and shall be required to surrender possession of the Premises by the end of the notice period, except as provided in this Section.

For a period ending fifteen (15) calendar days after receipt of Port's notice of termination, Tenant may request Port's consent, in Port's sole and absolute discretion, to allow Tenant to make the repairs required by Port in accordance with this Lease and any additional conditions reasonably imposed by Port, in consideration of Concessions from Port. If Port consents in writing, Port's notice of termination will be deemed rescinded and of no further effect.

(c) Within sixty (60) days after Tenant's surrender under this Section, Port agrees to pay Tenant a portion of those expenses which are documented by Tenant as having been incurred by Tenant prior to the delivery of Port's termination notice in making alterations, additions and improvements to the Premises which were approved in advance and in writing by Port and which were not previously reimbursed to Tenant through rent credits, rent abatement or other form of compensation ("**Improvement Costs**"). Such Improvement Costs shall be determined by the value attributable to any alterations, additions and improvements in any Port building permits for such work obtained by Tenant and which are approved in advance in writing by a Port Property Manager to the extent supported by reasonable evidence of such expenditures provided by Tenant. If no building permits are required for such work, value shall only be attributed to such alterations, additions or improvements if the value is approved in writing by a Port Property Manager prior to the commencement of the work and if the cost is supported by

reasonable evidence of such expenditures provided by Tenant. The portion of the Improvement Costs paid by Port shall be a fraction, of which the numerator shall be the number of months remaining in the initial term of the Lease after Tenant surrenders the Premises, and the denominator shall be the number of months in the initial Term of this Lease, or for work undertaken following the Commencement Date, the number of months beginning at the second month following the Port's approval of the improvements and ending at the Expiration Date of the initial Term of this Lease. In no event shall Port be responsible for paying any moving or relocation expense or other expense incurred by Tenant due to any termination under this Section.

4.3. Waiver of Relocation Benefits. To the extent allowed by applicable Law, Tenant hereby waives any and all rights, benefits or privileges of the California Relocation Assistance Law, California Government Code §§ 7260 et seq., or under any similar law, statute or ordinance now or hereafter in effect, except as specifically provided in this Lease.

5. RENT.

Tenant shall pay to Port, in the manner herein described, the following Rent:

5.1. Base Rent. Throughout the Term, Tenant shall pay to Port the Base Rent set forth in the Basic Lease Information. Tenant shall make the first payment of Base Rent upon execution of this Lease and from and after the Rent Commencement Date, shall pay the Base Rent, in advance, on or before the first day of each calendar month throughout the Term. If the Rent Commencement Date is other than the first day of the month, or the Expiration Date is other than the last day of the month, the Base Rent for those months shall be apportioned based on a thirty (30) day month.

5.2. Default Interest. Any Rent, if not paid within five (5) days following the due date and any other payment due under this Lease not paid by the applicable due date, shall bear interest from the due date until paid at the Interest Rate. However, interest shall not be payable on Late Charges incurred by Tenant nor on other amounts to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Tenant. Tenant shall also pay any costs, including attorneys' fees incurred by Port by reason of Tenant's failure to pay Rent or other amounts when due under this Lease.

5.3. Late Charges/Habitual Late Payer. Tenant acknowledges that late payment by Tenant to Port of Rent or other sums due under this Lease will cause Port increased costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Tenant fails to pay Rent on the date due, such failure shall be subject to a Late Charge at Port's discretion. Tenant shall also pay any costs including attorneys' fees incurred by Port by reason of Tenant's failure to timely pay Rent. Additionally, in the event Tenant is notified by Port that Tenant is considered to be a Habitual Late Payer, Tenant shall pay, as Additional Rent, an amount equal to Fifty Dollars (\$50.00) (as such amount may be adjusted from time to time by the Port Commission) upon written notification from Port of Tenant's Habitual Late Payer status. The parties agree that the charges set forth in this Section represent a fair and reasonable estimate of the cost that Port will incur by reason of any late payment. Such charges may be assessed without notice and cure periods and regardless of whether such late payment results in an Event of Default. Payment of the amounts under this Section shall not excuse or cure any default by Tenant.

5.4. Returned Checks. If any check for a payment for any Lease obligation is returned without payment for any reason, Tenant shall pay, as Additional Rent, an amount equal to Fifty Dollars (\$50.00) (as such amount may be adjusted from time to time by the Port Commission) and the outstanding payment shall be subject to a Late Charge as well as interest at the Interest Rate.

5.5. Net Lease. It is the purpose of this Lease and intent of Port and Tenant that all Rent shall be absolutely net to Port, so that this Lease shall yield to Port the full amount of the Rent at all times during the Term, without deduction, abatement or offset. Except as otherwise expressly set forth in this Lease, under no circumstances, whether now existing or hereafter arising, and whether or not beyond the present contemplation of the Parties shall Port be expected or required to incur any expense or make any payment of any kind with respect to this Lease or Tenant's use or occupancy of the Premises, including any Improvements. Without limiting the foregoing, but except as expressly provided to the contrary in this Lease, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which Port would otherwise be or become liable by reason of Port's estate or interests in the Premises and any Improvements, any rights or interests of Port in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use or occupancy of the Premises, any Improvements, or any portion thereof. No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or shall otherwise relieve Tenant from any of its obligations under this Lease, or shall give Tenant any right to terminate this Lease in whole or in part, except as otherwise expressly provided in this Lease. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction or suspension of payment of such sums, on account of any such occurrence or situation, provided that such waiver shall not affect or impair any right or remedy expressly provided Tenant under this Lease.

5.6. Additional Charges. Without limiting Port's other rights and remedies set forth in this Lease, at law or in equity, in the event Tenant fails to submit to the appropriate party, on a timely basis, the items identified in Sections: 12.1 (Utilities), 15.3 (Tenant's Environmental Condition Notification Requirements), 15.8 (Storm Water Pollution Prevention), 28.1(d) (CMD Form), and 32 (Estoppel Certificate) or to provide evidence of the required insurance coverage described in Section 16 below, then upon written notice from Port of such failure, Tenant shall pay, as Additional Rent, an amount equaling One Hundred Dollars (\$100.00). In the event Tenant fails to provide the necessary document within the time period set forth in the initial notice and Port delivers to Tenant additional written notice requesting such document, then Tenant shall pay to Port, as Additional Rent, an amount equaling One Hundred Fifty Dollars (\$150.00) for each additional written notice Port delivers to Tenant requesting such document. The parties agree that the charges set forth in this Section 5.6 represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Tenant's failure to provide the documents identified in this Section 5.6 and that Port's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this Lease, at law or in equity. By signing this Lease, each party specifically confirms the accuracy of the statements made in this Section 5.6 and the reasonableness of the amount of the charges described in this Section 5.6.

6. TAXES AND ASSESSMENTS.

6.1. Payment of Taxes. During the Term, Tenant agrees to pay, when due, to the proper authority any and all real and personal property taxes, general and special assessments, real property transfer taxes, license fees, permit fees and all other governmental charges of any kind or nature whatsoever, including without limitation all penalties and interest thereon, levied or assessed on the Premises, on Tenant's Property, the leasehold or subleasehold estate or Tenant's use of the Premises, or any transfer of a leasehold interest or subleasehold interest in the Premises (including but not limited to the transfer of the leasehold interest in the Premises pursuant to the Lease) whether in effect at the time this Lease is entered into or which become effective thereafter, and all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Premises. Tenant further recognizes and agrees that its leasehold interest may be subject to the payment of special taxes, including without limitation a

levy of special taxes to finance energy efficiency, water conservation, water pollution control and similar improvements under the Special Tax Financing Law in Chapter 43 Article X of the Administrative Code. Tenant shall not permit any of the above taxes, assessments or other charges to become a defaulted lien on the Premises or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Tenant may make, or cause to be made, payment in installments; and provided, further, that Tenant may, through such proceeding as Tenant considers necessary or appropriate, contest the legal validity or the amount of any tax, assessment or similar charge so long as such assessment or charge does not become a defaulted lien. In the event of any such dispute, Tenant shall Indemnify Port, City, and their Agents from and against all Claims resulting therefrom.

6.2. Possessory Interest Tax. Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest. Tenant further recognizes and understands that any sublease or assignment permitted under this Lease and any exercise of any option to renew or other extension of this Lease may constitute a change in ownership for purposes of property taxation and therefore may result in a revaluation of any possessory interest created hereunder. Tenant agrees to pay taxes of any kind, including, but not limited to, possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises that may be imposed upon Tenant by Law, all of which shall be paid when the same become due and payable and before delinquency. Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same. San Francisco Administrative Code Sections 23.38 and 23.39 (or any successor statute) require that certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease be reported to the County Assessor within sixty (60) days after any such transaction. Accordingly, Tenant must provide a copy of this Lease to the County Assessor not later than sixty (60) days after the Commencement Date, and any failure of Tenant to timely provide a copy of this Lease to the County Assessor will be a default under this Lease. Tenant will also timely provide any information that Port or City may request to ensure compliance with this or any other reporting requirement.

7. SECURITY DEPOSIT.

Tenant shall pay to Port upon execution of this Lease, in addition to the advance payment of the first month's Base Rent, the Security Deposit, in cash, in the sum specified in the Basic Lease Information, as security for the faithful performance by Tenant of all terms, covenants and conditions of this Lease. If Base Rent is increased beyond the amount set forth in the Basic Lease Information for the last year of the Term, then from and after such increase, Tenant shall increase the amount of the Security Deposit to maintain the same ratio of the Security Deposit to Base Rent as existed on the date immediately prior to such Base Rent increase. Any increase in the Security Deposit shall be delivered to Port on the same date that such increase in Base Rent is first due.

Tenant agrees that Port may (but shall not be required to) apply the Security Deposit in whole or in part to (a) pay any sum due to Port under this Lease; (b) compensate Port for any expense incurred or damage caused by Tenant, its Agents or Invitees; (c) cure any default by Tenant; or (d) cure, or attempt to cure, any failure of Tenant to perform any other covenant, term or condition contained herein. Tenant shall immediately upon demand pay Port a sum equal to the portion of the Security Deposit expended or applied by Port. Port shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to any interest on the Security Deposit. Nothing contained in this Section shall in any way diminish or be construed as waiving any of Port's other remedies set forth in this Lease or provided by law or equity.

Tenant hereby waives the provisions of California Civil Code Section 1950.7 and/or any successor statute, it being expressly agreed that Port may apply all or any portion of the Security Deposit in payment of any and all sums reasonably necessary to compensate Port for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any Agent or Invitee of Tenant, and that following a default by Tenant, all or any portion of the Security Deposit may be retained by Port following a termination of this Lease and applied to future damages, including damages for future Rent, pending determination of the same.

8. USE OF THE PREMISES.

8.1. *Permitted Use.* The Premises shall be used and occupied only for the Permitted Use specified in the Basic Lease Information and for no other purpose.

8.2. *Prohibited Use.* Tenant agrees that the following activities, by way of example only and without limitation, and any other use that is not a Permitted Use (in each instance, a "**Prohibited Use**" and collectively, "**Prohibited Uses**"), are inconsistent with this Lease, are strictly prohibited and are considered Prohibited Uses:

- (a) any activity, or the maintaining of any object, which is not within the Permitted Use;
- (b) any activity, or the maintaining of any object, which will in any way increase the existing rate of, affect or cause a cancellation of, any fire or other insurance policy covering the Premises, any part thereof or any of its contents;
- (c) any activity or object which will exceed load restrictions, if any, or cause damage to the Premises;
- (d) any activity which constitutes waste or nuisance, including, but not limited to, the preparation, manufacture or mixing of anything that might emit any objectionable odors, noises or lights onto adjacent properties, or the use of loudspeakers or sound or light apparatus which can be heard or seen outside the Premises;
- (e) any activity which will in any way injure, obstruct or interfere with the rights of other tenants in the Facility or of owners or occupants of adjacent properties, including, but not limited to, rights of ingress and egress;
- (f) use of the Premises for residential, sleeping or personal living quarters and/or "Live/Work" space;
- (g) any auction, distress, fire, bankruptcy or going out of business sale on the Premises without the prior written consent of Port, which consent may be granted, conditioned, or withheld in the sole and absolute discretion of Port;
- (h) the operation, use, or berthing of any vessels, watercraft or floating barges owned or operated by Tenant;
- (i) Tenant's employment of any maritime workers within the Premises for loading, unloading, building, repairing, dismantling, or longshoring of any vessel;
- (j) the storage of any and all excavated materials, including but not limited to, dirt, concrete, sand, asphalt, and pipes;
- (k) the storage of any and all aggregate material, or bulk storage, such as wood or of other loose materials;
- (l) the washing of any vehicles or equipment; or
- (m) other Prohibited Uses identified in the Basic Lease Information, if any.

8.3. *Notice of Prohibited Use Charge.* In the event Port determines after inspection that Prohibited Uses are occurring, then Tenant shall immediately cease the Prohibited Use and

shall pay to Port, as Additional Rent, an amount equaling Two Hundred Dollars (\$200.00) upon delivery of written notice to Tenant to cease the Prohibited Use ("**Notice to Cease Prohibited Use**"). In the event Port determines in subsequent inspection(s) that Tenant has not ceased the Prohibited Use, then Tenant shall pay to Port, as Additional Rent, an amount equaling Three Hundred Dollars (\$300.00) for each additional Notice to Cease Prohibited Use delivered to Tenant. The parties agree that the charges associated with each inspection and delivery of the Notice to Cease Prohibited Use, if applicable, represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Port's inspection and Tenant's failure to comply with the applicable Notice to Cease Prohibited Use and that Port's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this Lease, at law or in equity. By signing this Lease, each party specifically confirms the accuracy of the statements made in this Section and the reasonableness of the amount of the charges described in this Section.

9. COMPLIANCE WITH LAWS AND REGULATIONS.

Tenant, at Tenant's sole cost and expense, promptly shall comply with all Laws relating to or affecting the condition, use or occupancy of the Premises and shall comply with all Laws relating to Tenant's specific use of the Facility and all Rules and Regulations, if any, in effect either at the time of execution of this Lease or which may hereafter be in effect at any time during the Term, whether or not the same are now contemplated by the parties. Tenant further understands and agrees that it is Tenant's obligation, at Tenant's sole cost and expense, to cause the Premises and Tenant's activities and operations conducted thereon, to be in compliance with the ADA. Tenant shall be solely responsible for conducting its own independent investigation of this matter and for ensuring that the design of all Alterations and Improvements strictly complies with all requirements of the ADA. If Tenant's use or occupancy of the Premises triggers a requirement to remove barriers or perform other work to any part of the Facility outside of the Premises to comply with the ADA, then, at Port's sole election, Port or Tenant will perform the work at Tenant's sole cost and expense.

The parties acknowledge and agree that Tenant's obligation to comply with all Laws as provided herein is a material part of the bargained for consideration under this Lease. Tenant's obligation under this Section 9 shall include, without limitation, the responsibility of Tenant to make substantial or structural repairs and Alterations to the Premises, regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term hereof, the relative benefit of the repairs to Tenant or Port, the degree to which the curative action may interfere with Tenant's use or enjoyment of the Premises, the likelihood that the parties contemplated the particular Laws involved, and whether the Laws involved are related to Tenant's particular use of the Premises. Any Alteration or Improvements made by or on behalf of Tenant pursuant to the provisions of this Section 9 shall comply with the provisions of Section 13 below. Except as otherwise expressly set forth in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant of its obligations hereunder, nor give Tenant any right to terminate this Lease in whole or in part or to seek redress against Port, except to the extent Tenant may have remedies against Port pursuant to this Lease or applicable Law. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease, to receive any abatement, diminution, reduction or suspension of payment of Rent, or to compel Port to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10. PORT ACTING AS OWNER OF PROPERTY; REGULATORY APPROVALS; COMPLIANCE WITH CITY'S RISK MANAGER'S REQUIREMENTS.

10.1. *Port Acting as Owner of Property.* Tenant understands and agrees that Port is entering into this Lease in its capacity as a landowner with a proprietary interest in the Premises and not as a Regulatory Agency of the City with certain police powers. By entering into this

Lease, Port is in no way modifying or limiting the obligation of Tenant to obtain any required Regulatory Approvals from Regulatory Agencies, and to cause the Premises to be used and occupied in accordance with all Laws and required Regulatory Approvals. Examples of Port actions as a Regulatory Agency include Port issuance of building, encroachment and other construction-related permits, and the Chief Harbor Engineer's actions to protect public health and safety.

10.2. *Regulatory Approvals.* Tenant understands that Tenant's operations on the Premises, changes in use, or Improvements or Alterations to the Premises (individually and collectively, "**Changes**") may require Regulatory Approvals, including Regulatory Approvals issued by Port in its capacity as a Regulatory Agency.

Tenant shall be solely responsible for obtaining any Regulatory Approvals, and Tenant shall not seek any Regulatory Approval without first obtaining the prior written approval of Port. All costs associated with applying for and obtaining any necessary Regulatory Approval shall be borne solely and exclusively by Tenant. Tenant shall be solely responsible for complying with any and all conditions imposed by Regulatory Agencies as part of a Regulatory Approval; provided, however, Tenant shall not agree to the imposition of conditions or restrictions in connection with its efforts to obtain a permit or other entitlement from any Regulatory Agency (other than Port), if the Port is required to be a co-permittee under such permit or other entitlement, or if the conditions or restrictions it would impose on the project could affect use or occupancy of the Facility or Port's interest therein or would create obligations on the part of Port (whether on or off of the Premises) to perform or observe, unless in each instance Port has previously approved such conditions in writing, in Port's sole and absolute discretion.

Any fines or penalties imposed as a result of the failure of Tenant to comply with the terms and conditions of any Regulatory Approval shall be promptly paid and discharged by Tenant, and Port shall have no liability, monetary or otherwise, for any fines and penalties. To the fullest extent permitted by Law, Tenant agrees to Indemnify City, Port and their Agents from and against any Claim which City or Port may incur as a result of Tenant's failure to obtain or comply with the terms and conditions of any Regulatory Approval.

Without limiting the terms and conditions of Sections 10.1 and 10.2, by signing this Lease, Tenant agrees and acknowledges that (i) Port has made no representation or warranty that Regulatory Approvals to allow for the Changes, if any, can be obtained, (ii) although Port is an agency of the City, Port has no authority or influence over any Regulatory Agency responsible for the issuance of such required Regulatory Approvals, (iii) Port is entering into this Lease in its capacity as a landowner with a proprietary interest in the Facility and not as a Regulatory Agency of the City with certain police powers, and (iv) Tenant is solely responsible for obtaining any and all required Regulatory Approvals in connection with any Changes. Accordingly, Tenant understands that there is no guarantee, nor a presumption, that any required Regulatory Approvals will be issued by the appropriate Regulatory Agency and Port's status as an agency of the City shall in no way limit the obligation of Tenant to obtain approvals from any Regulatory Agencies (including Port) that have jurisdiction over the Facility. Tenant hereby releases and discharges Port from any liability relating to the failure of any Regulatory Agency (including Port) from issuing any required Regulatory Approval.

10.3. *Compliance with City's Risk Manager's Requirements.* Tenant shall faithfully observe, at no cost to Port, any and all requirements of City's Risk Manager with respect to Tenant's use and occupancy of the Premises, so long as such requirements do not unreasonably interfere with Tenant's use of the Premises or are otherwise connected with standard prudent commercial practices of other landlords.

11. MAINTENANCE AND REPAIRS.

11.1. *Tenant Maintenance and Repair Obligations.* Unless otherwise set forth in the Basic Lease Information, Tenant shall at all times during the Term, starting on the

Commencement Date, including any period of early entry under this Lease, or occupancy or use of the Premises by Tenant under another lease or license with Port for the same Premises, and at its sole cost and expense, maintain, repair and replace in good and working order, condition and repair the Premises and all Improvements and Alterations thereon, including, but not limited to, glazing. Port shall not be obligated to make any repairs, replacement or renewals of any kind, nature or description whatsoever to the Premises nor to any Improvements or Alterations now or hereafter located thereon. Tenant hereby waives all rights to make repairs at Port's expense under Sections 1932(1), 1941 and 1942 of the California Civil Code or under any similar Law now or hereafter in effect. Notwithstanding any maintenance obligations of Port that may be set forth in the Basic Lease Information, in the event that Tenant, its Agents or Invitees cause any damage to the Premises or any other property within Port's jurisdiction, Tenant shall be responsible for repair and Port may repair the same at Tenant's sole cost and expense and Tenant shall immediately reimburse Port therefor.

Tenant shall not make, nor cause or suffer to be made, any repairs or other work for which a permit is required by any applicable building code, standard or regulation, including, without limitation, the Port Building Code or of any rule or regulation of Port without first obtaining Port's prior written consent and a permit therefor.

In the event that damage or deterioration to the Premises or any portion thereof which is Tenant's obligation to maintain results in the same not meeting the standard of maintenance required by Port for such uses as Tenant is making of the Premises, then Tenant shall have the independent responsibility for, and shall promptly undertake, maintenance or repair of the Premises and complete the same with due diligence.

11.2. Port's Right to Inspect. Without limiting Section 24 below, Port may make periodic inspections of the Premises and may advise Tenant when maintenance or repair of the Premises is required, but such right of inspection shall not relieve Tenant of its independent responsibility to maintain such Premises and Improvements in a condition as good as, or better than, their condition at the Commencement Date, excepting ordinary wear and tear.

11.3. Port's Right to Repair. In the event Tenant fails to maintain the Premises in accordance with this Lease or Tenant fails to promptly repair any damage to the Facility or the Facility Systems caused by Tenant or its Agents, Port may repair the same at Tenant's sole cost and expense and Tenant shall immediately reimburse Port therefore. If the cost (including, but not limited to, salaries of Port staff and attorneys' fees) of any such repairs or replacements made at Tenant's expense is in excess of Two Thousand Dollars (\$2,000), then Tenant shall pay to Port an administrative fee equal to ten percent (10%) of the total "**Hard costs**" of the work. "**Hard costs**" shall include the cost of materials and installation, but shall exclude any costs associated with design, such as architectural fees. With respect to any work where the total hard costs of such work are less than Two Thousand Dollars (\$2,000), Tenant shall pay to Port, as Additional Rent, an amount equaling Two Hundred Dollars (\$200).

In addition, upon delivery of the initial notice relating to Tenant's failure to maintain the Premises in accordance with Section 11 ("**Maintenance Notice**"), Tenant shall pay, as Additional Rent, an amount equaling Two Hundred Dollars (\$200.00). In the event Port determines during subsequent inspection(s) that Tenant has failed to maintain the Premises in accordance with Section 11, then Tenant shall pay to Port, as Additional Rent, an amount equaling Three Hundred Dollars (\$300) for each additional Maintenance Notice, if applicable, delivered by Port to Tenant following each inspection. By signing this Lease, each party specifically agrees that the charges associated with each inspection of the Premises and delivery of each Maintenance Notice represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Port's inspection of the Premises and issuance of each Maintenance Notice. Tenant's failure to comply with the applicable Maintenance Notice and Port's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights and remedies

of Port under this Lease, at law or in equity. The amounts set forth in this Section shall be due within three (3) business days following delivery of the applicable Maintenance Notice.

For purposes of this Lease, the term "**ordinary wear and tear**" shall not include any deterioration in the condition or diminution of the value of any portion of the Premises and/or the Facility in any manner whatsoever related directly or indirectly to Tenant's failure to comply with the terms and conditions of this Lease.

11.4. Acts of Nature. Nothing contained herein shall require Port to repair or replace the Premises or the Improvements thereon as a result of damage caused by acts of war, earthquake, tidal wave or other acts of nature, except that this provision shall not affect any obligation to make repairs to the Premises pursuant to Section 17 in the event of any damage or destruction of the Premises.

12. UTILITIES AND SERVICES.

12.1. Utilities. Except as may be otherwise provided in the Basic Lease Information, Tenant shall make arrangements and shall pay all charges for all Utilities to be furnished on, in or to the Premises or to be used by Tenant. Tenant shall procure all electricity for the Premises from the San Francisco Public Utilities Commission at rates to be determined by the SF Public Utilities Commission. If the SF Public Utilities Commission determines that it cannot feasibly provide service to Tenant, Tenant may seek another provider.

Tenant shall be obligated, at its sole cost and expense, to repair and maintain in good operating condition all utilities serving the Premises (whether within or outside the Premises and regardless of who installed same). The obligation to repair and maintain includes the obligation to routinely inspect and assess such Utilities using qualified licensed professionals and to report the results of such inspections to Port. Tenant shall coordinate with Port and impacted Port tenants, if necessary, with respect to maintenance and repair of any off-Premises utility infrastructure, including providing advance notice of maintenance and repair requirements.

Tenant shall not, without the written consent of Port, which consent may be granted or withheld in Port's sole and absolute discretion, use any apparatus or device in the Premises using current in excess of 110 volts or which will in any way increase the amount of electricity usually furnished or supplied for use of the Premises, including without limitation, electronic data processing machines. If Tenant requires electric current in excess of that usually furnished or supplied for the Premises, Tenant shall first procure the written consent of Port, which Port may refuse, in its sole and absolute discretion, to the use thereof, and Port may cause an electric current meter to be installed in the Premises so as to measure the amount of electric current consumed for any such other use. The cost of any such meter and of installation, maintenance, and repair thereof shall be paid for solely by Tenant and Tenant agrees to pay to Port promptly upon demand therefor by Port for all such electric current consumed, as shown by the meter, at the rates charged for such service by the San Francisco Public Utilities Commission or the local public utility, as the case may be, furnishing the same, plus any additional expense incurred in keeping account of the electric current so consumed.

The parties agree that any and all utility improvements (not including telephone wiring and equipment) shall become part of the realty and are not trade fixtures or Tenant's Property. Port makes no representation or warranty that utility services, including telecommunications services, will not be interrupted. Port shall not be liable in damages or otherwise for any failure or interruption of any utility services, including telecommunications services, furnished to the Premises. No such failure or interruption shall constitute a basis for constructive eviction, nor entitle Tenant to terminate this Lease or abate Rent. Tenant hereby waives the provisions of California Civil Code Section 1932(1), 1941, and 1942, or any other applicable existing or future Laws permitting the termination of this Lease due to such interruption, failure or inability.

In the event any Law imposes mandatory or voluntary controls on Port, the Facility, or the property or any part thereof, relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions, or the provision of any other utility or service provided with respect to this Lease, or in the event Port is required or elects to make alterations to any part of the Facility in order to comply with such mandatory or voluntary controls or guidelines, such compliance and the making of such alterations shall in no event entitle Tenant to any damages, relieve Tenant of the obligation to pay the full Base Rent and Additional Rent reserved hereunder or to perform each of its other covenants hereunder or constitute or be construed as a constructive or other eviction of Tenant. Port shall have the right at any time to install a water meter in the Premises or otherwise to measure the amount of water consumed on the Premises, and the cost of such meter or other corrective measures and the installation and maintenance thereof shall be paid for by Tenant.

Without Port's prior written consent, which Port may give or refuse in its sole and absolute discretion, Tenant shall not place or install in the Premises any equipment that weighs in excess of the normal load-bearing capacity of the floors of the Facility or the pier, as applicable, and as may be further described in the Basic Lease Information. If Port consents to the placement or installation of any such machine or equipment in the Premises, Tenant, at no cost to Port, shall reinforce the floor of the Premises, pursuant to plans and specifications approved by Port and otherwise in compliance with Section 13 below, to the extent necessary to assure that no damage to the Premises or the Facility or weakening of any structural or substructural supports, as the case may be, will be occasioned thereby.

12.2. Services. Except as may be otherwise provided in the Basic Lease Information, Tenant shall make arrangements and shall pay all charges for all services to be furnished on, in or to the Premises or to be used by Tenant, including, without limitation, garbage and trash collection, janitorial service and extermination service.

12.3. On-Site Renewable Energy. At any time during the Term, Port shall have the right, at its sole and absolute discretion, to install, or cause another party to install, a renewable energy system, using sources such as solar (photovoltaic or solar thermal power), wind, tidal or biofuel power ("**Renewable Energy System**") on the roof of the Facility or otherwise on or near the Premises for the purpose of supplying power to the Facility or other locations. Notwithstanding Section 12.1, unless the cost per kilowatt of power to Tenant from such Renewable Energy System is greater than the cost per kilowatt Tenant would otherwise pay for power, Tenant shall purchase all or a portion of its power needs from the operator of the Renewable Energy System.

12.4. Energy Consumption Disclosure. Tenant consents to Tenant's utility service providers disclosing energy use data for the Premises to City for use under California Public Resources Code Section 25402.10, as implemented under California Code of Regulations Sections 1680–1685, and San Francisco Environment Code Chapter 20, as each may be amended from time to time ("**Energy Consumption Reporting Laws**"), and for such data to be publicly disclosed under the Energy Consumption Reporting Laws.

13. IMPROVEMENTS AND ALTERATIONS.

13.1. Port Consent Required.

(a) Tenant shall not make nor cause or suffer to be made, any Alterations or Improvements to the Premises (i) without the prior written consent of Port, which consent shall not be unreasonably withheld; provided, however, that Port shall have the right in its sole and absolute discretion to consent or to withhold its consent to any Alterations or Improvements which affect the structural portions of the Premises, the Facility or the Facility Systems, and (ii) until Tenant shall have procured and paid for all Port and other Regulatory Approvals of the various Regulatory Agencies having jurisdiction over the Premises, including, but not limited to, any building or similar permits required by Port or its Chief Harbor Engineer in the exercise of its jurisdiction with respect to the Premises.

(b) As a condition to giving consent, Port may require Tenant to provide Port, at Tenant's sole cost and expense, one or more financial guarantees, each in a form and issued by a bank or surety acceptable to Port, such as: (i) a standby letter of credit or bond; and/or (ii) a payment and performance bond from Tenant's Contractors naming Port as co-obligee, each in a principal amount up to one hundred fifty percent (150%) but not less than one hundred percent (100%) of the estimated costs of the Alteration or Improvement, to ensure Port against any liability for mechanics' and materialmen's liens, stop notices and to ensure completion of work.

(c) At least thirty (30) days before commencing any Alterations or Improvements to the Premises, Tenant shall notify Port. Tenant's notice shall be accompanied by final construction documents for the Alterations or Improvements, if applicable. Port shall have the right to object to any of the Alterations or Improvements within sixty (60) days after receipt of notice from Tenant. Port's failure to notify Tenant of Port's consent within the 60-day period shall be deemed Port's disapproval of the Alterations.

(d) None of the following will constitute Alterations or Improvements requiring Port's consent, unless the installation will affect Facility Systems or the structure of the building: (i) installation of furnishings, trade fixtures, equipment, or decorative improvements; (ii) painting the interior of the Premises; and (iii) carpeting the Premises.

13.2. Construction Requirements. All Alterations and Improvements to the Premises made by or on behalf of Tenant shall be subject to the following conditions, which Tenant covenants faithfully to perform:

(a) All Alterations and Improvements shall be performed in a good and workmanlike manner in accordance with plans and specifications previously approved by Port in writing and in compliance with the applicable building, zoning and other applicable Laws, including, but not limited to, compliance with the ADA, and in compliance with the terms of and conditions imposed in any Regulatory Approval or any permit or authorization for the Premises.

(b) All Alterations and Improvements shall be performed at the sole cost and expense of Tenant, with reasonable dispatch and prosecuted to completion, and only by duly licensed and bonded contractors or mechanics approved by Port, and subject to any conditions that Port may reasonably impose.

(c) Tenant, while performing any subsequent construction or maintenance or repair of the Improvements (for purposes of this Section only, "**Work**"), shall undertake commercially reasonable measures in accordance with good construction practices to minimize the risk of injury or damage to adjoining portions of the Premises and Improvements and the surrounding property, or the risk of injury to members of the public, caused by or resulting from the performance of its Work. Tenant shall undertake commercially reasonable measures to minimize damage, disruption or inconvenience caused by the Work and make adequate provision for the safety and convenience of all persons affected by the Work. Dust, noise and other effects of the Work shall be controlled using commercially-accepted methods customarily used to control deleterious effects associated with construction projects in populated or developed urban areas. Tenant shall erect appropriate construction barricades substantially enclosing the area of such construction and maintain them until the Work has been substantially completed, to the extent reasonably necessary to minimize the risk of hazardous construction conditions.

(d) At the completion of any Work described in this Section, Tenant shall furnish to Port one reproducible "as built" drawing of all Alterations and Improvements made in the Premises. If Tenant fails to provide such as-built drawings to Port within sixty (60) days after completion of the Improvements, Port, after giving notice to Tenant shall have the right, but not the obligation, to cause the preparation by an architect of Port's choice of "as-built" drawings, at Tenant's sole cost, to be paid by Tenant to Port within thirty (30) days after Port's request therefor.

(e) Without limiting Section 15 below (Hazardous Materials), in the event that asbestos-containing materials ("ACM") are determined to exist in or about the Premises, Tenant shall ensure that all Alterations and Improvements and any asbestos related work, as further defined in California Health & Safety Code Section 25914.1(b), is performed in compliance with all Laws relating to asbestos, including but not limited to, Cal-OSHA regulations found in Title 8 of the California Code of Regulations, Sections 1502 and 1529. Additionally, Tenant shall distribute notifications to all employees and contractors as required pursuant to California Health & Safety Code Sections 25915 et seq. informing them of the existence of ACM and that moving, drilling, boring, or otherwise disturbing ACM may present a health risk and should not be attempted by an unqualified employee. No Alterations or Improvements affecting ACM-containing areas or any asbestos related work shall be performed without Port's prior written consent in each instance.

(f) Tenant, on behalf of itself and its Agents or Invitees, shall comply with all requirements of the Port Building Code, Section 3424, and all other Laws, including, without limitation, the California and United States Occupational Health and Safety Acts and their implementing regulations, when the work of Alterations or Improvements disturbs or removes lead-based or presumed lead-based paint (as described below). Tenant and its Agents or Invitees shall give to Port three (3) business days prior written notice of any disturbance or removal of lead-based or presumed lead-based paint. Further, Tenant and its Agents or Invitees, when disturbing or removing lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers, without Port's prior written consent; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool, without Port's prior written consent; and (e) heat guns operating above 1,100 degrees Fahrenheit. Paint on the interior and exterior of buildings built before December 31, 1978, is presumed to be lead-based paint unless lead-based paint testing, as defined in Section 3424 of the Port Building Code, demonstrates an absence of lead-based paint on the surfaces of such buildings. Under this Section 13.2(f), lead-based paint is "**disturbed or removed**" if the work of Alterations or Improvements involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on an interior or exterior surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

13.3. Improvements Part of Realty. Except as set forth in Section 13.4 below, all Alterations and Improvements constructed on or affixed to the Premises by or on behalf of Tenant shall immediately upon construction or installation become part of the realty owned by Port and shall, at the end of the Term hereof, remain on the Premises without compensation to Tenant. Tenant may not remove any such property at any time during or after the Term unless Port so requires as further provided in Section 25 (Surrender).

13.4. Removal of Improvements. Prior to the Expiration Date or earlier termination of this Lease, Port may give written notice to Tenant (herein "**Notice of Removal**") specifying the Alterations or Improvements that are designated as Tenant's Property as defined in this Lease or as may be specifically provided in the relevant permits or plans approved by Port, which Tenant shall be required to remove and relocate or demolish and remove from the Premises in accordance with Section 25. Any such removal is subject to the requirements of this Section, including the requirement to obtain a Port building or similar permit. If termination of this Lease is the result of loss or destruction of the Premises or any Improvements thereon, Port shall deliver the Notice of Removal to Tenant within a reasonable time after the loss or destruction. Tenant shall be obligated at its own expense to remove all Alterations or Improvements specified in the Notice of Removal, including without limitation all telephone wiring and equipment installed by Tenant. Tenant shall promptly repair, at its own expense, in good and workmanlike fashion any damage occasioned thereby. If Tenant fails to complete any required demolition or

removal on or before the termination of this Lease, Port may perform such removal or demolition at Tenant's expense, and Tenant shall reimburse Port within three (3) business days after demand therefor.

13.5. *Removal of Non-Permitted Improvements.* If Tenant constructs any Alterations or Improvements without Port's prior written consent or without complying with Section 13.2 above, then, in addition to any other remedy available to Port, Port may require Tenant to remove, at Tenant's expense, any or all such Alterations or Improvements and to promptly repair, at Tenant's expense and in good workmanlike fashion, any damage occasioned thereby. Tenant shall pay to Port all special inspection fees as set forth in any applicable building code, standard or regulation, including, without limitation, the Port Building Code, for inspection of work performed without required permits. The foregoing obligation of Tenant to reimburse Port for all cost and expenses incurred by Port in connection with Tenant's failure to comply with the provisions of Section 13 shall survive the expiration or earlier termination of this Lease.

13.6. *All-Gender Toilet Facilities.* If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land and within existing buildings leased by the City, including the Premises, where extensive renovations are made. An “**all-gender toilet facility**” means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and “**extensive renovations**” means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section. If Tenant has any question about applicability or compliance, Tenant should contact the Port's Property Manager for guidance.

13.7. *Signs.* Tenant shall not install business signage, awnings or other exterior decoration or notices on the Premises without Port's prior written consent. Any sign that Tenant is permitted to place, construct or maintain on the Premises shall comply with all Laws relating thereto, including but not limited to, Port's Sign Guidelines, as revised by Port from time to time, and building permit requirements, and Tenant shall obtain all Regulatory Approvals required by such Laws. Port makes no representation with respect to Tenant's ability to obtain such Regulatory Approval. Tenant, at its sole cost and expense, shall remove all signs placed by it on the Premises at the expiration or earlier termination of this Lease.

13.8. *Improvements on Roof.* Tenant shall not install any equipment on the roof or any other part of the Facility outside of the Premises without Port's prior written consent. If Port consents, then Tenant shall have a non-exclusive revocable license on and over the roof and/or other areas of the Facility necessary to install, maintain and repair the equipment in a location mutually agreeable to Port and Tenant, subject to and consistent with all necessary Regulatory Approvals, including a building or encroachment permit issued by Port. Port makes no representation with respect to Tenant's ability to obtain such Regulatory Approvals. Tenant's use of any licensed areas shall be subject to all the terms and conditions of this Lease and Tenant shall have the obligations and liabilities as if the licensed areas are included in the Premises under this Section, and Sections 3.7, 9-11, 13, 15, 16, 19 and 25 of this Lease. The license granted to Tenant hereunder is for the sole purpose of constructing, maintaining, restoring, replacing and operating Tenant's approved equipment, including any necessary conduits, only in connection with Tenant's Permitted Uses under this Lease and Tenant shall not have the right to install any other equipment outside of the Premises, including without limitation a telecommunications (cell) site or any other equipment that can be used for any commercial purpose. The license granted hereby includes the right of ingress and egress through the Facility during non-business hours for access to or from the Premises and Tenant's equipment, provided that Tenant must notify the Port's Property Manager at least 24 hours in advance of any access and shall comply with all reasonable requirements of such designated person with respect to Tenant's requested access. In the event of an emergency, Tenant shall have the right to enter the licensed areas provided it makes good faith efforts to notify Port in advance of such entry.

13.9. *Port's Alterations.* Port reserves the right at any time to make Alterations, additions, repairs, deletions or improvements to the Common Areas or any other part of the Facility, the Facility Systems, or adjacent Port property ("**Port Work**"). Port shall use commercially reasonable efforts to conduct any of the foregoing activities in a manner that, to the extent reasonably practicable, will minimize inconvenience or disturbance to Tenant; Port will have no obligation to minimize inconvenience or disturbance to Tenant for Port Work when the Port Work is necessary, in Port's sole and absolute discretion, to maintain Port property in safe, hazard-free condition. In no event will inconvenience or disturbance caused by Port Work constitute an actual or constructive eviction of Tenant, entitle Tenant to any abatement or diminution of Rent, or otherwise relieve Tenant from any of its obligations under this Lease. Tenant hereby waives any and all Claims against Port, City and their Agents arising out of any inconvenience or disturbance occasioned by Port Work.

14. LIENS.

Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant or its Agents. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause the same to be released of record, Port shall have, in addition to all other remedies provided by this Lease or by Law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including without limitation, payment of the claim giving rise to such lien. All sums paid by Port for such purpose, plus interest at the Interest Rate, and all reasonable expenses incurred by Port in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Port by Tenant upon demand. Port shall have the right to post on the Premises any notices that Port may deem proper for the protection of Port, the Premises, and the Facility, from mechanics' and materialmen's liens. Tenant shall give to Port at least fifteen (15) days' prior written notice of commencement of any Alteration, repair or construction on the Premises. Tenant agrees to Indemnify Port, City and their respective Agents from and against any Claims for mechanic's, materialmen's or other liens in connection with any Alterations, repairs or construction on the Premises, or materials furnished or obligations incurred by or for Tenant.

Without limiting the foregoing, Tenant shall not create, permit or suffer any liens or encumbrances affecting any portion of the Premises, the Facility or Port's interest therein or under this Lease.

15. HAZARDOUS MATERIALS.

15.1. *Requirements for Handling.* Neither Tenant nor its Agents or Invitees may Handle or permit any other person to Handle any Hazardous Material in, on, under or about the Premises, any other part of the Facility, or other Port property, subject only to the following exceptions, provided that Handling is at all times in full compliance with all Environmental Laws: janitorial and office supplies in limited amounts customarily used for general office purposes.

15.2. *Tenant Responsibility.* Tenant agrees to protect its Agents and Invitees in its operations on the Premises from hazards associated with Hazardous Materials in accordance with all Environmental Laws and also agrees, for itself and on behalf of its Agents and Invitees, that during its use and occupancy of the Premises, each of them:

- (a) will not permit any Hazardous Materials to be present in, on, under or about the Premises, any other part of the Facility, or other Port property except as permitted under Section 15.1;
- (b) will not cause or permit any Hazardous Material Condition; and
- (c) will comply with all Environmental Laws relating to the Premises and any Hazardous Material Condition, and will not engage in or permit any activity at the Premises, any

other part of the Facility, other Port property, or in the operation of any vehicles or vessels used in connection with the Premises in violation of any Environmental Laws.

15.3. *Tenant's Environmental Condition Notification Requirements.*

(a) Tenant must notify Port immediately, orally or by other means that will transmit the earliest possible notice to Port staff, followed within twenty-four (24) hours by written notice, of and when Tenant learns or has reason to believe Hazardous Materials were Released or, except as allowed under Section 15.1, Handled, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels that Tenant or its Agents or Invitees use during Tenant's occupancy of the Premises, whether or not the Release or Handling is in quantities that would be required under Environmental Laws to be reported to an Environmental Regulatory Agency.

(b) Tenant must notify Port immediately, orally or by other means that will transmit the earliest possible notice to Port staff, followed within twenty-four (24) hours by written notice, and contemporaneously provide Port with an electronic copy, of:

(i) Any notice of the Release or Handling of Hazardous Materials, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises that Tenant or its Agents or Invitees provides to an Environmental Regulatory Agency;

(ii) Any notice of a violation, or a potential or alleged violation, of any Environmental Law that Tenant or its Agents or Invitees receives from any Environmental Regulatory Agency;

(iii) Any other Environmental Regulatory Action that is instituted or threatened by any Environmental Regulatory Agency against Tenant or its Agents or Invitees and that relates to the Release or Handling of Hazardous Materials, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises;

(iv) Any Hazardous Material Claim that is instituted or threatened by any third party against Tenant or its Agents or Invitees and that relates to the Release or Handling of Hazardous Materials, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises; and

(v) Any notice of the termination, expiration, or substantial amendment of any Environmental Regulatory Approval needed by Tenant or its Agents or Invitees for their operations at the Premises.

(c) Tenant must notify Port of any meeting, whether conducted face-to-face or telephonically, between Tenant and any Environmental Regulatory Agency regarding an Environmental Regulatory Action. Port will be entitled to participate in any such meetings at its sole election.

(d) Tenant must notify Port of any Environmental Regulatory Agency's issuance of an Environmental Regulatory Approval. Tenant's notice to Port must state the issuing entity, the Environmental Regulatory Approval identification number, and the date of issuance and expiration of the Environmental Regulatory Approval. In addition, Tenant must provide Port with a list of any plan or procedure required to be prepared and/or filed with any Environmental Regulatory Agency for operations on the Premises, including a "Spill Prevention Control and Countermeasure Plan." Tenant must provide Port with copies of any of the documents within the scope of this section upon Port's request.

(e) Tenant must provide Port with copies of all communications with Environmental Regulatory Agencies and all non-privileged communications with other persons

regarding potential or actual Hazardous Material Claims arising from Tenant's or its Agents' or Invitees' operations at the Premises. Upon Port's request, Tenant must provide Port with a log of all communications withheld under a claim of privilege that specifies the parties to and subject of each withheld communication.

(f) Port may from time to time request, and Tenant will be obligated to provide, information reasonably adequate for Port to determine that any and all Hazardous Materials are being Handled in a manner that complies with all Environmental Laws.

15.4. Requirement to Remediate.

(a) Tenant's Remediation obligations under this subsection are subject to subsection (b).

(i) After notifying Port in accordance with Section 15.3(a), Tenant must Remediate at its sole cost in compliance with all Environmental Laws and this Lease, any Hazardous Material Condition occurring during the Term or while Tenant or its Agents or Invitees otherwise occupy any part of the Premises. Tenant must obtain Port's approval of a Remediation work plan, whether or not required under Environmental Laws, then begin Remediation actions immediately following Port's approval of the work plan and continue diligently until Remediation is complete, as determined by Port, in its sole discretion.

(ii) In addition to its obligations under clause (i), before this Lease terminates for any reason, Tenant must Remediate at its sole cost in compliance with all Environmental Laws and this Lease: (A) any Hazardous Material Condition caused by Tenant's or its Agents' or Invitees' Handling Hazardous Materials during the Term; and (B) any Hazardous Material Condition discovered during Tenant's occupancy that any Regulatory Agency requires to be Remediated if Remediation would not have been required but for Tenant's use of or Changes to the Premises.

(iii) If Environmental Laws governing Remediation require a remedial action plan, Tenant must provide a draft of its plan to Port for comment and approval before submittal to the appropriate Environmental Regulatory Agency, and a copy of the final plan as submitted.

(iv) In all situations relating to Handling or Remediating Hazardous Materials, Tenant must take all actions that are reasonably necessary in Port's sole judgment to protect the value of the Premises or the Facility, such as obtaining Environmental Regulatory Approvals related to Hazardous Materials and taking measures to remedy any deterioration in the condition or diminution of the value of any portion of the Premises or the Facility in any manner related directly or indirectly to Hazardous Materials.

(b) Unless Tenant or its Agents or Invitees Exacerbate the Hazardous Material Condition, Tenant will not be obligated to Remediate any Hazardous Material Condition: (i) caused solely by City, Port, or their Agents during Tenant's occupancy of the Premises; or (ii) arising before the Commencement Date or the date of Tenant's first use of the Premises, whichever is earlier.

15.5. Port's Right to Audit. Port will have the right, but not the obligation, to inspect and audit the Premises for any Hazardous Materials, including the right to Investigate, at reasonable times under Section 24 (Port's Entry on Premises). Port's failure to inspect or obtain samples or to detect conditions attributable to Tenant's operations if an inspection is conducted may not be deemed to be a release of any liability for any Hazardous Materials subsequently determined to be Tenant's responsibility under this Lease.

15.6. Notification of Asbestos. Port hereby notifies Tenant, in accordance with the OSHA Asbestos Rule (1995), 59 Fed. Reg. 40964, 29 CFR §§ 1910.1001, 1926.1101 (as amended, clarified and corrected) (OSHA Asbestos Rule); California Health and Safety Code §§ 25915-259.7 and Cal-OSHA General Industry Safety Order for Asbestos, 8 CCR § 5208, of the

presence of asbestos-containing materials ("ACMs") and/or presumed asbestos-containing materials ("PACMs") (as such terms are defined in Cal-OSHA General Industry Safety Order for Asbestos), in the locations identified in the summary/table, if any, set forth in ***Schedule 1*** attached hereto.

This notification by Port is made pursuant to a building inspection survey(s), if any, performed by Port or its contractors qualified to perform an asbestos building survey identified in the summary/table, if any, set forth in ***Schedule 1*** attached hereto. Such survey(s), monitoring data and other information are kept at Port of San Francisco, Pier 1, San Francisco, California, 94111 and are available for inspection upon request.

Tenant hereby acknowledges receipt of the notification specified in the first paragraph of Section 15.6 hereof and the notice or report attached as ***Schedule 1*** hereto and understands, after having consulted its legal counsel, that it must make its employees and contractors aware of the presence of ACMs and/or PACMs in or about the Premises in order to avoid or minimize any damage to or disturbance of such ACMs and/or PACMs. Tenant further acknowledges its obligations under Cal-OSHA General Industry Safety Order for Asbestos to provide information to its employees and contractors regarding the presence of ACMs and PACMs at the Premises and to provide a training program for its employees that conforms with 8 CCR § 5208(j)(7)(C).

Tenant agrees that its waiver of Claims set forth in Section 19 below (Indemnity and Exculpation) is given with full knowledge of the presence, or possibility, of asbestos in or about the Premises and/or the Facility and the potential consequences of such fact. Tenant is aware that the presence, or possibility, of asbestos in or about the Premises may limit Tenant's ability to construct Alterations to the Premises without Tenant first performing abatement of such asbestos. The presence of asbestos in the Premises and/or the Facility and the removal or non-removal by Port of all or a portion of the asbestos in the Facility, whether in the Premises or elsewhere in the Facility, shall not, however, (i) entitle Tenant to any Claim, (ii) relieve Tenant of any of its obligations hereunder, including without limitation the obligation to pay Rent, or (iii) constitute or be construed as a constructive or other eviction of Tenant.

Notwithstanding any other provisions of this Lease, Tenant agrees to Indemnify Port for Tenant's acts or omissions that result in (1) asbestos-related enforcement actions, including both administrative or judicial proceedings, and (2) any Claims arising from an alleged violation of Cal-OSHA General Industry Safety Order for Asbestos and/or exposures to asbestos.

15.7. Notification of Lead. Port hereby notifies Tenant of the potential presence of lead-containing and presumed lead-containing materials in the Premises or Facility. Disturbance or removal of lead is regulated by, among other Laws, 29 CFR §§ 1910.1025, 1926.62; California Health & Safety Code §§ 105185-105197 and 105250-105257; Cal-OSHA Construction Safety Order for Lead, Title 8 CCR § 1532.1; Title 17 CCR Chapter 8; and Port Building Code § 3424.

Tenant agrees that its waiver of Claims set forth in Section 19 below (Indemnity and Exculpation) is given with full knowledge of the presence, or possibility, of lead in or about the Premises and/or the Facility and the potential consequences of such fact. Tenant is aware that the presence, or possibility, of lead in or about the Premises may limit Tenant's ability to perform any Improvements or Alterations to the Premises without Tenant first performing abatement of such lead. The presence of lead in the Premises and/or the Facility and the removal or non-removal by Port of all or a portion of the lead, whether in the Premises or elsewhere in the Facility, shall not, however, (i) entitle Tenant to any Claim, (ii) relieve Tenant of any of its obligations hereunder, including without limitation the obligation to pay Rent, or (iii) constitute or be construed as a constructive or other eviction of Tenant. Notwithstanding any other provisions of this Lease, Tenant agrees to Indemnify Port for its acts or omissions that result in (1) lead-related enforcement actions, including both administrative or judicial proceedings, and (2) any Claims arising from an alleged violation of Cal-OSHA Construction Safety Order for Lead and/or exposures to lead.

15.8. Storm Water Pollution Prevention.

(a) Tenant must comply with the applicable provisions of the Statewide General Permit for Discharge of Industrial Storm Water issued by the State Water Resources Control Board, including filing a Notice of Intent to be covered, developing and implementing a site-specific Storm Water Pollution Prevention Plan ("SWPPP"), and conducting storm water monitoring and reporting. Tenant's SWPPP and a copy of a Notice of Intent for Tenant's Premises must be submitted to Port's Real Estate Division before beginning operations on the Premises.

(b) Post-Construction Requirements. In addition to requiring compliance with the permit requirements under Subsection (a), Tenant shall comply with the post-construction stormwater control provisions of the Statewide General Permit for Discharge of Stormwater from Small Municipalities and the San Francisco Stormwater Management Requirements and Design Guidelines, subject to review and permitting by the Port.

15.9. Presence of Hazardous Materials. California Law requires landlords to disclose to tenants the presence or potential presence of certain Hazardous Materials. Accordingly, Tenant is hereby advised that Hazardous Materials (as herein defined) may be present on or near the Premises, including, but not limited to, vehicle fluids, janitorial products, tobacco smoke, and building materials containing chemicals, such as asbestos, naturally-occurring radionuclides, lead and formaldehyde. Further, the following known Hazardous Materials are present on the property: asbestos in building, if any, as described in *Schedule 1* attached hereto, and the Hazardous Materials described in the reports listed in *Schedule 4*, copies of which have been delivered to or made available to Tenant. By execution of this Lease, Tenant acknowledges that the notice set forth in this section satisfies the requirements of California Health and Safety Code Section 78700 and related Laws. Tenant must disclose the information contained in this Section 15.9 to any subtenant, licensee, transferee, or assignee of Tenant's interest in this Lease. Tenant also acknowledges its own obligations pursuant to California Health and Safety Code Section 78700 as well as the penalties that apply for failure to meet such obligations.

15.10. Survival. Tenant's obligations under Section 15 shall survive the expiration or earlier termination of this Lease.

For purposes of this Section 15, the term "**Commencement Date**" shall mean the commencement date (including any early entry period, if any) of the Prior Lease.

16. INSURANCE.

16.1. Required Insurance Coverage. Tenant, at its sole cost and expense, shall maintain, or cause to be maintained, throughout the Term, the following insurance:

(a) General Liability Insurance. Comprehensive or commercial general liability insurance, with limits not less than One Million Dollars (\$1,000,000.00) each occurrence combined single limit for bodily injury and property damage, including coverages for contractual liability, independent contractors, broad form property damage, personal injury, products and completed operations, fire damage and legal liability with limits not less than Two Hundred Fifty Thousand Dollars (\$250,000.00), and explosion, collapse and underground (XCU) coverage during any period in which Tenant is conducting any activity on or Alteration or Improvement to the Premises with risk of explosion, collapse, or underground hazards. This policy must also cover non-owned and for-hire vehicles and all mobile equipment or unlicensed vehicles, such as forklifts.

(b) Automobile Liability Insurance. Comprehensive or business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000.00) each occurrence combined single limit for bodily injury and property damage, including coverages for owned and hired vehicles and for employer's non-ownership liability, which insurance shall be required if any automobiles or any other motor vehicles are operated in connection with Tenant's activity on

the Premises or the Permitted Use. If parking is a Permitted Use under this Lease, Tenant must obtain, maintain, and provide to Port upon request evidence of personal automobile liability insurance for persons parking vehicles at the Premises on a regular basis, including without limitation, Tenant's Agents and Invitees.

(c) Workers' Compensation; Employer's Liability; Jones Act; U.S. Longshore and Harborworker's Act Insurance. Worker's Compensation Insurance, U.S. Longshore and Harborworker's Act Insurance and Jones Act Insurance with Employer's Liability limit not less than One Million Dollars (\$1,000,000.00) for each accident, injury or illness, on employees eligible for each. In the event Tenant is self-insured for the insurance required pursuant to this Section 16.1(c), it shall furnish to Port a current Certificate of Permission to Self-Insure signed by the Department of Industrial Relations, Administration of Self-Insurance, Sacramento, California. Notwithstanding the foregoing, so long as Tenant complies with Sections 8.2(h) and 8.2(i) above, Tenant shall not be required to maintain insurance for claims under the Jones Act or U.S. Longshore and Harborworker's Act, respectively.

(d) Personal Property Insurance. Tenant, at its sole cost and expense, shall procure and maintain on all of Tenant's Property and Alterations, in, on, or about the Premises, personal property insurance on an all risk form, excluding earthquake and flood, in an amount not less than full replacement value or a stated value, at Tenant's sole discretion, for the replacement of Tenant's Property. In addition to the foregoing, Port may, in its sole discretion, insure any personal property leased to Tenant by Port pursuant to this Lease in such amounts as Port deems reasonably appropriate and Tenant shall have no interest in the proceeds of such personal property insurance. Port shall have no responsibility or obligation to maintain insurance or replace Tenant's Property, Alterations, or any Improvements regardless of cause of loss.

(e) Construction Activities. At all times during any period of Tenant's construction of Improvements or Alterations subject to Section 13,

(i) Tenant shall require Tenant's contractor to maintain (a) commercial general liability insurance with limits of not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage (including personal injury and death), and products and completed operations coverage in an amount not less than Five Hundred Thousand Dollars (\$500,000) per incident, One Million Dollars (\$1,000,000) in the aggregate; (b) comprehensive automobile liability insurance with a policy limit of not less than One Million Dollars (\$1,000,000) each accident for bodily injury and property damage, providing coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, "any auto", and insuring against all loss in connection with the ownership, maintenance and operation of automotive equipment that is owned, hired or non-owned; (c) worker's compensation with statutory limits and employer's liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000) per accident, Five Hundred Thousand Dollars (\$500,000) aggregate disease coverage and One Hundred Thousand Dollars (\$100,000) disease coverage per employee; and (d) owners and contractors protective liability with limits of not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage (including personal injury and death). Tenant shall cause Tenant's Agents (other than Tenant's contractor) to carry such insurance as shall be reasonably approved by Port taking into account the nature and scope of the work and industry custom and practice.

(ii) In addition, Tenant shall carry "**Builder's All Risk**" insurance on a form reasonably approved by Port, in the amount of one hundred percent (100%) of the completed value of all new construction, insuring all new construction, including all materials and equipment incorporated in, on or about the Premises, and in transit or storage off-site, that are or will be part of the permanent Improvements, against "**all risk**" and "special form" hazards.

(iii) Tenant shall require all providers of professional services, including architectural, design, engineering, geotechnical, and environmental professionals under

contract with Tenant for any Improvements or any Alterations to maintain professional liability (errors or omissions) insurance, with limits not less than One Million Dollars (\$1,000,000.00) each claim and aggregate, with respect to all professional services provided to Tenant therefor.

(f) **Other Coverage.** Not more often than every year and upon not less than sixty (60) days prior written notice, Port may require Tenant to increase the insurance limits set forth above or to provide other coverage and/or different coverage amounts as may be required by Law, the City's Risk Manager or as is generally required by commercial owners of buildings similar in size, character, age and location as the Facility with respect to risks comparable to those associated with the use of the Premises.

16.2. Claims-Made Policies. If any of the insurance required in Section 16.1 above is provided under a claims-made form of policy, Tenant shall maintain such coverage continuously throughout the Term and without lapse for a period of three (3) years beyond the termination of this Lease, to the effect that should occurrences during the Term give rise to claims made after termination of this Lease, such claims shall be covered by such claims-made policies.

16.3. Annual Aggregate Limits. If any of the insurance required in Section 16.1 above is provided under a form of coverage which includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be double the occurrence limits specified herein.

16.4. Payment of Premiums. Tenant shall pay the premiums for maintaining all required insurance.

16.5. Waiver of Subrogation Rights. Notwithstanding anything to the contrary contained herein, Port and Tenant (each a "**Waiving Party**") each hereby waives any right of recovery against the other party for any loss or damage sustained by such other party with respect to the Facility or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party, to the extent such loss or damage is covered by insurance which is required to be purchased by the Waiving Party under this Lease or is actually covered by insurance obtained by the Waiving Party. Each Waiving Party agrees to cause its insurers to issue appropriate waiver of subrogation rights endorsements to all policies relating to the Facility or the Premises; provided, the failure to obtain any such endorsement shall not affect the above waiver.

16.6. General Insurance Matters.

(a) All liability insurance policies required to be maintained by Tenant hereunder shall contain a cross-liability clause, shall name as additional insureds by written endorsement the "**CITY AND COUNTY OF SAN FRANCISCO AND THE SAN FRANCISCO PORT COMMISSION AND THEIR OFFICERS, DIRECTORS, COMMISSIONERS, EMPLOYEES AND AGENTS,**" shall be primary and non-contributory to any other insurance available to the additional insureds with respect to claims arising under this Lease, and shall provide that such insurance applies separately to each insured against whom complaint is made or suit is brought except with respect to the limits of the company's liability.

(b) All insurance policies required to be maintained by Tenant hereunder shall be issued by an insurance company or companies reasonably acceptable to Port with an AM Best rating of not less than A-VIII and authorized to do business in the State of California. Tenant's compliance with this Section shall in no way relieve or decrease Tenant's liability under this Lease.

(c) All insurance policies required to be maintained by Tenant hereunder shall be endorsed to provide for thirty (30) days prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Tenant and Port.

(d) Tenant shall deliver to Port certificates of insurance, additional insured policy endorsements and waiver of subrogation endorsements in a form satisfactory to and at the

direction of Port, such as hard copy documentation or use of an internet-based insurance compliance tracking systems such as EXIGIS, evidencing the coverages required herein, together with evidence of payment of premiums, on or before the Commencement Date, and upon renewal of each policy not less than thirty (30) days before expiration of the term of the policy. If Port is using an internet-based insurance compliance tracking system, Tenant's broker shall complete the insurance questionnaire and submit all required documentation. Tenant shall, upon Port's request, promptly furnish Port with a complete copy of any insurance policy required hereunder.

17. DAMAGE AND DESTRUCTION.

17.1. Damage and Destruction. If the Premises or the Facility is damaged by fire or other casualty, then Port shall repair the same provided that funds for such repairs are appropriated by Port, in its sole discretion, for such purpose and that such repairs can be made within the Repair Period. In the event such conditions are satisfied, this Lease shall remain in full force and effect except that so long as such damage or casualty is not attributable to Tenant, its Agents or Invitees, Tenant shall be entitled to a proportionate reduction of Base Rent during the Repair Period based upon the extent to which such damage and the making of such repairs materially interferes with Tenant's use or occupancy of the Premises less any insurance proceeds Tenant receives, or would have received if Tenant complied with the requirements set forth in Section 16 above, which proceeds are to be applied against the payment of Rent during any Repair Period.

Port shall use its commercially reasonable efforts to notify Tenant within ninety (90) days after the date of such damage whether or not such repairs can be made within the Repair Period, and Port's determination thereof shall be binding on Tenant. If such repairs cannot be made within the Repair Period, Port shall have the option to notify Tenant of: (a) Port's intention to repair such damage and diligently prosecute such repairs to completion within a reasonable period after the Repair Period, subject to appropriation of funds, in which event this Lease shall continue in full force and effect and the monthly Base Rent shall be reduced as provided herein; or (b) Port's election to 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 Port. In case of termination, the monthly Base Rent shall be reduced as provided above, and Tenant shall pay such reduced monthly Base Rent up to the date of termination.

If Port elects not to appropriate funds for such repair, Port shall give written notice to Tenant within sixty (60) days after the date Port elects not to appropriate funds of its election to 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 Port. In case of termination, the monthly Base Rent shall be reduced as provided above, and Tenant shall pay such reduced monthly Base Rent up to the date of termination.

If at any time during the last six (6) months of the Term, the Premises or the Facility is damaged or destroyed, then either Port or Tenant may terminate this Lease by giving written notice to the other party of its election to do so within thirty (30) days after the date of the occurrence of such damage; provided, however, Tenant may terminate only if such damage or destruction substantially impairs its use or occupancy of the Premises for the Permitted Use. The effective date of termination shall be specified in the notice of termination, which date shall not be more than thirty (30) days from the date of the notice.

Notwithstanding anything to the contrary in this Lease, (i) Port shall have no obligation to repair the Premises or the Facility, (ii) Tenant shall not be entitled to any abatement of Rent, and (iii) Tenant shall not be entitled to terminate this Lease, in the event the damage or destruction is attributable to any act or omission of Tenant, its Agents, or Invitees. In no event shall Port be required to repair any damage to Tenant's Property or any paneling, decorations, railings, floor coverings, or any Improvements or other Alterations installed or made on the Premises by or at the expense of Tenant. Notwithstanding any other provision of this Lease, in

the event the Premises or the Facility is substantially damaged or destroyed and Port intends to rebuild for a Port program or project that is inconsistent with this Lease, Port may terminate this Lease upon written notice to Tenant.

17.2. Waiver. Port and Tenant intend that the provisions of Section 17 govern fully in the event of any damage or destruction and accordingly, Port and Tenant each hereby waives the provisions of Section 1932, subdivision 2, Section 1933, subdivision 4, Sections 1941 and 1942 of the Civil Code of California or under any similar Law now or hereafter in effect.

18. EMINENT DOMAIN.

18.1. General. If all or part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this Lease shall terminate as to any portion of the Premises so taken or conveyed on the Date of Taking.

18.2. Partial Takings. If (a) a part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, and (b) Tenant is reasonably able to continue the operation of Tenant's business in that portion of the Premises remaining, and (c) Port elects to restore the Premises to an architectural whole, then this Lease shall remain in effect as to the portion of the Premises remaining, and the Base Rent payable from the Date of Taking shall be reduced by an amount that is in the same ratio to the Base Rent as the value of the area so taken bears to the total value of the Premises immediately before the Date of Taking. If, after a partial taking, Tenant is not reasonably able to continue the operation of its business in the Premises or Port elects not to restore the Premises to an architectural whole, this Lease may be terminated by either Port or Tenant by giving written notice to the other party no earlier than thirty (30) days prior to the Date of Taking and no later than thirty (30) days after the Date of Taking. Such notice shall specify the date of termination, which shall be not less than thirty (30) nor more than sixty (60) days after the date of notice.

18.3. Taking of the Facility. If any substantial portion of the Facility is taken under the power of eminent domain or conveyance in lieu thereof, whether any portion of the Premises is taken or not, Port shall have the right to terminate this Lease by written notice to Tenant within thirty (30) days of the Date of Taking.

18.4. Temporary Takings. Notwithstanding anything to the contrary contained in Section 18, if a taking occurs with respect to all or any part of the Premises for a limited period of time, this Lease shall remain unaffected thereby and Tenant shall continue to pay Rent and to perform all of the terms, conditions and covenants of this Lease. Tenant 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 Tenant for the period of the taking, and Port shall be entitled to receive the balance of any award.

18.5. Award; Waiver; Termination of Lease; Rent. Upon termination of this Lease in its entirety pursuant to Section 18.3, or pursuant to an election under Section 18.2, then: (i) Tenant's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (ii) Port shall be entitled to the entire Award in connection therewith (including, but not limited to, any portion of the Award made for the value of the leasehold estate created by this Lease and any Improvements Pertaining to the Realty), and Tenant shall have no claim against Port for the value of any unexpired term of this Lease, provided that Tenant may make a separate claim for compensation, and Tenant shall receive any Award made specifically to Tenant, for Tenant's relocation expenses or the interruption of or damage to Tenant's business or damage to Tenant's Property. Port and Tenant intend that the provisions of Section 18 shall govern fully in the event of condemnation and accordingly, Port and Tenant 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.

19. INDEMNITY AND EXCULPATION.

19.1. General Indemnity. Tenant shall Indemnify Port, City, including, but not limited to, all of their respective boards, commissions, departments, agencies, and other subdivisions, and their respective Agents (collectively, "**Indemnified Parties**") from, and shall defend them, without cost to the Indemnified Parties, against any and all Claims arising directly or indirectly out of: (a) any accident, injury to or death of any person, including any Agents and/or Invitees of Tenant, or loss or damage to or destruction of any property occurring in, on or about the Premises, the Facility or any other Port property, from any cause whatsoever, or (b) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease, including the provisions of Section 20, or (c) the use, occupancy, manner of use or occupancy, or condition of the Premises or the activities therein by Tenant, its Agents, or Invitees, or (d) any construction or other work undertaken by Tenant on the Premises whether before or during the Term, or (e) any acts, omissions or negligence of Tenant, its Agents or Invitees, in, on or about the Premises, the Facility or any other Port property.

19.2. Hazardous Materials Indemnity.

(a) In addition to its obligations under Section 19.1, Tenant, for itself and on behalf of its Agents and Invitees, agrees to Indemnify the Indemnified Parties from any and all Claims and Hazardous Material Claims that arise as a result of: (i) any Hazardous Material Condition, and (ii) Tenant's Exacerbation of any Hazardous Material Condition.

(b) Tenant's obligation to Indemnify the Indemnified Parties includes: (i) costs incurred in connection with any Investigation or Remediation requested by Port or required by any Environmental Regulatory Agency and to restore the affected area to its condition before the Release; (ii) damages for diminution in the value of the Premises or the Facility; (iii) damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Facility; (iv) damages arising from any adverse impact on marketing the space; (v) sums paid in settlement of Claims, Hazardous Material Claims, Environmental Regulatory Actions, including fines and penalties; (vi) natural resource damages; and (vii) attorneys' fees, consultant fees, expert fees, court costs, and all other litigation, administrative or other judicial or quasi-judicial proceeding expenses. If Port pays any costs within the scope of this section, Tenant must reimburse Port for Port's costs, plus interest at the Interest Rate from the date Port incurs each cost until paid, within three (3) business days after Port's payment demand. Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease.

19.3. Scope of Indemnities. The Indemnification obligations of Tenant set forth in this Lease shall be enforceable regardless of the joint or concurrent, active or passive negligence of the Indemnified Parties, and regardless of whether liability without fault is imposed or sought to be imposed on the Indemnified Parties. The Indemnification obligations of Tenant set forth in this Lease shall be enforceable except to the extent that such Indemnity is void or otherwise unenforceable under applicable Law in effect on, or validly retroactive to, the date of this Lease. Except as specifically provided otherwise, the Indemnification obligations of Tenant set forth in this Lease shall exclude Claims resulting solely from the willful misconduct or gross negligence of the Indemnified Parties.

In addition to Tenant's obligation to Indemnify the Indemnified Parties, Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the Indemnified Parties from any Claim which actually or potentially falls within the Indemnification obligations of Tenant set forth in this Lease, even if the allegations are or may be groundless, false or fraudulent. This Indemnification by Tenant shall begin from the first notice that any claim or demand is or may be made and shall continue at all times thereafter.

19.4. Exculpation and Waiver. To the fullest extent permitted by law, Tenant, as a material part of the consideration to be rendered to Port, hereby waives any and all Claims, including without limitation all Claims arising from the joint or concurrent, active or passive,

negligence of the Indemnified Parties, but excluding any Claims caused solely by the Indemnified Parties' willful misconduct or gross negligence. The Indemnified Parties shall not be responsible for or liable to Tenant, and Tenant hereby assumes the risk of, and waives and releases the Indemnified Parties from all Claims, whether direct or indirect, known or unknown, foreseen or unforeseen, for any injury, loss or damage to any person or property in or about the Premises by or from any cause whatsoever including, without limitation, (i) any act or omission of persons occupying adjoining premises or any part of the Facility adjacent to or connected with the Premises, (ii) theft, (iii) explosion, fire, steam, oil, electricity, water, gas or rain, pollution or contamination, (iv) stopped, leaking or defective Facility Systems, (v) Facility defects, (vi) damages to goods, wares, goodwill, merchandise, equipment or business opportunities, (vii) Claims by persons in, upon or about the Premises, the Facility or any other Port property for any cause arising at any time, (viii) alleged facts or circumstances of the process or negotiations leading to this Lease prior to the Commencement Date, (ix) inability to use all or any portion of the Premises due to sea level rise, and (x) any other acts, omissions or causes to the fullest extent permitted by law.

Tenant understands and expressly accepts and assumes the risk that any facts concerning the Claims released in this Lease might be found later to be other than or different from the facts now believed to be true, and agrees that the releases in this Lease shall remain effective. Therefore, with respect to the Claims released in this Lease, Tenant waives any rights or benefits provided by Section 1542 of the Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Initials: _____
 Tenant *Tenant*

Tenant specifically acknowledges and confirms the validity of the release made above and the fact that Tenant was represented by counsel who explained the consequences of the release at the time this Lease was made, or that Tenant had the opportunity to consult with counsel, but declined to do so.

19.5. *Survival.* The provisions of Section 19 shall survive the expiration or earlier termination of this Lease.

20. ASSIGNMENT AND SUBLETTING.

20.1. *Transfer to Affiliate.*

(a) Tenant may make a Transfer to an Affiliate without obtaining Port's consent, provided: (1) at the time Tenant provides Port with notice, an Event of Default, or an event that with notice or the passage of time or both would constitute an Event of Default if not cured, has occurred and remains uncured; (2) if the proposed Transferee is a successor to Tenant by purchase, such proposed Transferee shall acquire all or substantially all of the stock or assets of Tenant's business or, if such proposed Transferee is a successor to Tenant by merger, consolidation or reorganization, the continuing or surviving corporation shall own all or substantially all of the assets of Tenant; (3) such proposed Transferee must have a net worth which is at least equal to the greater of Tenant's net worth as of the Commencement Date or Tenant's net worth as of the day prior to the proposed purchase, merger, consolidation or reorganization as evidenced to Port's reasonable satisfaction; (4) such proposed Transferee operates the business in the Premises for the Permitted Use and no other purpose; and (5) Tenant

gives Port written notice at least sixty (60) days prior to the effective date of the proposed Transfer and provides copies of all documentation evidencing Tenant's relationship with the Affiliate and the Transfer Agreement within five (5) days after the actual Transfer Date. A Transfer to an Affiliate that does not meet the criteria specified in this Section 20.1(a) shall be subject to Port's prior written consent under Section 20.2.

(b) Port will have the right to: (i) request additional documentation and information relating to Tenant's relationship with the Transferee for three (3) months after Tenant has delivered all documents required under Subsection (a); and (ii) object to the Transfer on the grounds that the Transferee is not an Affiliate as defined in this Lease, if written notice is delivered to Tenant within three (3) months after Port's receipt of all required and requested information.

(c) Any Transfer that does not comply with this Section fully will constitute an incurable Event of Default and will be void as to Port and this Lease.

20.2. *Transfer to Non-Affiliate.*

(a) Except for a Transfer to an Affiliate meeting the requirements of Section 20.1, Tenant must obtain Port's prior written consent to any Transfer, which Port will not withhold unreasonably.

(i) Tenant agrees that any of the following will be a reasonable basis for Port to withhold its consent: (1) at the time Tenant requests Port's consent, an Event of Default, or an event that with notice or the passage of time or both would constitute an Event of Default if not cured, has occurred and remains uncured; (2) the Transfer is an Assignment or a Sublease by a Transferee of Tenant; (3) the Transferee's financial condition is or may become insufficient to support all of the financial and other obligations of this Lease; (4) the Transferee's intended use of the Premises is inconsistent with this Lease or otherwise will affect any City or Port interest materially and adversely; (5) the nature of the Transferee's use of the Premises would involve an increased risk of the Handling or Release of Hazardous Materials or of fire or other casualty; (6) the business reputation or character of the Transferee or any of its Affiliates is not reasonably acceptable to Port; or (7) the Transferee is not likely to conduct a business in the Premises of a quality substantially equal to Tenant's or otherwise reasonably acceptable to Port.

(ii) Tenant also agrees that Port will have the right to impose reasonable conditions to a requested consent to a Transfer, which may include: (1) requiring the Transferee to assume all of Tenant's obligations under this Lease; and (2) giving Port the right to terminate without notice all of Tenant's then-existing Subleases if this Lease is terminated before the existing Subleases expire.

(b) At least sixty (60) days before any Transfer to a Non-Affiliate, Tenant must give Port a Transfer Notice and the following: (i) financial statements for the three (3) years before the Transfer Date (or each year of the proposed Transferee's existence, if shorter) for the Transferee and for any other Person who will be liable for Tenant's obligations under this Lease; (ii) Tenant's current financial statements; (iii) a copy of the proposed Transfer Agreement; and (iii) the Transferee's completed pre-screening and leasing application. In addition, Tenant must provide: (1) any other information, documentation, or evidence that Port requests to enable Port to evaluate the Transfer and the Transferee; and (2) if any of the Transfer Terms are modified before the Transfer Date, a new Transfer Notice and all relevant documentation for any modified Transfer Terms. Tenant's Transfer Notice will not be complete until Tenant has provided Port with all information required under this Subsection.

For up to thirty (30) days after receipt of the complete Transfer Notice, Port will have the right to: (1) terminate this Lease as of the proposed Transfer Date; (2) sublease or take an assignment from Tenant of the interest that Tenant proposes to Transfer, on the same terms and conditions as stated in the Transfer Agreement; and (3) negotiate and contract directly with the Transferee on terms acceptable to Port in its sole and absolute discretion.

(c) If Port consents to the Transfer, Tenant must close the Transfer on the Transfer Terms stated in the Transfer Notice within ninety (90) days after Port notifies Tenant of Port's consent. If the Transfer Agreement does not close within the 90-day period, then Port's consent will expire, unless Tenant gives Port a new Transfer Notice, in which case Port again will be entitled to exercise any of the options under this Section.

(d) Any Transfer that does not comply with this Section fully will constitute an incurable Event of Default and will be void as to Port and this Lease. Port's consent to one Transfer will have no effect with respect to any other Transfer.

(e) Tenant agrees to reimburse Port for all costs, including attorneys' fees, that Port incurs to review, investigate, process, document, disapprove, or approve any Transfer request.

20.3. Sublease. In addition to all requirements in Section 20.2, the following provisions apply to any Transfer in the form of a Sublease.

(a) Until the occurrence of an Event of Default, Tenant will have the right to receive and collect rents from the Sublease. The Sublease must require the Transferee to pay the rent and other sums due under the Sublease directly to Port upon receiving Port's written notice that Tenant is in default under this Lease, a copy of which Port will deliver to Tenant. Tenant agrees that it will hold in trust for Port's benefit any Sublease rent or other sums that Tenant collects from the Transferee after Port's notice to the Transferee, and Tenant will be obligated to forward the same to Port immediately upon receipt. Port's collection of rents and other sums under this Section will not constitute Port's acceptance of attornment by the Transferee.

(b) Tenant agrees to pay to Port immediately upon receipt all Excess Rent, less Subletting Expenses, as Additional Rent. In calculating Excess Rent, Subletting Expenses will be amortized on a straight-line basis over the term of the Sublease, without interest. For example, if: (i) the term of the Sublease is 5 years; (ii) Sublease rent is \$5,000 per month; (iii) Tenant's concurrent Rent payable for the Sublease premises is \$3,000 per month; (iv) Tenant's Subletting Expenses are \$15,000 in brokerage commissions and \$15,000 for new tenant improvements for the Sublease premises, then the amount of Excess Rent Tenant must pay to Port in connection with the Sublease is \$1,500 per month, as shown in the calculation below.

Term of Sublease:	5 years x 12 months = 60 months
Subletting Expenses:	\$15,000 + \$15,000 = \$30,000
Amortized Subletting Expenses:	\$30,000/60 months = \$500/month
Excess Rent:	\$5,000/month - \$3,000/month = \$2,000/month
Additional Rent:	\$2,000/month - \$500/month = \$1,500/month

20.4. Transfer Agreement Requirements. Any Transfer Agreement must include the provisions set forth below.

(a) The Transferee's express assumption of, and acknowledgement and agreement that the Transferee will be jointly and severally liable for, all of Tenant's obligations under this Lease;

(b) The Indemnification clause and waiver of claims provisions in Section 19 (Indemnity and Exculpation);

(c) Insurance provisions requiring that all of the Transferee's liability and other insurance policies name "The City and County of San Francisco, the San Francisco Port Commission, and their officers, commissioners, agents, employees, and representatives" as additional insureds and acknowledging Port's right to demand increased coverage to amounts customarily required by other San Francisco landlords for premises where business activities similar to the Transferee's are conducted;

(d) A provision stating that if this Lease is terminated for any reason, the Transferee's right to possession under the Transfer Agreement will terminate;

(e) A provision under which the Transferee expressly waives any and all relocation assistance and benefits in connection with this Lease to the extent permitted by applicable Laws; and

(f) A provision under which the Transferee expressly agrees to report the transfer to the County Assessor in accordance with Section 6.2 of this Lease.

20.5. Notice to Port. In addition to the obligations under Section 6.2, within thirty (30) days of entering into any agreement under which Tenant grants any person the right to occupy or use any portion of the Premises for any period of time, including without limitation, any assignment, sublease, license, permit, concession or vendor agreement or other agreement or renewal thereof, Tenant shall provide written notice to Port and Assessor and a copy of such agreement, regardless of whether Port consent is required under this Lease for such agreement. Tenant agrees to provide such further information as may be requested by City or Port to enable compliance with reporting obligations under state Law and San Francisco Administration Code Sections 23.38 and 23.39 (or any successor ordinance).

20.6. Transfer Audit. Tenant agrees to make its Books and Records available to, and cooperate with, any Port representative for the purpose of conducting an audit of the accuracy of Tenant's financial reporting on the Transfer until the later of (i) four (4) years after the end of each Lease Year to which such records apply or, (ii) if an audit is commenced or if a controversy should arise between the parties as to the accuracy of Tenant's financial reporting on the Transfer, until such audit or controversy is concluded. If an audit reveals that Tenant has overstated Subletting Expenses or any other costs in connection with a Transfer, Tenant must pay Port promptly upon demand the difference between the amount Tenant deducted and the amount it should have deducted, plus interest at the Interest Rate from the Transfer Date until paid. As used in this section, Tenant includes Affiliates where applicable.

20.7. Acknowledgement. Tenant acknowledges and agrees that Port's rights with respect to Transfers are reasonable limitations for purposes of California Civil Code Section 1951.4 and waives any Claims arising from Port's actions under this Section 20.

20.8. Transfer Definitions. For the purpose of this Section, references to this Lease and the Premises mean this Lease and the Premises to the extent Tenant's leasehold interest is affected by a Transfer. Other applicable definitions are in Section 2.

21. DEFAULT BY TENANT.

Any of the following shall constitute an event of default (the "Event of Default") by Tenant hereunder:

(a) failure to pay to Port any Rent or other sum payable hereunder when due, and such default continues for a period of three (3) days following written notice from Port. Notwithstanding the foregoing, Port shall not be required to provide such notice more than twice during any 12-month period, and any such failure by Tenant after Tenant has received two (2) such notices in such 12-month period shall constitute an Event of Default by Tenant hereunder without any further action by Port or opportunity of Tenant to cure except as may be required by Section 1161 of the California Code of Civil Procedure; or

- (b) abandonment or vacation of the Premises by Tenant; or
- (c) failure to use the Premises solely for the Permitted Use, as determined by Port in its sole and absolute discretion and such failure continues for a period of twenty-four (24) hours following written notice from Port; provided, however, that notwithstanding the foregoing, failure to use the Premises solely for the Permitted Use shall, at Port's sole and absolute discretion, be deemed an incurable breach of this Lease, allowing Port to immediately terminate this Lease upon written notice without an opportunity to cure; or
- (d) failure by Tenant to execute and deliver to Port the estoppel certificate within the time period and in the manner required by Section 32 below, and Tenant's failure to cure the foregoing default within five (5) days following written notice from Port; or
- (e) a Transfer, or attempted Transfer, of this Lease or the Premises by Tenant contrary to the provisions of Section 20 above; or
- (f) failure by Tenant or Tenant's broker as applicable to provide evidence of insurance coverage complying with the provisions of Section 16 above, failure to maintain any insurance required to be maintained by Tenant pursuant to this Lease, or if any such insurance shall be canceled or terminated or shall expire or be reduced or materially changed, except as permitted in this Lease, and Tenant's or Tenant's broker's failure to deliver evidence of such coverage or failure to reinstate such coverage, all within three (3) business days following written notice from Port; or
- (g) failure by Tenant to comply with the provisions of Section 15 above and Tenant's failure to cure the foregoing default within twenty-four (24) hours following written notice from Port. If such default cannot reasonably be cured within such twenty-four (24) hour period, Tenant shall not be in default of this Lease if Tenant commences to cure the default within such twenty-four (24) hour period and diligently and in good faith continues to cure the default, provided, however, in no event shall Tenant have more than thirty (30) days to cure such default; or
- (h) failure by Tenant to discharge any lien or encumbrance placed on the Facility or any part thereof in violation of this Lease within ten (10) days after the date such lien or encumbrance is filed or recorded against the Facility or any part thereof, or if Tenant has no knowledge of such lien, then Tenant shall discharge such lien or encumbrance within fifteen (15) days following Tenant's knowledge of such lien or encumbrance; or
- (i) failure by Tenant to observe, keep or perform any of the other terms, covenants, agreements or conditions contained in this Lease and required to be observed or performed by Tenant and not specifically enumerated in this Section 21, and such failure continues for a period of fifteen (15) days after written notice by Port, provided that if such default is not capable of cure within such fifteen (15) day period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such fifteen (15) day period and thereafter diligently prosecutes the same to completion within sixty (60) days after the receipt of notice of default from Port. Port shall not be required to provide such notice more than twice in any twelve (12) month period with respect to any material non-monetary defaults and after the second notice in any calendar year, any subsequent failure by Tenant during such twelve (12) month period shall automatically constitute an Event of Default hereunder; or
- (j) Tenant shall become bankrupt or insolvent or make a transfer in fraud of creditors, or make an assignment for the benefit of creditors, or bring or have brought against Tenant any action or proceedings of any kind under any provision of the U.S. Bankruptcy Code or under any other insolvency, bankruptcy or reorganization act and, in the event such proceedings are involuntary, Tenant is not discharged from the same within sixty (60) days thereafter; or

(k) a receiver is appointed for a substantial part of the assets of Tenant and such receiver is not discharged within sixty (60) days; or

(l) this Lease or any estate of Tenant under this Lease shall be levied upon by any attachment or execution and such attachment is not stayed or lifted within sixty (60) days;

(m) without limiting the provisions of Sections 21(c) or 21(g) above or lengthening the cure periods under those subsections, failure by Tenant to comply with Laws and Tenant's failure to cure the foregoing default within forty-eight (48) hours following written notice from Port.

22. PORT'S REMEDIES.

Upon default by Tenant, Port shall, without further notice or demand of any kind to Tenant or to any other person, have the following remedies:

22.1. *Tenant's Right to Possession Not Terminated.* Port has the remedy described in Section 1951.4 of the California Civil Code (a landlord may continue the lease in effect after a tenant's breach and abandonment and recover rent as it becomes due, if the tenant has the right to sublet and assign subject only to reasonable limitations) under which it may continue this Lease in full force and effect and Port may enforce all of its rights and remedies under this Lease, including the right to collect Rent when due. During the period Tenant is in default, Port may enter the Premises without terminating this Lease and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Port for all reasonable costs Port incurs in reletting the Premises, including, but not limited to, broker's commissions, expenses of remodeling the Premises required by the reletting and like costs. Reletting can be for a period shorter or longer than the remaining Term, at such rents and on such other terms and conditions as Port deems advisable. Tenant shall pay to Port the Rent due under this Lease on the dates the Rent is due, less the Rent Port receives from any reletting. In the event that Port shall elect to so relet, then rentals received by Port from such reletting shall be applied in the following order: (i) to reasonable attorneys' fees incurred by Port as a result of a default and costs in the event suit is filed by Port to enforce such remedies; (ii) to the payment of any indebtedness other than Rent due hereunder from Tenant to Port; (iii) to the payment of any costs of maintaining, preserving, altering, repairing and preparing the Premises for reletting, the other costs of reletting, including but not limited to brokers' commissions, attorneys' fees and expenses of removal of Tenant's Personal Property, trade fixtures and Alterations; (iv) to the payment of Rent due and unpaid hereunder; (v) to the payment of future Rent and other sums payable by Tenant hereunder as the same may become due and payable hereunder; and (vi) the balance, if any, shall be paid to Tenant upon (but not before) expiration of the Term. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of Rent hereunder, be less than the Rent payable during the month by Tenant hereunder, then Tenant shall pay such deficiency to Port. Such deficiency shall be calculated and paid monthly. No act by Port allowed by this Section 22.1 shall terminate this Lease unless Port notifies Tenant that Port elects to terminate this Lease. After Tenant's default and for as long as Port does not terminate Tenant's right to possession of the Premises, if Tenant obtains Port's consent Tenant shall have the right to assign or sublet its interest in this Lease, but Tenant shall not be released from liability.

22.2. *Termination of Tenant's Right to Possession.* Port may terminate Tenant's right to possession of the Premises at any time. No act by Port other than giving notice of termination to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Port's initiative to protect Port's interest under this Lease shall not constitute a termination of Tenant's right to possession. If Port elects to terminate this Lease, Port has the rights and remedies provided by California Civil Code Section 1951.2, including the right to recover from Tenant the following.

(a) The worth at the time of award of the unpaid Rent which had been earned at the time of termination; plus

(b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(c) 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 the loss of Rent that Tenant proves could be reasonably avoided; plus

(d) Any other amounts necessary to compensate Port for the detriment proximately caused by Tenant's default, or which, in the ordinary course of events, would likely result, including, but not limited to, attorneys' fees and court costs, the costs of carrying the Premises such as repairs, maintenance, taxes and insurance premiums, utilities, security precautions and the reasonable costs and expenses incurred by Port in (i) retaking possession of the Premises; (ii) cleaning and making repairs and alterations necessary to return the Premises to good condition and preparing the Premises for reletting; (iii) removing, transporting and storing any of Tenant's Property left at the Premises (although Port shall have no obligation so to do); and (iv) reletting the Premises, including, without limitation, brokerage commissions, advertising costs and attorneys' fees. Efforts by Port to mitigate the damages caused by Tenant's breach of this Lease do not waive Port's rights to recover damages upon termination.

The "**worth at the time of award**" of the amounts referred to in Sections 22.2(a) and 22.2(b) above shall be computed by allowing interest at an annual rate equal to the lesser of the Interest Rate or the maximum non-usurious rate Port is permitted by Law to charge. The "**worth at the time of award**" of the amount referred to in Section 22.2(c) above shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

22.3. Appointment of Receiver. If Tenant is in default of this Lease, Port shall have the right to have a receiver appointed to collect Rent and conduct Tenant's business. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Port to terminate this Lease.

22.4. Port's Right to Cure Tenant's Default. Port, at any time after Tenant commits a default, may, at Port's sole option, cure the default at Tenant's cost. If Port at any time, by reason of Tenant's default, undertakes any act to cure or attempt to cure such default that requires the payment of any sums, or otherwise incurs any costs, damages, or liabilities (including without limitation, attorneys' fees), all such sums, costs, damages or liabilities paid by Port shall be due immediately from Tenant to Port at the time the sum is paid, and if paid by Tenant at a later date shall bear interest at the lesser of the Interest Rate or the maximum non-usurious rate Port is permitted by Law to charge from the date such sum is paid by Port until Port is reimbursed by Tenant.

22.5. No Accord and Satisfaction. No payment by Tenant or receipt by Port of an amount less than the Rent due under this Lease shall be deemed to be other than "on account" of the earliest Rent due; nor shall any endorsement or statement on any check or payment, or letter accompanying such check or payment, be deemed an accord and satisfaction. Port may accept any such partial payment or tender without prejudice to its right to recover the balance of any amount due and to pursue any other remedy herein provided at Law or in equity.

22.6. Waiver of Redemption. Tenant hereby waives, for itself and all persons claiming by and under Tenant, redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future Law, in the event Tenant is evicted or Port takes possession of the Premises by reason of any default of Tenant hereunder.

22.7. *Habitual Late Payer.* In the event Tenant is deemed to be a Habitual Late Payer, in addition to any other remedies available to Port, Port may require that Tenant enter into direct electronic payment arrangements and/or Port may require payments of Rent be made in advance on a quarterly basis.

22.8. *Remedies Not Exclusive.* The remedies set forth in Section 22 are not exclusive; they are cumulative and in addition to any and all other rights or remedies of Port now or later allowed by Law or in equity. Tenant's obligations hereunder shall survive any termination of this Lease.

23. LITIGATION EXPENSES; ATTORNEYS' FEES.

23.1. *Litigation Expenses.* The Prevailing party in any action or proceeding (including any cross-complaint, counterclaim, or bankruptcy proceeding) against the other party by reason of a claimed default, or otherwise arising out of a party's performance or alleged non-performance under this Lease, shall be entitled to recover from the other party its costs and expenses of suit, including but not limited to reasonable attorneys' fees, which shall be payable whether or not such action is prosecuted to judgment. "**Prevailing party**" within the meaning of this Section shall include, without limitation, a party who substantially obtains or defeats, as the case may be, the relief sought in the action, whether by compromise, settlement, judgment or the abandonment by the other party of its claim or defense.

23.2. *Appeals.* Attorneys' fees under this Section shall include attorneys' fees and all other reasonable costs and expenses incurred in connection with any appeal.

23.3. *City Attorney.* For purposes of this Lease, reasonable fees of attorneys of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience (calculated by reference to earliest year of admission to the Bar of any State) who practice in San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

24. PORT'S ENTRY ON PREMISES.

24.1. *Entry for Inspection.* Port and its authorized Agents shall have the right to enter the Premises without notice at any time during normal business hours of generally recognized business days, provided that Tenant or Tenant's Agents are present on the Premises (except in the event of an emergency), for the purpose of inspecting the Premises to determine whether the Premises is in good condition and whether Tenant is complying with its obligations under this Lease.

24.2. *General Entry.* In addition to its rights pursuant to Section 24.1 above, Port and its authorized Agents shall have the right to enter the Premises at all reasonable times and upon reasonable notice for any of the following purposes:

(a) To perform any necessary maintenance, repairs or restoration to the Premises or to perform any services which Port has the right or obligation to perform;

(b) To serve, post, or keep posted any notices required or allowed under the provisions of this Lease;

(c) To post "**For Sale**" signs at any time during the Term; to post "**For Lease**" signs during the last six (6) months of the Term or during any period in which Tenant is in default;

(d) On an occasional basis, at all reasonable times after giving Tenant reasonable advance written or oral notice, to show the Premises to prospective tenants or other interested parties;

(e) If any excavation or other construction is undertaken or is about to be undertaken on any property or street adjacent to the Premises, to shore the foundations, footings or walls of the Premises and to erect scaffolding and protective barricades around and about the Premises as reasonably necessary in connection with such activities (but not so as to prevent or unreasonably restrict entry to the Premises), and to do any other act or thing necessary for the safety or preservation of the Premises during such excavation or other construction; or

(f) To obtain environmental samples and perform equipment and facility testing.

24.3. *Emergency Entry.* Port may enter the Premises at any time, without notice, in the event of an emergency. Port shall have the right to use any and all means which Port may deem proper in such an emergency in order to obtain entry to the Premises. Entry to the Premises by any of these means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion of the Premises.

24.4. *No Liability.* Port shall not be liable in any manner, and Tenant hereby waives any Claim for damages, for any inconvenience, disturbance, loss of business, nuisance, or other damage, including without limitation any abatement or reduction in Rent, arising out of Port's entry onto the Premises as provided in Section 24 or performance of any necessary or required work on the Premises, or on account of bringing necessary materials, supplies and equipment into or through the Premises during the course thereof, except damage resulting solely from the willful misconduct or gross negligence of Port or its authorized representatives.

24.5. *Nondisturbance.* Port shall use its commercially reasonable efforts to conduct its activities on the Premises as allowed in Section 24 in a manner which, to the extent reasonably practicable, will minimize annoyance or disturbance to Tenant.

25. SURRENDER AND QUITCLAIM.

25.1. *Surrender.* Upon expiration or earlier termination of this Lease, Tenant shall surrender to Port the Premises in good order, condition, and repair (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant and except for destruction or condemnation as described in Sections 17 and 18 hereof). Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by proper maintenance by Tenant, or Tenant otherwise performing all of its obligations under this Lease. The Premises shall be surrendered clean, free of debris, waste, and Hazardous Materials, and free and clear of all liens and encumbrances other than liens and encumbrances existing as of the date of this Lease and any other encumbrances created by Port. On or before the expiration or earlier termination of this Lease, Tenant at its sole cost shall remove from the Premises, and repair any damage caused by removal of, Tenant's Property, including any signage and Alterations and Improvements specified in Port's Notice of Removal. Except for those designated in Port's Notice of Removal, Alterations and Improvements shall remain in the Premises as Port property.

If the Premises is not surrendered at the end of the Term or sooner termination of this Lease, and in accordance with the provisions of this Section 25 and Section 13.4, Tenant shall continue to be responsible for the payment of Rent (as the same may be increased pursuant to Section 26.2 or 26.3 below as applicable) until the Premises is surrendered in accordance with these Sections, and Tenant shall Indemnify Port from and against any and all loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any costs of Port to obtain possession of the Premises; any loss or liability resulting from any Claim against Port made by any succeeding tenant or prospective tenant founded on or resulting from such delay and losses to Port due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each instance, reasonable attorneys' fees and costs.

No act or conduct of Port, including, but not limited to, the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from Port to Tenant confirming termination of this Lease and surrender of the Premises by Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease.

25.2. *Quitclaim.* Upon the expiration or earlier termination of this Lease, the Premises shall automatically, and without further act or conveyance on the part of Tenant or Port, become the property of Port, free and clear of all liens and without payment therefore by Port and shall be surrendered to Port upon such date. Upon or at any time after the expiration or earlier termination of this Lease, if requested by Port, Tenant shall promptly deliver to Port, without charge, a quitclaim deed to the Premises and any other instrument reasonably requested by Port to evidence or otherwise effect the termination of Tenant's leasehold estate hereunder and to effect such transfer or vesting of title to the Premises or any portion that Port agrees are to remain part of the Premises.

25.3. *Abandoned Property.* Any items, including Tenant's Property, not removed by Tenant as required herein shall be deemed abandoned. Port may retain, store, remove, and sell or otherwise dispose of abandoned Tenant's Property, and Tenant waives all Claims against Port for any damages resulting from Port's retention, removal and disposition of such property; provided, however, that Tenant shall be liable to Port for all costs incurred in storing, removing and disposing of abandoned Tenant's Property and repairing any damage to the Premises or the Facility resulting from such removal. Tenant agrees that Port may elect to sell abandoned Tenant's Property and offset against the sales proceeds Port's storage, removal, and disposition costs without notice to Tenant or otherwise according to the procedures set forth in California Civil Code Section 1993 et seq., the benefits of which Tenant waives.

25.4. *Survival.* Tenant's obligation under this Section 25 shall survive the expiration or earlier termination of this Lease.

26. HOLDING OVER.

26.1. *Terms of Holdover Tenancy.* Any holding over after the expiration of the Term shall not constitute a renewal of this Lease, but shall be deemed a month-to-month tenancy upon the terms, conditions, and covenants of this Lease, except as provided in this Section. Either party may cancel the month-to-month tenancy upon thirty (30) days written notice to the other party. Tenant shall Indemnify Port from and against any and all loss or liability resulting from Tenant's delay in surrendering the Premises including, without limitation, any loss or liability resulting from any claim against Port made by any succeeding tenant or prospective tenant founded on or resulting from such delay and losses to Port due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each case, actual attorneys' fees and costs.

26.2. *With Consent.* If Tenant holds over with the prior written consent of Port, monthly Base Rent shall be equal to one hundred fifty percent (150%) of the monthly Base Rent payable in the month immediately preceding the expiration of this Lease; provided that if both Tenant and Port desire to enter into a new lease or extend the existing term of this Lease but have not yet executed such new lease or extension solely due to Port's delay to produce such document, then the monthly Base Rent during such holdover period shall be equal to the higher of: (a) the Base Rent payable in the month immediately preceding the expiration of this Lease, or (b) the then current rate for the Facility approved by the Port Commission, together with any monthly charge of Additional Rent payable under this Lease.

26.3. *Without Consent.* If Tenant holds over without the prior written consent of Port, monthly Base Rent shall equal two hundred percent (200%) of the monthly Base Rent payable in the month immediately preceding the expiration of this Lease.

27. MINERAL RESERVATION.

The State of California (“State”), pursuant to Section 2 of Chapter 1333 of the Statutes of 1968, as amended, has reserved all subsurface mineral deposits, including oil and gas deposits, on or underlying the Premises and Tenant acknowledges such reserved rights including necessary ingress and egress rights. In no event shall Port be liable to Tenant for any Claims arising from the State’s exercise of its rights nor shall such action entitle Tenant to any abatement or diminution of Rent or otherwise relieve Tenant from any of its obligations under this Lease.

28. CITY AND PORT REQUIREMENTS.

The San Francisco Municipal Codes (available at www.sfgov.org) and City and Port policies described or referenced in this Lease are incorporated by reference as though fully set forth in this Lease. The descriptions below are not comprehensive but are provided for notice purposes only; Tenant is charged with full knowledge of each such ordinance and policy and any related implementing regulations as they may be amended from time to time. Tenant understands and agrees that its failure to comply with any provision of this Lease relating to any such code provision shall be deemed a material breach of this Lease and may give rise to penalties under the applicable ordinance. Capitalized or highlighted terms used in this Section and not defined in this Lease shall have the meanings ascribed to them in the cited ordinance.

28.1. *Nondiscrimination.*

(a) **Covenant Not to Discriminate.** In the performance of this Lease, Tenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), weight, height, association with members of classes protected under Articles 131 or 132 of Division II of the San Francisco Labor and Employment Code (formerly Chapter 12B and 12C of the San Francisco Administrative Code) or in retaliation for opposition to any practices forbidden under Articles 131 or 132 of Division II of the Labor and Employment Code against any employee of Tenant, any City and County employee working with Tenant, any applicant for employment with Tenant, or any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Tenant in the City and County of San Francisco.

(b) **Subleases and Other Contracts.** Tenant shall include in all subleases and other contracts relating to the Premises a non-discrimination clause applicable to such subtenant or other contractor in substantially the form of Section 28.1(a) above. In addition, Tenant shall incorporate by reference in all subleases and other contracts the provisions of Sections 131.2(a), 131.2(c) – (k), and 132.3 of the Labor and Employment Code (formerly, sections 12B.2 (a), 12B.2(c) - (k) and 12C.3 of the Administrative Code) and shall require all subtenants and other contractors to comply with such provisions.

(c) **Nondiscrimination in Benefits.** Tenant does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City, 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 (collectively “**Core Benefits**”) as well as any benefits other than the Core Benefits 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 131.2 of the Labor and Employment Code.

(d) CMD Form. On or prior to the Lease Commencement Date, Tenant shall execute and deliver to Port the "Nondiscrimination in Contracts and Benefits" form approved by the CMD.

(e) Penalties. Tenant understands that pursuant to Section 131.2(h) of the Labor and Employment Code, a penalty of \$50.00 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 Tenant and/or deducted from any payments due Tenant.

28.2. Requiring Health Benefits for Covered Employees. Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in Labor and Employment Code Division II, Article 121 (formerly Administrative Code Chapter 12Q).

(a) For each Covered Employee Tenant shall provide the appropriate health benefit set forth in Section 121.3 of the HCAO.

(b) Notwithstanding the above, if Tenant meets the requirements of a "small business" by the City pursuant to Section 121.3(e) of the HCAO, it shall have no obligation to comply with Section 28.2(a) above.

(c) If, within 30 days after receiving written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such 30-day period, Tenant fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, the City shall have the remedies set forth in Section 121.5(f). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Any Sublease or Contract regarding services to be performed on the Premises entered into by Tenant shall require the Subtenant or Contractor and Subcontractors, as applicable, to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in Article 121 of Division II of the Labor and Employment Code. Tenant shall notify the Office of Labor Standards Enforcement ("OLSE") when it enters into such a Sublease or Contract and shall certify to OLSE that it has notified the Subtenant or Contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the Subtenant or Contractor through written agreement with such Subtenant or Contractor. Tenant shall be responsible for ensuring compliance with the HCAO for each Subtenant, Contractor and Subcontractor performing services on the Premises. If any Subtenant, Contractor or Subcontractor fails to comply, the City may pursue the remedies set forth in Section 121.5 of the Labor and Employment Code against Tenant based on the Subtenant's, Contractor's, or Subcontractor's failure to comply, provided that OLSE has first provided Tenant with notice and an opportunity to cure the violation.

(e) Tenant shall not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against, any employee for notifying the City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

(g) Tenant shall keep itself informed of the requirements of the HCAO, as they may change from time to time.

(h) Upon request, Tenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subtenants, Contractors, and Subcontractors.

(i) Within ten (10) business days of any request, Tenant shall provide the City with access to pertinent records relating to any Tenant's compliance with the HCAO. In addition, the City and its agents may conduct random audits of Tenant at any time during the Term. Tenant agrees to cooperate with City in connection with any such audit.

(j) If a Contractor or Subcontractor is exempt from the HCAO because the amount payable to such Contractor or Subcontractor under all of its contracts with the City or relating to City-owned property is less than \$25,000.00 (or \$50,000.00 for nonprofits) in that fiscal year, but such Contractor or Subcontractor later enters into one or more agreements with the City or relating to City-owned property that cause the payments to such Contractor or Subcontractor to equal or exceed \$75,000.00 in that fiscal year, then all of the Contractor's or Subcontractor's contracts with the City and relating to City-owned property shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements to equal or exceed \$75,000.00 in the fiscal year.

28.3. First Source Hiring. The City has adopted a First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions as those terms are defined by the ordinance. Tenant acknowledges receiving and reviewing the First Source Hiring Program materials and requirements and agrees to comply with all requirements of the ordinance as implemented by Port and/or City, including without limitation, notification of vacancies throughout the Term and entering into a First Source Hiring Agreement, if applicable. Tenant acknowledges and agrees that it may be subject to monetary penalties for failure to comply with the ordinance or a First Source Hiring Agreement and that such non-compliance shall be a default of this Lease.

28.4. Local Business Enterprises. The Port Commission encourages the participation of local business enterprises ("LBEs") in Tenant's operations. Tenant agrees to consult with CMD to determine appropriate methods for promoting participation by LBEs. Architecture, Engineering, Laboratory Services (Materials Testing), Trucking and Hauling, and Security Guard Services are categories of services that may provide opportunities for certified LBE participation. City maintains a list of certified LBEs at: <https://sfgov.org/cmd/LBE-certification-0>.

28.5. Indoor Air Quality. Tenant agrees to comply with Section 711(g) of the Environment Code and any additional regulations adopted by the Director of the Department of the Environment pursuant to Environment Code Section 703(b) relating to construction and maintenance protocols to address indoor air quality.

28.6. Prohibition Against Tobacco Advertising; Prohibition Against Tobacco Product Sales, Manufacture, and Distribution. Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. In addition, Tenant acknowledges and agrees that no Sales, Manufacture, or Distribution of Tobacco Products (as such capitalized terms are defined in Health Code Section 19K.1) is allowed on the Premises and such prohibition must be included in all subleases or other agreements allowing use of the Premises. The prohibition against Sales, Manufacture, or Distribution of Tobacco Products does not apply to persons who are affiliated with an accredited academic institution where the Sale, Manufacture, and/or Distribution of Tobacco Products is conducted as part of academic research.

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

the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services.

28.8. *Graffiti Removal.* Tenant agrees to remove all graffiti from the Premises, including from the exterior of the Facility if included within the Premises, within forty-eight (48) hours of the earlier of Tenant's: (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a tenant to breach any lease or other agreement that it may have concerning its use of the real property. "**Graffiti**" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and that is visible from the public right-of-way, but does not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of this Lease or the Port Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (Calif. Civil Code §§ 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

28.9. *Restrictions on the Use of Pesticides.* Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "**IPM Ordinance**") describes an integrated pest management ("**IPM**") policy to be implemented by all City departments. Tenant shall not use or apply or allow the use or application of any pesticides on the Premises, and shall not contract with any party to provide pest abatement or control services to the Premises, without first receiving City's written approval of an integrated pest management plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the term of this Lease, (ii) describes the steps Tenant will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with the City. Tenant shall comply, and shall require all of Tenant's contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Tenant were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Tenant to keep certain records and to report to City all pesticide use by Tenant's staff or contractors. If Tenant or Tenant's contractor will apply pesticides to outdoor areas, Tenant must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation and any such pesticide application shall be made only by or under the supervision of a person holding a valid Qualified Applicator certificate or Qualified Applicator license under state law. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

28.10. *MacBride Principles Northern Ireland.* Port and the City urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. Port and the City urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

28.11. *Tropical Hardwood and Virgin Redwood Ban.* Port and the City urge Tenant not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the Environment Code, Tenant shall not provide any items to the construction of Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Tenant fails to comply in good faith with any of the provisions of Chapter 8 of the Environment Code, Tenant shall be liable for liquidated damages for each violation in any amount equal to the contractor's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

28.12. *Preservative-Treated Wood Containing Arsenic.* Tenant 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. Tenant 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 Tenant 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.

28.13. *Notification of Limitations on Contributions.* If this Lease is subject to the approval by City's Board of Supervisors, Mayor, or other elected official, the provisions of this Section 28.13 shall apply. Through its execution of this Lease, Tenant acknowledges its obligations under Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve (12) months after the date the contract is approved. Tenant acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars (\$100,000) or more. Tenant further acknowledges that, if applicable, (i) the prohibition on contributions applies to each Tenant; each member of Tenant's board of directors, and Tenant's principal officers, including its chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten (10%) percent in Tenant; and any subcontractor listed in the Tenant's bid or contract; and (ii) within thirty (30) days of the submission of a proposal for the contract, the Port is obligated to submit to the Ethics Commission the parties to the Lease and any subtenant(s). Additionally, Tenant certifies that if this Section 28.13 applies, Tenant has informed each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126 by the time it submitted a proposal for the contract and has provided to City the names of the persons required to be informed.

28.14. *Sunshine Ordinance.* In accordance with Section 67.24(e) of the Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between Port 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.

28.15. *Conflicts of Interest.* Through its execution of this Lease, Tenant acknowledges that it is familiar with the provisions of Article III, Chapter 2 of Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the California Government Code, and certifies that it does not know of any facts which would constitute a violation of these provisions, and agrees that if Tenant becomes aware of any such fact during the Term, Tenant shall immediately notify the Port.

28.16. *Drug-Free Workplace.* Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1988 (41 U.S.C. §§ 8101 et seq.), the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City or Port premises.

28.17. *Prevailing Wages and Working Conditions.* Tenant shall comply with all applicable prevailing wage requirements, including but not limited to any such requirements in the California Labor Code, the City and County of San Francisco Charter or the City and County of San Francisco Municipal Code. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Labor and Employment Code Division II, Articles 101, 103 and 104 (formerly Administrative Code Section 23.61). Tenant shall require its contractors and subcontractors performing (i) labor in connection with a “public work” as defined under California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) or (ii) Covered Construction to: (A) pay workers performing such work not less than the highest prevailing rate of wages, (B) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (C) employ apprentices in accordance with San Francisco Labor and Employment Code Division II, Articles 101, 103 and 104 (collectively, “**Prevailing Wage Requirements**”). Tenant 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.

Tenant shall include and shall require its subtenants, and 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 Labor and Employment Code Division II, Articles 101, 103 and 104. 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 Labor and Employment Code Division II, Articles 101, 103 and 104. Tenant’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 any remedy provided by Law, including those specified in San Francisco Labor and Employment Code Division II, Articles 101, 103 and 104 against the breaching party.

Tenant shall also pay, and shall require its subtenants, and contractors and subcontractors (regardless of tier) to pay, the Prevailing Rate of Wage for the following activities on the Premises as set forth in and to the extent required by San Francisco Labor and Employment Code Division II, Article 102 (formerly Administrative Code Chapter 21C): a Public Off-Street Parking Lot, Garage or Automobile Storage Facility (as defined in Section 102.3), a Show (as defined in Section 102.4), a Special Event (as defined in Section 102.8), Broadcast Services (as defined in Section 102.9), Commercial Vehicles, Loading and Unloading for Shows and Special

Events (as defined in Section 102.10), and Security Guard Services for Events (as defined in Section 102.11).

28.18. Local Hire. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Labor and Employment Code Division II, Articles 101 and 108 (formerly Administrative Code Section 23.62) (the "**Local Hiring Requirements**"). Tenant Improvements and Alterations under this Lease are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than the Threshold Amount (as defined in San Francisco Administrative Code Section 6.1) per building permit; (ii) is in connection with the set-up, execution and strike of special events of three (3) or fewer days costing in excess of the Threshold Amount; or (iii) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it will comply with the Local Hiring Requirements to the extent applicable. Before starting any Tenant Improvements or Alterations, Tenant shall contact City's Office of Economic Workforce and Development ("**OEWD**") to determine whether the work is a Covered Project subject to the Local Hiring Requirements.

Tenant shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Labor and Employment Code Division II, Articles 101 and 108. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant'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 Labor and Employment Code Division II, Articles 101 and 108 against the breaching party.

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

28.20. Food Service and Packaging Waste Reduction Ordinance. Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service and Packaging Waste Reduction Ordinance, as set forth in Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. By entering into this Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Tenant agrees that the sum of one hundred dollars (\$100.00) liquidated damages for the first breach, two hundred dollars (\$200.00) liquidated damages for the second breach in the same year, and five hundred dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

28.21. San Francisco Bottled Water Ordinance. Tenant is subject to all applicable provisions of Environment Code Chapter 24 (which are hereby incorporated) prohibiting the sale or distribution of drinking water specified containers at City-permitted events held on the Premises with attendance of more than 100 people, except as otherwise set forth in Environmental Code Chapter 24.

28.22. Consideration Of Criminal History In Hiring And Employment Decisions.

(a) Tenant agrees to comply with and be bound by all of the provisions of San Francisco Labor and Employment Code Division II, Article 142 (formerly Administrative Code Chapter 12T) (Criminal History in Hiring and Employment Decisions; “**Article 142**”), which are hereby incorporated, including the remedies and implementing regulations as may be amended from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

(b) Tenant shall incorporate by reference the provisions of Article 142 in all subleases of some or all of the Premises, and shall require all subtenants to comply with such provisions. Tenant’s failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Tenant and subtenants shall not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant’s or potential applicant for employment, or employee’s: (1) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and subtenants shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection (c) above. Tenant and subtenants shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and subtenants shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Premises, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Article 142.

(f) Tenant and subtenants shall post the notice prepared by OLSE, available on OLSE’s website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

(g) Tenant and subtenants understand and agree that upon any failure to comply with the requirements of Article 142, the City shall have the right to pursue any rights or remedies available under Article 142 or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

If Tenant has any questions about the applicability of Article 142, it may contact Port for additional information. Port may consult with the Director of the City’s Office of Contract Administration who may also grant a waiver, as set forth in Section 142.8.

28.23. Southern Waterfront Community Benefits and Beautification Policy. The Port’s “Policy for Southern Waterfront Community Benefits and Beautification” identifies beautification and related projects in the Southern Waterfront (from Mariposa Street in the north to India Basin) that require funding. Under this policy, Tenant shall provide community benefits and beautification measures in consideration for the use of the Premises. Examples of desired benefits include: (i) beautification, greening and maintenance of any outer edges of and entrances

to the Premises; (ii) creation and implementation of a Community Outreach and Good Neighbor Policy to guide Tenant's interaction with Port, neighbors, visitors and users; (iii) use or support of job training and placement organizations serving southeast San Francisco; (iv) commitment to engage in operational practices that are sensitive to the environment and the neighboring community by reducing engine emissions consistent with the City's Clean Air Program, and use of machines at the Premises that are low-emission diesel equipment and utilize biodiesel or other reduced particulate emission fuels; (v) commitment to use low impact design and other "green" strategies when installing or replacing stormwater infrastructure; (vi) employment at the Premises of a large percentage of managers and other staff who live in the local neighborhood or community; (vii) use of truckers that are certified by the CMD as "**Local Business Enterprises**" under the City's Local Business Enterprise and Non-Discrimination Ordinance (SF Administrative Code Chapter 14B, as amended); and (viii) use of businesses that are located within the Potrero Hill and Bayview Hunters Point neighborhoods. Tenant agrees to provide Port with documents and records regarding these activities upon Port's request.

28.24. Vending Machines; Nutritional Standards and Calorie Labeling Requirements; Offerings. Tenant shall not install or permit any vending machine on the Premises without the prior written consent of Port. Any permitted vending machine must comply with the food and beverage nutritional standards and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9- 1(c), as may be amended from time to time (the "**Nutritional Standards Requirements**"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section shall be deemed a material breach of this Lease. Without limiting Port's other rights and remedies under this Lease, Port shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any Restaurant including any employee eating establishment located on the Premises is encouraged to ensure that at least twenty-five percent (25%) of Meals (as capitalized terms are defined in San Francisco Administrative Code section 4.9-1) offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

28.25. Tenant's Compliance with City Business and Tax Regulations Code.

Tenant 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 Port is required to make to Tenant under this Lease is withheld, then Port 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 Section 28.25 to Tenant, without interest, late fees, penalties, or other charges, upon Tenant coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

28.26. Consideration of Salary History. Tenant shall comply with San Francisco Labor and Employment Code Division II, Article 141 (formerly Administrative Code Chapter 12K), the Consideration of Salary History Ordinance or "Pay Parity Act." For each employment application to Tenant for work that relates to this Lease or for work to be performed in the City or on City property, Tenant is prohibited from considering current or past salary of an applicant in determining whether to hire the applicant or what salary to offer the applicant. Tenant shall not (1) ask such applicants about their current or past salary or (2) disclose a current or former employee's salary history without that employee's authorization unless the salary history is publicly available. Tenant is subject to the enforcement and penalty provisions in Article 141. Information about Article 141 is available on the web at <https://sfgov.org/olse/consideration-salary-history>.

29. NOTICES.

Except as otherwise expressly provided in this Lease or by Law, all notices (including notice of consent or non-consent) required or permitted by this Lease or by Law must be in writing and be delivered by: (a) hand delivery; (b) first class United States mail, postage prepaid; or (c) overnight delivery by a nationally recognized courier or the United State Postal Service, delivery charges prepaid. Notices to a party must be delivered to that party's mailing address in the Basic Lease Information, unless superseded by a notice of a change in that party's mailing address for notices, given to the other party in the manner provided above, or by information provided by Tenant in Tenant's written response to Port's written request for such information.

All notices under this Lease shall be deemed to be duly delivered: (a) on the date personal delivery actually occurs; (b) if mailed, on the business day following the business day deposited in the United States mail or, if mailed return receipt requested, on the date of delivery or on which delivery is refused as shown on the return receipt; or (c) the business day after the business day deposited for overnight delivery.

Notices may not be given by facsimile or electronic mail, but either party may deliver a courtesy copy of a notice by facsimile or electronic mail.

30. MISCELLANEOUS PROVISIONS.

30.1. *California Law; Venue.* This Lease is governed by, and shall be construed and interpreted in accordance with, the Laws of the State of California and City's Charter. Any legal suit, action, or proceeding arising out of or relating to this Lease shall be instituted in the Superior Court for the City and County of San Francisco, and each party agrees to the exclusive jurisdiction of such court in any such suit, action, or proceeding (excluding bankruptcy matters). The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action, or proceeding in such court and irrevocably waive and agree not to plead or claim that any suit, action, or proceeding brought in San Francisco Superior Court relating to this Lease has been brought in an inconvenient forum. The parties also unconditionally and irrevocably waive any right to remove any such suit, action, or proceeding to Federal Court.

30.2. *Entire Agreement.* This Lease contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Lease. Any prior correspondence, memoranda, agreements, warranties, or representations, whether written or oral, relating to such subject matter are superseded in total by this Lease. No prior drafts of this Lease or changes from those drafts to the executed version of this Lease shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Lease.

30.3. *Amendments.* No amendment of this Lease or any part thereof shall be valid unless it is in writing and signed by all of the parties hereto.

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

30.5. *Interpretation of Lease.*

(a) References in this Lease to Tenant's acts or omissions will mean acts or omissions by Tenant and its Agents and Invitees unless the context requires or specifically stated otherwise.

(b) Whenever an exhibit or schedule is referenced, it means an attachment to this Lease unless otherwise specifically identified. All exhibits and schedules are incorporated in this Lease by reference.

(c) Whenever a section, article or paragraph is referenced, it refers to this Lease unless otherwise specifically provided. 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 must be disregarded in the construction and interpretation of this Lease. Wherever reference is made to any provision, term, or matter "in this Lease," "herein" or "hereof" or words of similar import, the reference will be deemed to refer to any reasonably related provisions of this Lease in the context of the reference, unless the reference refers solely to a specific numbered or lettered article, section, subdivision, or paragraph of this Lease.

(d) References to all Laws, including specific statutes, relating to the rights and obligations of either party mean the Laws in effect on the effective date of this Lease and as they are amended, replaced, supplemented, clarified, corrected, or superseded at any time during the Term or while any obligations under this Lease are outstanding, whether or not foreseen or contemplated by the parties. References to specific code sections mean San Francisco ordinances unless otherwise specified.

(e) The terms "include," "included," "including" and "such as" or words of similar import when following any general term, statement, or matter may not be construed to limit the term, statement, or matter to the specific items or matters, whether or not language of non-limitation is used, but will be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of the term, statement, or matter, and will be deemed to be followed by the phrase "without limitation" or "but not limited to."

(f) This Lease has been negotiated at arm's length between persons sophisticated and knowledgeable in the matters addressed. In addition, each party has been represented by experienced and knowledgeable legal counsel, or has had the opportunity to consult with counsel. Accordingly, the provisions of this Lease must be construed as a whole according to their common meaning in order to achieve the intents and purposes of the parties, without any presumption (including a presumption under California Civil Code § 1654) against the party responsible for drafting any part of this Lease.

(g) The party on which any obligation is imposed in this Lease will be solely responsible for paying all costs and expenses incurred in performing the obligation, unless the provision imposing the obligation specifically provides otherwise.

(h) Whenever required by the context, the singular includes the plural and vice versa, the masculine gender includes the feminine or neuter genders and vice versa, and defined terms encompass all correlating forms of the terms (e.g., the definition of "waive" applies to "waiver," "waivers," "waived," "waiving," etc.).

(i) References to days mean calendar days unless otherwise specified, provided that if the last day on which a party must give notice, respond to a notice, or take any other action under this Lease occurs on a day that is not a business day, the date by which the act must be performed will be extended to the next business day.

30.6. *Successors.* The terms, covenants, agreements and conditions set forth in this Lease shall bind and inure to the benefit of Port and Tenant and, except as otherwise provided herein, their personal representatives and successors and assigns.

30.7. *Real Estate Broker's Fees.* Port will not pay, nor will Port be liable or responsible for, any finder's or broker's fee in connection with this Lease. Tenant agrees to Indemnify Port from any Claims, including attorneys' fees, incurred by Port in connection with any such Claim or Claims of any person(s), finder(s), or broker(s) to a commission in connection with this Lease.

30.8. *Counterparts.* For convenience, the signatures of the parties to this Lease may be executed and acknowledged on separate pages which, when attached to this Lease, shall constitute one complete Lease. This Lease may be executed in any number of counterparts each

of which shall be deemed to be an original and all of which shall constitute one and the same Lease.

30.9. Authority. If Tenant signs as a corporation or a partnership, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is at the time of execution and at all times while this Lease is in effect will continue to be: (1) a duly authorized and existing entity, (2) qualified to do business in California; and that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon Port's request, Tenant shall provide Port with evidence reasonably satisfactory to Port confirming the foregoing representations and warranties, and covenants.

30.10. No Implied Waiver. No failure by Port to insist upon the strict performance of any obligation of Tenant under this Lease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, and no acceptance of full or partial Rent during the continuance of any such breach shall constitute a waiver of such breach or of Port's rights to demand strict compliance with such term, covenant or condition. Port's consent to or approval of any act by Tenant requiring Port's consent or approval shall not be deemed to waive or render unnecessary Port's consent to or approval of any subsequent act by Tenant. Any waiver by Port of any default must be in writing and shall not be a waiver of any other default (including any future default) concerning the same or any other provision of this Lease.

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

30.12. 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.

30.13. Survival of Indemnities. Termination or expiration 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, the ability to collect any sums due, nor shall it affect any provision of this Lease that expressly states it shall survive termination or expiration hereof.

30.14. Relationship of the Parties. Port is not, and none of the provisions in this Lease shall be deemed to render Port, a partner in Tenant's business, or joint venturer or member in any joint enterprise with Tenant. Neither party shall act as the agent of the other party in any respect hereunder. This Lease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided.

30.15. No Recording. Tenant shall not record this Lease or any memorandum hereof in the Official Records.

30.16. Additional Written Agreement Required. Tenant expressly agrees and acknowledges that no officer, director, or employee of Port or City is authorized to offer or promise, nor is Port or the City required to honor, any offered or promised rent credit, concession, abatement, or any other form of monetary consideration (individually and collectively, "Concession") without a written agreement executed by the Executive Director of Port or his or her designee authorizing such Concession and, if applicable, certification of the Concession from the City's Controller.

31. LIMITATION ON DAMAGES.

31.1. No Recourse Beyond Value of Premises. Notwithstanding anything to the contrary contained in this Lease, Tenant agrees that Tenant will have no recourse with respect to, and Port shall not be liable for, any obligation of Port under this Lease, or for any claim based upon this Lease, except to the extent of the fair market value of Port's fee interest in the Premises (as encumbered by this Lease). Tenant shall look solely to the fair market value of Port's fee

interest in the Premises for the recovery of any judgment or award. By Tenant's execution and delivery hereof and as part of the consideration for Port's obligations hereunder, Tenant expressly waives all other liability. Before filing suit for an alleged default by Port, Tenant shall give Port notice and reasonable time to cure the alleged default.

31.2. *Non-Liability of City Officials, Employees and Agents.* No elective or appointive board, commission, member, officer, employee or other Agent of City and/or Port shall be personally liable to Tenant, its successors and assigns, in the event of any default or breach by City and/or Port or for any amount which may become due to Tenant, its successors and assigns, or for any obligation of City and/or Port under this Lease. Under no circumstances shall Port, City, or their respective Agents be liable under any circumstances for any consequential, incidental or punitive damages.

31.3. *Limitation on Port's Liability Upon Transfer.* In the event of any transfer of Port's interest in and to the Facility, Port (and in case of any subsequent transfers, the then transferor), subject to the provisions hereof, will be automatically relieved from and after the date of such transfer of all liability with regard to the performance of any covenants or obligations contained in this Lease thereafter to be performed on the part of Port, but not from liability incurred by Port (or such transferor, as the case may be) on account of covenants or obligations to be performed by Port (or such transferor, as the case may be) hereunder before the date of such transfer.

32. TENANT ESTOPPEL CERTIFICATES.

Tenant, at any time and from time to time upon not less than ten (10) days' prior notice from Port, shall execute and deliver to Port or to any party designated by Port a certificate in substantially the same form as that attached to this Lease as ***Exhibit C***. If Tenant shall fail to provide such certificate within ten (10) days of receipt by Tenant of a written request by Port as herein provided, such failure shall, at Port's election, constitute a default under this Lease, and Tenant shall be deemed to have admitted the accuracy of any information supplied by Port to a prospective purchaser or mortgagee.

33. EXTENSION OPTION.

33.1. *Options to Extend Term.* Provided all the terms and conditions of this Section 33 are satisfied by Tenant, Port grants to Tenant the Extension Options described in the "***Extension Option***" section of the Basic Lease Information. The Extension Term will commence upon the first day after the relevant expiration date. Tenant may exercise an Extension Option by giving Port no less than sixty (60) days' prior written notice prior to the relevant expiration date of its intent to exercise an Extension Option. Any such notice by Tenant shall be irrevocable by Tenant. If any Event of Default by Tenant has occurred or is outstanding hereunder either at the time of Tenant's exercise of an Extension Option or at any time prior to the first day of an Extension Term (or if any event shall have occurred which with the giving of notice or the passage of time or both would constitute such a default), then Port may elect by written notice to Tenant to reject Tenant's exercise of the Extension Option, whereupon the Extension Option shall be null and void and the Term shall expire on the day the Term would have expired had Tenant never exercised the Extension Option. Tenant's failure to exercise or Port's rejection of the first Extension Option shall render the second Extension Option null and void.

33.2. *Base Rent and Other Terms.* If Tenant elects to exercise an Extension Option, then the lease for the Extension Term shall cover the entire Premises and shall be upon all of the terms, covenants and conditions of this Lease, except that the Expiration Date shall mean the last day of the Extension Term and the Base Rent hereunder shall be determined as set forth in the Basic Lease Information.

34. APPROVAL OF BOARD OF SUPERVISORS.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS 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 IF CITY'S MAYOR AND THE BOARD OF SUPERVISORS DO NOT APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ENACTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

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IN WITNESS WHEREOF, PORT and TENANT execute this Lease as of the last date set forth below.

PORT: **CITY AND COUNTY OF SAN FRANCISCO,**
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

By: _____
Scott Landsittel
Deputy Director, Real Estate and Development

Date Signed: _____

TENANT: **TEC OF CALIFORNIA, A CALIFORNIA CORPORATION**

By: _____
Name: _____
Title: _____

Date Signed: _____

By: _____
Name: _____
Title: _____

Date Signed: _____

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: _____
Name: Grace H. Park
Deputy City Attorney

Port Commission Reso. No. _____ adopted on _____.

Board of Supervisors Reso. No. _____ adopted on _____.

Lease Prepared By: Jennifer Gee, Senior Property Manager _____ (initial)

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EXHIBIT A

DESCRIPTION OF PREMISES

[Attachment on following page]

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EXHIBIT B

COMMENCEMENT DATE AND EXPIRATION DATE MEMORANDUM

Landlord: **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation,
operating by and through the **SAN FRANCISCO PORT**
COMMISSION

Tenant:

Lease Number:

Lease Date:

Premises: [_____, Suite ____]
San Francisco, California

The Commencement Date of the Lease is hereby established as _____, 20____, the
Rent Commencement Date of the Lease is hereby established as _____, 20____ the
Anniversary Date is hereby established as _____, 20____ and the Expiration Date as
_____, 20____.

PORT: **CITY AND COUNTY OF SAN FRANCISCO**,
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

By: _____
Scott Landsittel
Deputy Director, Real Estate and Development

Date Signed: _____

Tenant:

By: _____
Name: _____
Title: _____

Date Signed: _____

EXHIBIT C

TENANT ESTOPPEL CERTIFICATE

The undersigned, _____, is the tenant of a portion of the real property commonly known as [Insert Premises Address] located in San Francisco, California (the "**Property**"), and hereby certifies to **THE CITY AND COUNTY OF SAN FRANCISCO THROUGH THE SAN FRANCISCO PORT COMMISSION ("Port")** [and to _____ ("**Developer/Lender**")], the following:

1. That there is presently in full force and effect a lease (as modified, assigned, supplemented and/or amended as set forth in paragraph 2 below, the "**Lease**") dated as of _____, 20__, between the undersigned and Port, covering approximately _____ square feet of the Property (the "**Premises**").
2. That the Lease has not been modified, assigned, supplemented or amended except by:
3. That the Lease represents the entire agreement between Port and the undersigned with respect to the Premises.
4. That the commencement date under the Lease was _____, 20__, the expiration date of said Lease is _____, 20__.
5. That the present minimum monthly Base Rent which the undersigned is paying under the Lease is \$_____.
6. The security deposit held by Port under the terms of the Lease is \$_____ and Port holds no other deposit from Tenant for security or otherwise.
7. That the undersigned has accepted possession of the Premises and that, to the best of the undersigned's knowledge, any improvements required to be made by Port to the Premises by the terms of the Lease and all other conditions of the Lease to be satisfied by Port have been completed or satisfied to the satisfaction of the undersigned.
8. That, to the best of the undersigned's knowledge, the undersigned, as of the date set forth below, has no right or claim of deduction, charge, lien or offset against Port under the Lease or otherwise against the rents or other charges due or to become due pursuant to the terms of the Lease.
9. That, to the best of the undersigned's knowledge, Port is not in default or breach of the Lease, nor has Port committed an act or failed to act in such a manner, which, with the passage of time or notice or both, would result in a default or breach of the Lease by Port.
10. That, to the best of the undersigned's knowledge, the undersigned is not in default or in breach of the Lease, nor has the undersigned committed an act or failed to act in such a manner which, with the passage of time or notice or both, would result in a default or breach of the Lease by the undersigned.
11. The undersigned is not the subject of any pending bankruptcy, insolvency, debtor's relief, reorganization, receivership, or similar proceedings, nor the subject of a ruling with respect to any of the foregoing.

This Certificate shall be binding upon and inure to the benefit of the undersigned, Port, [Developer/Lender] and [its/their respective] successors and assigns.

Dated: _____, 20__.

[Name of Tenant]

By:

Name:

Title:

EXHIBIT D

RULES AND REGULATIONS

[To Be Attached for Applicable Facilities]

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EXHIBIT E
OPERATIONS PLAN

[To Be Attached]

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SCHEDULE 1

**ASBESTOS NOTIFICATION AND INFORMATION
NOTICE TO EMPLOYEES,
OWNERS, LESSEES, SUBLESSEES, AGENTS AND CONTRACTORS**

[Attachment on following page(s)]

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SCHEDULE 2

SUBSTRUCTURE REPORT(S)

[Attachment on following page(s)]

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SCHEDULE 3

04/12/2021

FEMA-National Flood Insurance Program Disclosure Notice

As part of the National Flood Insurance Program (“NFIP”), Federal Emergency Management Agency (“FEMA”) issued the final flood insurance rate maps (“FIRMs”) for City and County of San Francisco on September 23rd, 2020, concluding a process that had been going on for more than a decade. This is the first time FEMA mapped flood risks for the City and County of San Francisco. FIRMs were later adopted by the Board of Supervisors through Ordinance 226-20 (“Floodplain Management Program Ordinance”) and became effective on March 23, 2021.

Based on detailed studies of coastal flood hazards associated with San Francisco Bay and the Pacific Ocean, the final FIRMs designate portions of the City and County of San Francisco (“City”), including portions of the waterfront, Mission Bay, Islais Creek, Bayview Hunters Point, Hunters Point Shipyard, Candlestick Point, Treasure Island, San Francisco International Airport, and Ocean Beach, in coastal flood hazard areas. Referred to as “Special Flood Hazard Areas” (“SFHAs”), these areas are subject to inundation during a flood having a 1 percent chance of occurrence in any given year. They are shown as zones beginning with the letter “A” or “V” on the FIRMs. Port’s structures over water, including piers and wharfs, are designated as Zone D (area of undetermined flood hazard). Zone D areas are not subject to Building Code and NFIP regulation. Historic structures are also exempted from compliance under the NFIP.

Additionally, the San Francisco Public Utilities Commission (“SFPUC”) has prepared the 100-Year Storm Flood Risk Map to show areas where flooding is highly likely to occur on City streets during a 100-year rain storm. More information about this map, including a searchable web map, is available at <https://www.sfwater.org/floodmaps>. The SFPUC 100-Year Storm Flood Risk Map only shows flood risk from storm runoff and, floodproofing measures are not required at this time.

The SFPUC map does not consider flood risk in San Francisco from other causes, such as inundation from the San Francisco Bay or the Pacific Ocean, which are shown on the FIRMs that FEMA has prepared for San Francisco. Conversely, the FIRMs do not show flooding from storm runoff in San Francisco, because our historical creeks and other inland waterbodies have been built over and are no longer open waterways. In most areas, the flood hazards identified by SFPUC and FEMA are separate. There are a few areas, however, near the shoreline where SFPUC’s Flood Risk Zones overlap with the FEMA-designated floodplains.

The FIRM provides flood risk information for flood insurance and floodplain management purposes under the NFIP. The SFHAs, shown on the FIRM, may impact flood insurance requirements and rates, permitting, and building requirements for tenants and permit holders for property in designated SFHAs on the FIRM. Flood insurance is available through the NFIP and the private market. Flood insurance for Zone D areas is not available through NFIP. Pre-FIRM buildings of any type are not required to buy flood insurance. For more information on purchasing flood insurance, please contact your insurance agent.

City’s Floodplain Management Program ordinance is based on NFIP requirements. Under the ordinance, the Port and the City must regulate new construction and substantial improvements or repairs to structures in SFHAs to reduce the risk of flood damage. The requirements may include elevation or floodproofing of structures and attendant utilities.

Additional information on this matter are available on the City/Port websites and FEMA website as listed below-

San Francisco Floodplain Management Program website:

<https://onesanfrancisco.org/san-francisco-floodplain-management-program>

Port Floodplain Management Program Website:

<https://sfport.com/flood-plain-management-program>

FEMA's NFIP website:

www.FloodSmart.gov.

SCHEDULE 4
HAZARDOUS MATERIAL DISCLOSURE



MEMORANDUM

July 7, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director 

SUBJECT: Proposed Fiscal Year 2023-2024 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event Rates (Parameter Rates).

DIRECTOR'S RECOMMENDATION: Information – Possible Action to Approve the Attached Resolution No. 23-36

EXECUTIVE SUMMARY

As an enterprise department, the Port relies on revenue generated from the use of its property to operate and maintain its 7.5 miles of San Francisco waterfront. The Port typically updates its rental rates annually for its properties to keep rents consistent with market conditions. To establish these rents, Port staff hired a consultant team to obtain and analyze comparable market data for its portfolio. These rates are compiled into the proposed Rental Rate Schedule (see **Exhibit A**) for Port Commission and public review and discussion.

The overall San Francisco and regional commercial real estate markets continue to be significantly and negatively impacted post-pandemic. Key economic metrics include:

- Weekly office attendance is at 45% of pre-pandemic levels, up from 40% one year ago.

- Downtown BART exits at 36% of pre-pandemic levels; up from 27% one year ago.
- Meetings and conventions showing signs of rebounding with Moscone Center hosting 33 events in 2022 compared to five following its reopening in September 2021.

According to CBRE:

- The San Francisco office market closed Q2 2023 with an overall vacancy rate of 31.8%. This is up from 29.4% at the end of Q1 2023 and 27.6% at the end of Q4 2022.
- Including sublease availability, the vacancy rate stands at 35.0%.

Per Colliers Real Estate's San Francisco Office Market Research Report Q1 2023:

- Citywide overall effective rents have dropped 20% from pre-pandemic asking rents.

Office vacancy continues to rise due to the technology sector restructuring and remote work throughout San Francisco. Landlords are continuing to offer concessions and rents are lower due to historically high vacancy.

The Port's portfolio performance is closely tied to regional and San Francisco real estate trends in many respects, as evidenced by office vacancy rates. The Port's Class B and Class C office portfolio performance is 17.2% (April 2023) vacant compared to the City's 16.8% for Class B and 15.3% for Class C vacancy rates.

The Port's portfolio diverges from these trends in other metrics. For example, the Port's shed vacancy rate is well above the City-average for industrial spaces (11.9% versus 5% Citywide as of Q1 2023) due to the physical limitations of the sheds in terms of accommodating much of the industrial tenant demands (weight, clearance, convenient power, water, drainage hook-ups, loading docks, among others).

Port staff worked closely with a third-party real estate consulting team as well as across divisions (Real Estate, Development, and Maritime staff) to review market trends and our own leasing activity, which has fallen in square feet since COVID, to craft appropriate rental rates and leasing incentives to keep vacancies low and receive fair market rent.

More than 115 rental rates are listed on the Rental Rate Schedule (**Exhibit A**). Port staff proposes to keep most of the rates the same as FY 22/23, and lower about 3% of the rates (for locations with continued longstanding vacancy). In addition, staff propose leasing incentives to include offering ½ month free rent for new long-term office and shed leases with a term of 3-5 years; ramp up of lease rates of 70%, 80%, and 100% of parameter rent for office leases with a minimum 3-year term; ramp up of lease rates at 70%, 80% and 100% of parameter for shed leases with a minimum 3-year term and keeping the maritime leasing incentives for new leases which include three of the following four uses: office, shed, apron and/or submerged land. Finally, the rate schedule includes the continuance of

the annual Port-sponsored special events with fee waivers and fee reductions for nonprofit and equity-focused event types.

This staff report is organized as follows:

- I. Strategic Plan Alignment
- II. Background
- III. Port's Rental Portfolio
- IV. Rate Setting Methodology & New Rates
- V. Recommended Rates and Key Implementation Clarifications
- VI. Strategic Leasing Incentives

STRATEGIC PLAN ALIGNMENT

A successful portfolio management strategy will support key Strategic Plan objectives (2021-2025 Strategic Plan):

Property Portfolio

Increase the Port's Port leasing revenue to pre-COVID-19 pandemic levels and beyond by 2025 by ensuring the Port generates market rate values of rents.

Economic Recovery and Economic Growth

Implement policies and programs that attract diverse communities and activate the waterfront.

BACKGROUND

Policy Background

The Rental Rate Schedule is one of several Port Commission directives and policies to address real property agreements in accordance with the Port's mission to manage its diverse real estate portfolio. Port's management of its portfolio includes an obligation to charge market rent for its properties. **Exhibit B** (attached) provides a synopsis of Port Leasing Policies delegating authority to the Executive Director to execute agreements.

In 1993, the Port Commission delegated authority to the Executive Director to approve and execute: (i) leases, (ii) licenses and (iii) Memoranda of Understanding ("MOU") provided that the terms of these agreements do not fall below minimum parameter terms. These parameters include a schedule of minimum rental rates, incentives, and other adjustments for such agreements and locations listed in the Rental Rate Schedule that the Executive Director may execute without Port Commission approval actions for each.

The parameter rate schedule, the landing fee schedule ¹, Port's tariff ², South Beach Harbor rates ⁴, and Fisherman's Wharf Harbor rates ⁵ comprise the land and water-use rates established by the Port.

Process

The Port Commission periodically reviews and sets rental rates for its commercial properties. These rates include monthly rental rates, monthly parking stall rates, and special event rates (together, the "Rental Rate Schedule").

Typically, the Port Commission reviews rates on an annual basis and enacts a new Rental Rate Schedule to reflect market conditions. Port staff provides the following research of such current market conditions (see "Rate Setting Methodology" below) for the Port Commission's consideration.

Last Resetting Process: 2022-2023

The Port's current Rental Rate Schedule was adopted for Fiscal Year 2022-2023 (FY 22-23) in August 2022. Port staff presented market information that supported modification of certain rates and approved leasing tools to retain tenants and incentivize new leases of at least three years ³.

San Francisco Market Summary

San Francisco's real estate market continues to be significantly impacted in its post-pandemic recovery, specifically in the office and hospitality (food, beverage, lodging, and entertainment) sectors. This is largely due to employers adopting full-remote work or hybrid work policies which have affected the number of workers in the city and demand for office space. A set of factors - reduced need for office space, firms moving out of San Francisco to lower-cost areas, rising interest rates, and layoffs - has had a significant impact on the office market. The overall office vacancy rate has increased from 21.9% to 31.8% since first quarter 2022. Subleases make up a significant number of the current office deals and turnkey spaces, including offices that are furnished, are becoming more common in the market for all office classes.

Although market trends have shown a slight increase in overall industrial vacancy, the San Francisco industrial market has remained relatively stable post pandemic as supply

¹ Approved in December 2021, this staff report and resolution set the landing fees for ferries to the Port: https://sfport.com/files/2021-12/12142021_Item%2011A%20Landing%20Rights%20License%205yr%20Fee%20Schedule_final.pdf

² See latest Port Tariff No. 5 issued Aug 2009 locate. Tariff amendments require Port Commission, California Association of Port Authorities, and Federal Maritime Commission approvals.

<https://sfport.com/sites/default/files/Maritime/Docs/Tariff/Tariff%202021.pdf>

³ See staff report for August 5, 2022 meeting and resolution here:

https://sfport.com/files/2022-08/08092022_minimum_parameter_final.pdf

⁴ See latest South Beach Harbor berthing rates 2022 located here:

<https://sfport.com/files/2021-12/2022%20Berthing%20Rates.pdf>

⁵ See latest Hyde Street Harbor berthing rates 2022 located here:

https://sfport.com/files/2022-06/Hyde%20Street%20Harbor%20Berth%20Rates_2022.pdf

remains limited. Overall industrial vacancy is currently 5.0%, which is a slight increase over 2022. This increase is primarily the result of an increase in flex space which is a commercial use comprised of a combination of warehouse, office and retail space. This has a current vacancy rate of 11.9% compared to logistics space which is primarily used for fulfillment centers and distribution facilities at 4.4%. Vacancy rates have also increased particularly for smaller dated warehouses that do not easily tie into e-commerce distribution. Land constraints, zoning, and prohibitive construction costs have constrained new development.

According to the San Francisco Travel Association, the San Francisco hotel market has shown growth in occupancy. In 2022, hotel occupancy was 58.4% compared to 25.4% in 2021. Leisure travel is expected to continue its steady recovery and tourism is expected to continue to improve with the return of Asian visitors. This should improve the performance of the many Port properties that serve visitors, including restaurants, retail, entertainment, ferry excursion, and parking venues.

While BART ridership to SF downtown is only 36% of pre-pandemic ridership numbers, current traffic counts on the Bay Bridge and the Golden Gate Bridge are 89% and 74% respectively, of pre-pandemic levels (see Figure 1 for more metrics). This is relevant for the Port's portfolio of parking spaces and indicates that market conditions remain relatively strong for the "commuter" sector of parking demand. This is helpful for the Port's parking portfolio; however, several lots in the Northern Waterfront still suffer from low levels of demand for visitor-oriented parking.

Figure 1. San Francisco Metrics



I. PORT'S RENTAL PORTFOLIO

(1) Overview of Space

The Port's real estate portfolio consists of 7½ miles of waterfront property in San Francisco, from Hyde Street Pier in the north to India Basin in the south as well as several discontinuous parcels near Yosemite Slough. Total land area includes more than 834 acres of property, with 629 acres of space on land, while the remaining 205 acres of property consist of marine structures and leasable submerged land.

Commercial operations on Port property include industrial warehousing, storage, office, professional sports, restaurants, retail shopping, land, and marine excursions, cultural attractions, parking lot operations, ferry service, commercial fishing, cargo operations, marine salvage, and cruise ship calls.

The Port's commercial leasing portfolio consists of approximately 590 commercial property contracts occupying 22.5 million square feet, which represents approximately 490 tenants. These contracts range from short-term licenses covering days of property use (such as for walks and races) to long-term ground leases at Fisherman's Wharf, Pier 39, Piers 15-17, Piers 1½-3-5, Pier 1, the Ferry Building, Oracle Park, Mission Rock, and Pier 70.

Total Port property available for commercial leasing consists of approximately 31.9 million square feet. As of June 1st, 2023, the Port of San Francisco had 22.5 million square feet under contract. Of that space, the Port has leased approximately 7.2 million square feet as ground leases to master tenants. The remaining 15.3 million square feet of occupancy is directly managed by Port Real Estate and Development Division and the Maritime Division, as described below. When a property agreement expires and the user remains in place, the rent is usually increased to the current Parameter Rate through an amendment, a new lease or notice letter if the user is in holdover status.

(2) Port Leasing Volume




The chart below provides data on leasing volumes over the last five years measured in square feet and number of agreements. Although the dollar amount for new leases increased significantly in FY 2022, there is a noticeable decrease in leasing volume since FY 2019. The increase in annual rent during FY 2022 can be attributed to bringing newly expired long-term leases to current parameters, such as with the renewal of Aardvark Storage Unlimited and Autodesk.

Item	FY19	FY20	FY21	F22	FY23
Number of New Agreements	76	84	79	50	67
Square Footage	2,527,013	1,547,083	1,026,508	515,797	708,967
Annual Rent - New Agreements	\$2.9M	\$13.4M	\$4.7M	\$7.6M	\$6.4M
*Through June 1, 2023					

Source: Port RED internal records, June 15, 2023

(3) Port Vacancy

As of April 2023, the Port's overall vacancy rate was 4.7% which is an improvement compared to the 6.3% vacancy rate in January 2022. Vacancies in the Portfolio sub-types are shown in the below chart.

Space Type	Jan-22	Jul-22	Oct-22	Jan-23	Apr-23	Trend Summary
Shed	25.4%	17.1%	14.5%	14.8%	11.9%	
Office	14.5%	18.0%	18.1%	17.7%	17.2%	
Overall	6.3%	5.5%	4.9%	4.9%	4.7%	

Source: Port Finance division as of June 15, 2023.

(4) Port Portfolio Comments

Fisherman's Wharf

Demand remains strong for maritime industrial properties in Fisherman's Wharf while businesses relying on foot traffic (tourism) continue to struggle to recover post-pandemic. Current vacancies include a dilapidated office space at 490 Jefferson Street, storage space on Al Scoma Way, a warehouse and fish processing compound on Jefferson Street, and the former Alioto's restaurant on Taylor Street.

In addition to the vacancies referenced, two of the larger restaurants in Fisherman's Wharf, Tarantino's and Castagnola's, have not reopened since closing in 2020, with Fisherman's Grotto #9 only opening sporadically. It is anticipated that two smaller restaurants (Lou's Pier 47 and Pompei's Grotto) will be coming back to the Port under termination agreements in August 2023.

Northeast Waterfront

The Northeast Waterfront has experienced on-going vacancies in Piers 19, 29, & 33 due to both lack of suitable prospects and the need for capital improvements, particularly at Pier 29.

Ferry Plaza & South Beach

The Ferry Plaza/South Beach portfolio had a slight increase in vacancy rate due to tenants opting to relinquish office space in the Agricultural Building. Current vacancy rates do not account for Pier 38, which is not occupied due to code compliance and weight restriction issues in addition, to the active Exclusive Negotiations Agreement affecting Piers 38-40.

China Basin & Central Basin

While China Basin and the Central Basin both had an increase in vacancies during the pandemic, current vacancy rates have been gradually decreasing since 2022.

Demand for space remains steady due to the completion of the Mission Bay development, several buildings in the Mission Rock development, the construction of Bayfront Park, scheduled to open in late 2023, and events at Oracle Park, Chase Center, and Crane Cove Park. Due to its structural issues, this analysis does not include Pier 54.

Southern Waterfront

The Southern Waterfront's vacancy rate is low and has held relatively steady over the last year. Vacancy rates for office space here remain steady. While the demand for industrial space in the Eco-Industrial Complex remains high due to a shortage of industrial space in San Francisco, the lack of utilities and paving remains a challenge when marketing the sites to prospective tenants.

II. RATE SETTING METHODOLOGY & NEW RATES

Port staff reviews market data to create rent schedules suited for each of the Port's assets. Generally, the data used to establish rents comes from:

1. *Third-party consultant data analysis.* The Port retained a third-party consultant to review and analyze market conditions, review the Port's current monthly rate schedule and leasing incentives, and propose adjustments to rates or leasing incentives. Their findings are included in the staff report as **Exhibit D**.
2. *Port Leasing Activity, Accounts Receivable, and Sales Reports:* Port staff reviewed Port leasing activity for the prior 3 years and used this data to assess current market conditions of the Port's unique spaces.

(1) Port Office Space

The Port manages approximately 330,000 square feet of Class B and C office space. While there is Class A office space within the Port's portfolio, it is managed by master tenants such as Hudson One Ferry Operating L.P. (Ferry Building), Prologis (Pier 1), SF Piers (Piers 1½-3-5), and Orton Development (20th Street Historic Core at Pier 70). This will also be the case with the office space under construction at Mission Rock and to be under construction at the Pier 70 development site. The Port does not manage any Class A office space directly; thus, none of such space is subject to the Rental Rate Schedule.

Post-pandemic, prospective tenants are looking for turnkey and high-end office space as weakening office metrics now favor tenants. Some of the Port's key office properties with views and proximity to parking and public transportation will be desirable; however, tenants have a significant amount of offices in San Francisco from which to select.

The Port manages 17 Class C office properties and seven Class B buildings. These directly managed office holdings are itemized in **Table 3**.

Table 3.1 Directly Managed Properties by Class Type

Building Class	Name of Building
Class B	Roundhouse Plaza
Class B	Pier 9 Bulkhead
Class B	Pier 9 Pier Offices
Class B	Pier 26 Annex
Class B	Pier 33 ½ North
Class B	Pier 33 Bulkhead
Class B	Pier 35 Bulkhead
Class C	Agriculture Building
Class C	401 Terry Francois
Class C	Piers 23 Bulkhead
Class C	Pier 29 Annex
Class C	Pier 29 ½
Class C	490 Jefferson St.
Class C	Piers 26 Bulkhead
Class C	Pier 28 Bulkhead
Class C	Pier 38 Bulkhead
Class C	Piers 50 Bulkhead
Class C	Pier 54 Office
Class C	Pier 70, Building 11
Class C	671 Illinois Street
Class C	501 Cesar Chavez
Class C	601 Cesar Chavez
Class C	696 Amador
Class C	Pier 96 Admin. Bldg.

Full Service & Net Leases

Full-Service leases include maintenance, janitorial, and utility costs in the monthly rent amount. Net leases do not include services meaning tenants pay directly for maintenance, janitorial, and utilities costs in addition to the monthly rent. Typically, rent for a full-service lease is approximately \$1.50 to \$2.00 psf/mo more than a net lease.

Class B

The Port manages approximately 150,000 square feet of Class B office space in seven locations. These assets are often good-quality older properties that may need capital investment to remain competitive.

Class C

The Port manages approximately 180,000 square feet of Class C office space in 17 locations. Class C spaces are older (usually 15-25 years) and exhibit functional obsolescence and deferred maintenance. These properties can be in less desirable locations and may need renovation and rehabilitation to be competitive. Class C space typically rents for less due to its inferior attributes. Class C spaces can be vacant longer than Class A or Class B spaces and are often targeted for redevelopment. Several of

the Class C office spaces in the Port's inventory are not office buildings but rather walk-up office spaces above retail or service businesses or within sheds.

(2) Port Industrial and Warehouse Space

The Bay Area has approximately 159 million square feet of warehouse rental space along the East Bay I-80/880 Corridor and in Santa Clara, San Mateo, and San Francisco Counties. The market experienced modest negative absorption as a low vacancy at 3.8% hinders the ability of tenants to move. The supply and demand imbalance continues, with little relief expected on the supply side with only 2.2 million square feet under construction.

The San Francisco County industrial market comprises 15.8 million square feet and is concentrated in the below major submarkets:

Submarket	SF (million)	Rent (psf/mo)*
Potrero east of Highway 101	5.9	\$2.20
Bayview Hunter's Point	2.7	\$1.95
Potrero west of Highway 101	1.9	\$2.08
Dogpatch/Pier 70	1.3	\$2.35
India Basin	1.1	\$2.10

* Average Asking rent as of 1Q 2023 from JLL

According to JLL as of 1Q 2023, Industrial/warehouse vacancy rates in San Francisco remained at 5.0% over the past year with no new properties under construction. Typical tenants seeking industrial space are in the e-commerce, building, biotech, and logistics sectors. There is no new construction of industrial property in San Francisco reported. The average rent for industrial space in San Francisco is approximately \$2.14 psf/mo.

The Port directly manages approximately 1.6 million square feet of industrial and warehouse shed space which represents approximately 10% of the industrial market in San Francisco. Most of the Port warehouse and shed space is Class C quality.

The Port's industrial properties have various levels of improvements including wood or chain-link partitions, front fencing, and the availability of utilities and plumbing systems. Most of these spaces lack truck access infrastructure - truck-high docks and marshaling driveways and turn areas, contiguous office space, non-permeable concrete floors, and sprinklers. Due to the lower rents available outside of San Francisco and infrastructure limitations, Port will likely see rental rates remain flat this fiscal year for shed space.

III. RECOMMENDED RATES AND KEY IMPLEMENTATION CLARIFICATIONS

(1) Introduction

Port staff recommends the adjustment of the minimum rental rates as set forth in **Exhibit A** to better reflect current market conditions. These recommendations are based on Port staff's market research, the Port's leasing experience over the past 12 months, and the market analysis and rental rate review conducted by third-party consultants.

The proposed Rental Rate Schedule is presented for Port Commission review and consideration. The Rental Rate Schedule sets minimum rental rates and gives Port staff authority to negotiate higher rates or the flexibility to quote rates in the mid-range or lower range of the Rental Rate Schedule when justified based on property characteristics.

The proposed Rental Rate Schedule lists all commercial properties and associated Minimum Initial Rental Rates and Net Effective Rental Rates. Net Effective Rent is calculated based on the base rent revenue over the term less any concessions. The Rental Rate Schedule is organized first by use and lease type and second by property/geographical location.

For leases with terms of longer than one-year, monthly base rents typically have fixed annual increases ranging from 3% to 4% or CPI. Most of the Port's leases provide for an adjustment to parameter rent on extension or exercise of an option. Most also provide for a market adjustment upon expiration when the lease continues on a month-to-month holdover status while a new lease is negotiated. The current lease form states that for a holdover the base rent increases by 150% for a Port-approved holdover, 200% without Port consent, and no increase if the Port is actively working on a lease renewal. Since Port is actively managing renewals, the increase in base rent due to holding over is rarely required. In many lease renewals, Port staff uses the then-current parameter rates as the market adjustment, unless the lease language provides for another market resetting process.

The rate tables and narratives are organized as follows – Note that only a selection of the rates is highlighted here, please see **Exhibit A** for a full suite of rates.

1. New Rates and Key Implementation Clarifications
2. Office Space
3. Piers: Sheds and Open Pier Areas
4. Fish Processing, Fish Gear, and Pier 40 Lockers Rates:
5. Parking
6. Special Events & Pop-Up RFQ
7. Development Projects: Subsurface Utilities, Public Improvements, and License Fees

1. New Rates and Key Implementation Clarifications
Development projects-- maintenance and liability for Port-owned structures in the right-of-way, sidewalk, or open space by 3rd parties. Both Mission Rock and Pier 70 projects have enhanced public improvements in the new streets and open spaces. In cases where the Port owns such public improvements and has assigned all

maintenance and liability to another party the proposed fee schedule waives charges for the placement of these improvements in Port-owned streets, sidewalks, and open spaces.

2. Office Space

Based on the economic conditions for the San Francisco office market, Port staff recommends maintaining the FY 22/23 rates with a few locations being reduced and retaining FY 22/23 leasing incentives for leases of three or more years (described in the next section). The below charts show the changes to the rates and new rates; the full parameter rent schedule is attached as **Exhibit A**. Green highlighting represents a proposed decrease in rates and orange represents an increase.

Full Service Office – Class B			
Sub-Area	Location	Current (PSF)	Proposed (PSF)
NE Waterfront	Roundhouse 2	\$4.25	\$4.00

Full Service Office – Class C			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Ferry Plaza	Ag Building Window	\$3.75	\$3.75
Ferry Plaza	Ag Building Interior	\$1.75	\$2.00
China Basin	401 Terry Francois	\$3.60	\$3.60
Southern Waterfront	501 Cesar Chavez	\$1.60	\$1.60

Net Office Leases – Class B			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Northeast Waterfront	Roundhouse 1	\$4.00	\$4.00
Northeast Waterfront	Pier 33 ½ North	\$3.50	\$3.50
Northeast Waterfront	Pier 33 Bulkhead	\$3.25	\$3.50
Northeast Waterfront	Pier 35 Bulkhead	\$3.50	\$3.50
Northeast Waterfront	Pier 9 Bulkhead	\$4.25	\$4.25
Northeast Waterfront	Pier 9 Office - Shed	\$4.25	\$4.25
South Beach	Pier 26 Annex	\$3.25	\$3.25

Net Office – Class C			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Fisherman's Wharf	490 Jefferson	\$3.00	\$3.00
Fisherman's Wharf	SWL 302, Building 3 - 2nd Floor Office	--	\$1.50
Fisherman's Wharf	SWL 302 Building 6 - 2nd Floor Office	--	\$3.00
Northeast Waterfront	Pier 29 ½	\$2.25	\$2.25
Northeast Waterfront	Pier 29 Annex "Beltline"	\$2.25	\$2.25
Northeast Waterfront	Pier 35 Interior Office	\$2.50	\$2.25
Northeast Waterfront	Pier 23 Bulkhead	\$2.00	\$2.00
South Beach	Pier 28 Bulkhead	\$2.75	\$2.50
China Basin	Pier 54 Office	\$1.95	\$1.95
China Basin	Pier 50 Bulkhead	\$3.40	\$3.10
Southern Waterfront	Pier 70, Building 11 "Noonan"	\$1.20	\$1.20
Southern Waterfront	601 Cesar Chavez	\$1.30	\$1.30
Southern Waterfront	671 Illinois (Kneass)	\$1.00	\$1.00
Southern Waterfront	696 Amador	\$1.35	\$1.35
Southern Waterfront	Pier 96 Admin Bldg	\$1.50	\$1.70
Southern Waterfront	Pier 68 Shipyard Bldg 127	--	\$1.15

3. Piers: Sheds and Open Pier Areas

Port staff propose to increase the shed rates at Piers 45 to reflect market demand for industrial warehouse space in the area. This rate does not apply to fishing industry tenants who have a separate rate for operations at Pier 45 as shown below. Most other rates are either flat or have been reduced slightly to reflect ongoing vacancies. Note that staff has added: leasable buildings in the Pier 68 shipyard (shed space and Building 127); and leasable buildings on Seawall Lot 302 (see Exhibit A for a full array of rates, the below are building rates only).

Fisherman's Wharf - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Fisherman's Wharf	Pier 45 & 47	\$1.65	\$1.65

Northeast Waterfront - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Northeast Waterfront	Pier 35	\$1.60	\$1.60
Northeast Waterfront	Pier 33	\$1.60	\$1.60
Northeast Waterfront	Piers 23, 29, 31	\$1.65	\$1.65
Northeast Waterfront	Pier 19	\$1.65	\$1.65
Northeast Waterfront	Pier 9	\$1.75	\$1.75

Ferry Plaza & South Beach - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
South Beach	Pier 24 Annex	\$3.40	\$3.40
South Beach	Pier 26	\$1.70	\$1.70
South Beach	Pier 28	\$1.70	\$1.70
South Beach	Pier 40	\$1.65	\$1.65
South Beach	Pier 40* maritime & visitor - serving	\$1.10	\$1.10

China Basin & Central Waterfront - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
China Basin	Pier 50	\$1.75	\$1.75
China Basin	Pier 54 Shed	\$0.75	\$0.75
China Basin	SWL 343	\$1.30	\$1.30
China Basin	SWL 345	\$1.30	\$1.30

Southern Waterfront - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Southern Waterfront	Pier 68 Shipyard Office Trailers	\$1.30	\$1.30
Southern Waterfront	Pier 68 Shipyard Bldg 36	\$1.20	\$1.20

Southern Waterfront	Pier 68 Shipyard Shed	--	\$1.35
Southern Waterfront	Pier 80	\$1.50	\$1.25
Southern Waterfront	SWL 354	\$1.25	\$1.25
Southern Waterfront	Pier 92	\$1.10	\$1.10
Southern Waterfront	SWL 344	\$1.25	\$1.25
Southern Waterfront	Pier 96 M&R Bldg.	\$1.30	\$1.30
Southern Waterfront	Fmr. RR ROW Facility 6019	\$0.75	\$0.75

4. Fish Processing, Fish Gear, and Pier 40 Lockers Rates

In support of our local commercial fishing industry, the Port maintains lower rates for fish processing and fish gear uses at Fisherman's Wharf and rates for water recreation lockers at Pier 40. Port staff is recommending these rates remain flat as shown below.

Fish Processing & Wholesale Industry Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Fisherman's Wharf	Pier 45 2 nd Floor Mezzanine	\$1.15	\$1.15
Fisherman's Wharf	Pier 45 1 st Floor Office	\$1.40	\$1.40
Fisherman's Wharf	Pier 45 Shed	\$1.50	\$1.50
Fisherman's Wharf	Pier 45 2 nd Floor Warehouse	\$0.80	\$0.80
Fisherman's Wharf	SWL 302	\$1.30	\$1.30
Northeast Waterfront	Pier 33	\$1.50	\$1.50

Port staff recommends no change to the fishing industry rates to keep the industry competitive.

Fishing Gear Storage Rates			
Sub-Area	Location Type	Current Rate PSF	Proposed Rate PSF
Portwide	Non-Berthholders	\$1.65	\$1.65
Portwide	Berthholders	\$0.55	\$0.55

Pier 40 Storage Rates			
Sub-Area	Location Type	Current Rate	Proposed Rate
South Beach	Pier 40 Lockers	\$100	\$100

5. Parking

The Port operates several parking facilities where the Port offers month-to-month leases for approximately 375 stalls. A significant number of the stall holders are Port tenants.

In 2022, Port's summer intern assisted Port staff in conducting a survey of comparable parking facilities in the vicinity of Port property attached as **Exhibit C**. Port staff concluded that there has been little change in demand since then and recommends no change to the FY 23/24 parking rates.

6. Special Events and Popup RFQ

The methodology for deriving the fees described in the Special Events Schedule is a combination of market research, continuous dialog with special events promoters, the San Francisco Department of Recreation and Park, and the Port's own experience in negotiating fees.

Background

The Port's 7½ miles of waterfront property is a popular venue for special events each year in the City. Special events play an important role in contributing to the Port's cultural vibrancy for San Francisco residents and visitors to the waterfront and build a sense of community as many of the Port events draw attendees from around the world. Among the most notable special events are: Juneteenth, the 4th of July Celebration and Fireworks, the San Francisco Marathon, the Giant Race, the JP Morgan Corporate Challenge, Fleet Week, and the New Year's Eve Celebration.

To standardize the special event fees charged for various Port facilities, Port staff has established a Special Event Fee Schedule. The schedule is reviewed annually to reflect current market conditions and submitted to the Port Commission for approval.

Special events during FY22/23 generated a total of \$125,615 in revenues (July 2022 to June 2023).

Special Events – Proposed Fee Waivers and Fee Reductions

Specific Special Event Fee Waivers

There are several recurring Special Events/Uses that have strong maritime, trust benefit, and/or community connections to the Port of San Francisco and customarily have been given either a fee waiver or fee reduction by the Port Commission on an ad hoc basis. To streamline the administrative process and costs associated with preparing individual Port Commission agenda items for each event, the Port Commission typically approves the recommended fees for these events as part of its approval of the Rental Rate Schedule:

- i. Proposed 100% License Event Fee Waivers:
 - a. Chinatown YMCA Chinese New Year Run
 - b. Delancey Street Flower Sale
 - c. Black Health & Healing Summit
 - d. Bike to Work Day

- e. 4th of July Celebration & Fireworks
 - f. San Francisco Symphony Concert
 - g. SFPD Motorcycle Skills Training Competition
 - h. Fleet Week
 - i. EcoCenter Playday (formerly Bay Splash)
 - j. Wharf Fest
 - k. New Year's Eve Celebration & Fireworks
 - l. US Government Vessel Commissioning
 - m. Juneteenth
 - n. DPW Coastal Cleanup
 - o. DPW Beautification
 - p. EcoCenter Anniversary
 - q. Park Alliance Movie Night
 - r. SFPD Training
 - s. Homeless Church - Church Service
 - t. Port sponsored activations
 - u. Quarterly events on Embarcadero Ferry Terminal Plaza
 - v. and to accommodate other City agencies or departments.
- ii. Proposed 50% License Event Fee Reductions:
- a. Pawtrero's Annual Dog Day Afternoon and Adoption Event
 - b. Delancey Street Christmas Tree Lot
 - c. San Francisco Baykeepers Bay Parade and Picnic.

To accommodate special circumstances that may arise, staff recommends Port Commission delegate authority to the Executive Director to authorize fee waivers or fee reductions for other events as necessary when all the following conditions are met:

- a. Event will attract people to the waterfront
- b. Location is available with no conflicting use or loss of revenue
- c. Port will not need to expend any resources or revenue to support the event; and
- d. Event sponsor to accept all liability, maintain sufficient liability insurance, and indemnify the Port for all claims related to the event and use of Port property.

Port staff maintains a list of events receiving such waivers to help inform the Port Commission of the Executive Director's use of the delegated authority when requested.

Other Fee Reduction Categories

Nonprofit Events

Post-pandemic, nonprofit organizations continue to struggle to provide services and find ways to hold special events for the public. Special Event staff recommends updating the fee reduction schedule for nonprofits. For FY 23/24, Port staff recommends a 50% fee reduction for San Francisco nonprofit organizations with an annual budget of less than \$3 million and a 25% fee reduction for San Francisco nonprofit organizations with

an annual budget exceeding \$3 million. This partial fee waiver does not extend to nonprofits scheduling events at facilities leased or managed through other Port tenants and operators. The special event must be a fundraising event to benefit the nonprofit, be open to members of the public, and the fee paid must cover the costs of Port staff time.

Diversity & Equity Events

The Port is committed to equitable access to Port facilities for special events. Port's Racial Equity and Special Events staff recommend continuing the FY 22/23 pilot program into FY 23/24 for events that benefit communities of color or marginalized communities. The program includes waiving license event fees of up to \$60,000 annually and/or 12 events per year (maximum \$7,000 per event). When the maximum is exhausted, staff may waive 50% of the license event fee for an unlimited number of events.

Qualifying event sponsors must have an annual operating budget equal of no more than \$2 million, and the mission statement or goals and objectives of the organization identify the community served. Port staff will report the impacts of this pilot program to the Port Commission in the Port's Racial Equity Action Plan.

Pop Up Request for Qualified Operators and Similar Users

The Port identified a pool of Qualified Operators for short-term activation and programming of Port open spaces meeting the minimum criteria for the Pop-Up Request for Qualification (Pop-Up RFQ). For Qualified Operators with an annual budget of no more than \$2 million, Special Events staff is authorized to waive 25% of the payable license event fee.

The Port routinely inquiries from sponsors that want to participate in the Pop Up RFQ and Port staff recommend that the Port Commission continues to authorize efforts to expand the pool of Qualified Operators to future applicants.

The methodology for deriving the fees described in the Special Events Schedule is a combination of market research, continuous dialog with special events promoters, San Francisco Recreation and Parks rates, and the Port's own experience in negotiating fees.

7. Development Projects: Proportion Reduction for License Fees in City Accepted Right-of-Way, Sidewalk or Open space

In cases of "dual-jurisdiction" where Public Works (DPW) charges permit fees for outdoor dining, seating, and activation on City-accepted Port-owned streets, sidewalks, and open spaces, Port staff propose delegated authority be given to allow a reduction in Port's license fee in an amount equal to the DPW permit fee to ensure licensees are not paying DPW permit fees on top of the Port's standard licensee for the same use. This proposal also promotes parity among Port licensees using Port property for similar uses—there would be no DPW permit fee for Port licensees who use Port property for similar uses where the Port property is not accepted by the City.

IV. STRATEGIC LEASING TACTICS

Overview

Under Resolution 22-41, the Port Commission approved staff authority to offer leasing incentives for 3-to-5-year new leases and to alter the “excess rent” provisions of leases to incentive subleasing.⁴

For this year’s parameter rates, Port staff recommend:

- (1) Continuing the leasing incentives for 3-, 4-, and 5-year office leases
- (2) Reinstating leasing incentives for 3-, 4-, and 5-year shed leases
- (3) Continue the plan to offer a 50%/50% revenue split on sublease excess rent
- (4) Maintain the maritime “triple threat” incentives
- (5) Offer ½ month free rent for each lease year to prospective tenants that are also offered the ramp-up rent schedule above for both office and shed spaces.

Port Property managers have concluded that pricing is not the only reason for pier shed vacancies. Prospective shed tenants typically cannot use shed space due to a lack of adequate security, moist bay air (the marine layer), lack of adequate utilities, zoning restrictions, and seismic upgrade triggers. Port’s historic sheds have many physical limitations such as a lack of loading docks, old electrical distribution systems, inconvenient drain and water connections, and uncommon deferred maintenance issues with over-water facilities. Because of these limitations, Port must focus on incentives to overcome these hurdles.

1. Office

Office landlords in San Francisco are now providing flexible lease terms, free rent, move-in and tenant improvement allowances, furniture, and a softer approval process including smaller security deposits, and parking incentives to stimulate leasing.

The below bullets summarize Port staff’s proposed incentives:

- For:
 - Three-year leases,
 - ½ month free rent for each lease year based on monthly rent to be paid during that year,
 - ramp up of lease rates at 70%, 80%, and 100% of parameter rate as escalated annually,
 - A termination right for a fee equal to 1-month current rent multiplied by the number of years remaining on the lease (rounded to the nearest month) plus unamortized leasing incentives (defined as the total dollar value of the incentives divided by the months of the term)

⁴ See here for leasing incentives action item: https://sfport.com/files/2022-08/08092022_minimum_parameter_final.pdf and see Resolution No. 22-08 for maritime-focused incentives, https://sfport.com/files/2021-2/Item%207C%20Maritime%20Leasing%20Policy_final.pdf.

multiplied by the remaining months of the term), plus reimbursement of Port's costs for processing the termination.

- Four or five-year year lease
 - ½ month free rent for each lease year,
 - ramp up of lease rates at 70%, 80%, 90% 100% of parameter rate
 - same termination right as above.

The termination option is recommended by the Port's consultants who note that tenants are currently reluctant to sign multi-year leases and Port staff support this recommendation.

2. Shed Space

Even though San Francisco industrial landlords are in better shape than office landlords, industrial owners are implementing a variety of leasing strategies to maintain cashflow and value. These tactics intend to help increase rent, retain tenants, attract new tenants, and minimize vacancies.

For shed leases with at least a three-year term, Port staff recommend that the Port Commission allow staff the ability to offer a ramp-up of base rent and ½ month free rent for each lease year. The below bullets summarize the proposed incentives:

- For
 - 3-year leases
 - ½ month free rent for each lease year,
 - ramp up of lease rates at 70%, 80%, and 100% of parameter rate,

3. Maritime "Triple Threat" Leasing Incentives

Port staff recommend continuing the leasing tactics approved by the Port Commission for maritime tenants adopted, through Resolution 22-41 as outlined below:

1. Leasing tactics may be offered to: Existing tenants exercising options or amending leases or for new maritime tenants, maritime office leases.
2. Lease must include three out of the four following uses: office, shed, apron, and/or, submerged land
3. If conditions 1 and 2 are met, then:
 - Port staff may offer an office portion of a lease with a minimum to start at no less than 75% of the applicable parameter office rate; then a 3% increase each year, and
 - If tenant leases the following three use types: office, shed, and apron (on exclusive or non-exclusive basis), then Port staff may also offer submerged land along with the apron, for no additional charge to facilitate the intended water-dependent use.

RECOMMENDATION

Port staff requests that the Port Commission provide comments and approve the Fiscal Year 2023-24 Monthly Rental Rates Schedule, Monthly Parking Stall Rates and Special Event Rates, attached hereto as Exhibit A and the delegations described above. If approved, the new rates will be effective on August 1, 2023.

Prepared by: Kimberley Beal, Acting Deputy Director
Real Estate and Development

Don Kavanagh, Senior Property Manager

With Assistance from: Andre Coleman
Josh Keene
Jennifer Gee
Joyce Chan
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Attachments:

- Exhibit A Fiscal Year 2023-24 Monthly Rental Rates Schedule, Monthly Parking Stall Rates and Special Event Rates
- Exhibit B Synopsis of Port Leasing Policies/Delegated Authorities
- Exhibit C Parking Facilities Located in the Vicinity 2019 and Map
- Exhibit D Third Party Review 2023 (*Keyser Marston & Maven memorandum*)

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 23-36

- WHEREAS, By Resolution No. 93-127, adopted September 8, 1993, and as amended by Resolution 93-135, the Port Commission authorized the Executive Director to approve and execute certain transactional documents such as leases and licenses that conform to all of the parameters set forth in those Resolutions as amended (the “delegated authority”); and
- WHEREAS, Port staff has delegated authority to enter into leases, licenses, and Memorandums of Understanding with rents that conform to the applicable Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event Rates (Parameter Rates) as adopted and amended periodically by the Port Commission (last amended Resolution No. 22-41 for the fiscal year 2022-23); and
- WHEREAS, Port staff has reviewed current office/industrial-warehouse, parking, and special event market data and has prepared updated delegated authorities and updated the Fiscal Year 2023-24 Parameter Rents; and
- WHEREAS, Port staff recommends approval of proposed 100% license event fee waivers for the following special events: Chinatown YMCA Chinese New Year Run; Delancey Street Flower Sale; Black Health and Healing Summit; Bike to Work Day; 4th of July Celebration and Fireworks; San Francisco Symphony Concert; San Francisco Police Department Motorcycle Skills Training Competition; Fleet Week; EcoCenter Playday (formerly BaySplash); Fisherman’s Wharf–Wharf Fest; City’s New Year’s Eve Celebration & Fireworks; U.S. Government Vessel Commissioning; Juneteenth; DPW Coastal Cleanup; DPW Beautification; EcoCenter Anniversary; Park Alliance Movie Night; SFPD Training; Homeless Church – Church Service, Port sponsored activations; Quarterly events on Embarcadero Ferry Terminal Plaza and accommodation of other city agencies or departments; and
- WHEREAS, Port staff further recommends approval of 50% license event fee reductions for Pawtrero’s Annual Dog Day Afternoon and Adoption Event; Delancey Street Christmas Tree Lot; and San Francisco Baykeepers - Baykeeper Parade and Picnic; and
- WHEREAS, Port staff recommends Port Commission delegate authority to the Executive Director to authorize fee waivers or fee reductions for other special events as necessary when all of the following conditions are met: (1) event will attract people to the waterfront; (2) location is available with no conflicting use or loss of revenue; (3) Port will not need to

expend any resources or revenue to support the event and (4) event sponsor accept all liability, maintain sufficient liability insurance, and indemnify the Port for all claims related to the event and use of Port property to indemnify the Port and accept all liability; and

WHEREAS, Port staff recommends the approval of a 50% license event fee waiver for special events held by San Francisco nonprofit organizations with offices located in San Francisco with an annual budget equal to or less than \$3 million, excluding events at facilities leased or managed through other Port tenants and operators, provided the special event is a fundraising event to benefit the nonprofit, is open to members of the public and the fee must cover the costs of Port staff time; and

WHEREAS, Port staff recommends the approval of a 25% license event fee waiver for special events held by San Francisco nonprofit organizations with offices located in San Francisco with an annual budget exceeding \$3 million, excluding events at facilities leased or managed through other Port tenants and operators, provided the special event is a fundraising event to benefit the nonprofit, is open to members of the public and the fee must cover the costs of Port staff time; and

WHEREAS, Port staff recommends continuation of a pilot program for a waiver of license event fees up to \$60,000 annually and/or 12 events per year (maximum \$7,000 per event) for Fiscal Year 2023/24 for events that benefit communities of color or marginalized communities, and when the annual maximum is exhausted, staff may waive 50% of the license event fee for an unlimited number of events, and further subject to the terms and conditions set forth in the Memorandum dated July 7, 2023 accompanying this resolution; and

WHEREAS, Port staff recommends the approval of a 25% waiver of the license event fee for Qualified Operators with an annual budget of no more than \$2 million for short-term activation programming of Port open spaces meeting the minimum criteria for the Pop Up Request for Qualification (Pop Up RFQ), including similar waivers for certain future applicants as further described in the Memorandum dated July 7, 2023 accompanying this resolution; and

WHEREAS, In cases of “dual-jurisdiction” where Public Works (DPW) charges permit fees for outdoor dining, seating, and activation on City-accepted Port-owned streets, sidewalks, and open spaces, Port staff recommends the approval of a dollar-for-dollar reduction in the license fee equal to the permit fee charged by DPW for such uses—such reduction promotes parity among Port licensees using Port property for similar uses as there would be no DPW permit fee for Port licensees who use non-City accepted Port property for similar uses; and

- WHEREAS, To retain office tenants during the current economic downturn, Port staff recommends offering leasing incentives for (1) 3-year office leases with ½ month free rent for each lease year based on monthly rent to be paid during that year, and ramp up rates at 70%, 80% and 100% of the applicable Parameter Rent, as escalated annually, and (2) 4 and 5-year office leases with ½ month free rent for each lease year based on monthly rent to be paid during that year, and ramp up rates at 70%, 80%, 90%, 100% of Parameter Rent, as escalated annually, and for all such office tenants, granting them an early termination right subject to a set fee, as further described in the Memorandum dated July 7, 2023 accompanying this resolution; and
- WHEREAS, To retain shed tenants during the current economic downturn, Port staff recommends offering leasing incentives for shed leases with a term of at least 3 years, with ½ month free rent for each lease year based on monthly rent to be paid during that year, rates at 70%, 80% and 100% of the applicable Parameter Rent; and
- WHEREAS, Staff proposes continuing the excess rent sharing provisions approved by the Port Commission in Resolution 21-16 and Resolution 22-41, and additionally including such provisions in new leases as well as in amendments, and maintaining the maritime “triple threat” incentives approved by the Port Commission in Resolutions 22-08 and 22-41 for both new and existing tenants and also authorizing staff to offer submerged land at no cost to qualifying tenants, as further described in the Memorandum dated July 7, 2023 accompanying this resolution; and
- WHEREAS, Based on its review, Port staff has determined that the proposed Parameter Rates represent the fair market value rent as defined in Section 23.2 of the SF Administrative Code (“Market Rent” shall mean the most probable rent that real property should bring in a competitive and open market reflecting all conditions and restrictions of the property agreement); and
- WHEREAS, As further detailed in this Resolution, Port staff recommends approval of the additional delegated authorities specified in the Memorandum dated July 7, 2023 and the Fiscal Year 2023-24 Parameter Rates, including the strategic leasing tactics, which would set rental rates for office, shed, and land space, color curbs, telecommunication sites, monthly parking stalls, and special event rates; now, therefore be it
- RESOLVED, That the Port Commission hereby approves and adopts the Fiscal Year 2023-24 Monthly Rental Rate Schedule, Parking Rate Schedule, and Special Events Rates (Parameter Rates), including the leasing incentives and special event rates and waivers as described, effective as of August 1, 2023, to be implemented by Port staff in connection with the new and existing delegated authorities as described in the Memorandum

dated July 7, 2023 accompanying this resolution and in this resolution;
and be it further

RESOLVED, That the Port Commission finds that the Fiscal Year 2023-24 Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule, and Special Events Rates (Parameter Rates) including the leasing incentives and various fee waivers, is equivalent to "Market Rent" as defined in Section 23.2 of the SF Administrative Code; and be it further

RESOLVED, That Port staff shall continue to provide the Port Commission, within thirty days following each calendar month, a summary of executed leases, licenses, and Memoranda of Understanding for that month.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 11, 2023.

DocuSigned by:


Secretary

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EXHIBIT A

Fiscal Year 2023-24 Monthly Rental Rates Schedule, Monthly Parking Stall Rates and Special Event Rates

See attached for parameter lease rate tables.

For each property, the Rental Rate Schedule provides a range of rents on a gross basis and a net effective basis. The gross basis, entitled *Minimum Initial Lease Rental Rates*, represents the market rent range for the first year of the lease. The net effective basis, entitled *Minimum Net Effective Rental Rates*, represents the net effective rent calculated and applied over the lease term after rent credits for flooring and wall coverings (maximum rent credit for these elements are described in **Exhibit B #6**) are amortized over the term of the lease. The Port Commission has previously approved the application of rent credits for flooring and wall coverings.

Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease falling below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule.

Full Service Office - Class B Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
NE Waterfront	Roundhouse Plaza-RH 2	\$ 4.00	\$ 4.50	\$ 3.00 -	\$ 3.38

Full Service Office - Class C Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Ferry Plaza	Ag. Building Interior	\$ 1.75	\$ 2.00	\$ 1.31 -	\$ 1.50
Ferry Plaza	Ag. Building Window	\$ 3.75 -	\$ 4.05	\$ 2.81 -	\$ 3.04
China Basin	401 Terry Francois	\$ 3.60 -	\$ 4.05	\$ 2.70 -	\$ 3.04
Southern Waterfront	501 Cesar Chavez	\$ 1.60 -	\$ 2.00	\$ 1.20 -	\$ 1.50

Office NNN - Class B Rates		FY 23/24			
Sub-Area	Location	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
NE Waterfront	Roundhouse Plaza-RH 1	\$ 4.00 -	\$ 4.65	\$ 3.00 -	\$ 3.49
NE Waterfront	Pier 33 ½ North	\$ 3.50 -	\$ 4.05	\$ 2.63 -	\$ 3.04
NE Waterfront	Pier 33 Bulkhead Bldg.	\$ 3.50 -	\$ 4.05	\$ 2.63 -	\$ 3.04
NE Waterfront	Pier 35 Bulkhead Bldg.	\$ 3.50 -	\$ 4.05	\$ 2.63 -	\$ 3.04
NE Waterfront	Pier 9 Bulkhead Bldg.	\$ 4.25 -	\$ 4.90	\$ 3.19 -	\$ 3.68
NE Waterfront	Pier 9 Pier Office	\$ 4.25 -	\$ 4.90	\$ 3.19 -	\$ 3.68
South Beach	Pier 26 Annex Bldg.	\$ 3.25 -	\$ 3.75	\$ 2.44 -	\$ 2.81

Office NNN - Class C Rates		FY 23/24			
Sub-Area	Location	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Fishermen's Wharf	490 Jefferson St.	\$ 3.00 -	\$ 3.50	\$ 2.25 -	\$ 2.63
Fishermen's Wharf	SWL 302, Building 3 - 2nd Floor Office	\$ 1.50 -	\$ 2.06	\$ 1.13 -	\$ 1.55
Fishermen's Wharf	SWL 302 Building 6 - 2nd Floor Office	\$ 3.00 -	\$ 3.50	\$ 2.25 -	\$ 2.63
NE Waterfront	Pier 29 ½	\$ 2.00 -	\$ 2.75	\$ 1.50 -	\$ 2.06
NE Waterfront	Pier 29 Annex "Beltline" Bldg	\$ 2.25 -	\$ 2.75	\$ 1.69 -	\$ 2.06
NE Waterfront	Pier 35 Interior Office	\$ 2.25 -	\$ 2.75	\$ 1.69 -	\$ 2.06
NE Waterfront	Pier 23 Bulkhead Bldg.	\$ 2.00 -	\$ 2.50	\$ 1.50 -	\$ 1.88
South Beach	Pier 28 Bulkhead Bldg.	\$ 2.50 -	\$ 3.00	\$ 1.88 -	\$ 2.25
China Basin	Pier 54 Office	\$ 1.95 -	\$ 2.50	\$ 1.46 -	\$ 1.88
China Basin	Pier 50 Bulkhead Bldg.	\$ 3.10 -	\$ 3.60	\$ 2.33 -	\$ 2.70
Southern Waterfront	Pier 68 Shipyard Office Trailers	\$ 1.30 -	\$ 1.75	\$ 0.98 -	\$ 1.31
Southern Waterfront	Pier 68 Shipyard Building 127	\$ 1.15 -	\$ 1.25	\$ 1.00 -	\$ 1.10
Southern Waterfront	Pier 70, Building 11 "Noonan Bldg"	\$ 1.20 -	\$ 1.50	\$ 0.90 -	\$ 1.13
Southern Waterfront	601 Cesar Chavez	\$ 1.30 -	\$ 1.50	\$ 0.98 -	\$ 1.13
Southern Waterfront	671 Illinois St.	\$ 1.00 -	\$ 1.25	\$ 0.75 -	\$ 0.94
Southern Waterfront	696 Amador	\$ 1.35 -	\$ 1.55	\$ 1.01 -	\$ 1.16
Southern Waterfront	Pier 96 Admin. Bldg.	\$ 1.70 -	\$ 1.95	\$ 1.28 -	\$ 1.46

Office Storage Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Portwide	Office Storage	\$ 1.75 -	\$ 2.25	\$ 1.31 -	\$ 1.69

Pier and Shed Rates		FY 23/24					
Sub-Area	Location	Monthly Rental Rate			Monthly Net Eff. Rental		
		Range PSF			Range PSF*		
Fisherman's Wharf	Pier 47	\$ 1.65	-	\$ 1.85	\$ 1.24	-	\$ 1.39
Fisherman's Wharf	Pier 45	\$ 1.65	-	\$ 1.85	\$ 1.24	-	\$ 1.39
Fisherman's Wharf	SWL 302, Building 7 - CBOA (Shed)	\$ 1.30	-	\$ 1.43	\$ 0.98	-	\$ 1.07
Fisherman's Wharf	SWL 302, Building 6 - Alioto's Warehouse (Shed)	\$ 1.30	-	\$ 1.43	\$ 0.98	-	\$ 1.07
Fisherman's Wharf	SWL 302, Building 3 - Castagnola ex Storage (Shed)	\$ 1.30		\$ 1.43	\$ 0.98	-	\$ 1.07
Northeast Waterfront	Pier 35	\$ 1.60	-	\$ 1.80	\$ 1.20	-	\$ 1.35
Northeast Waterfront	Pier 33	\$ 1.60	-	\$ 1.80	\$ 1.20	-	\$ 1.35
Northeast Waterfront	Pier 31	\$ 1.65	-	\$ 1.85	\$ 1.24	-	\$ 1.39
Northeast Waterfront	Pier 29	\$ 1.65	-	\$ 1.85	\$ 1.24	-	\$ 1.39
Northeast Waterfront	Pier 23	\$ 1.65	-	\$ 1.85	\$ 1.24	-	\$ 1.39
Northeast Waterfront	Pier 19	\$ 1.80	-	\$ 2.00	\$ 1.35	-	\$ 1.50
Northeast Waterfront	Pier 9	\$ 1.95		\$ 2.15	\$ 1.46	-	\$ 1.61
South Beach	Pier 24 Annex	\$ 3.15		\$ 3.55	\$ 2.36	-	\$ 2.66
South Beach	Pier 26	\$ 1.70	-	\$ 1.80	\$ 1.28	-	\$ 1.35
South Beach	Pier 28	\$ 1.70	-	\$ 1.80	\$ 1.28	-	\$ 1.35
South Beach	Pier 40	\$ 1.65	-	\$ 1.85	\$ 1.24	-	\$ 1.39
South Beach	Pier 40-Maritime-serving tenants ¹	\$ 1.10	-	\$ 1.50	\$ 0.83	-	\$ 1.13
China Basin	Pier 50	\$ 1.75	-	\$ 1.95	\$ 1.31	-	\$ 1.46
China Basin	Pier 54 Shed	\$ 0.75	-	\$ 1.25	\$ 0.56	-	\$ 0.94
China Basin	Seawall Lot 343	\$ 1.30	-	\$ 1.45	\$ 0.98	-	\$ 1.09
China Basin	Seawall Lot 345	\$ 1.30		\$ 1.45	\$ 0.98	-	\$ 1.09
Southern Waterfront	Pier 68 Shipyard Shed	\$ 1.35		\$ 1.45	\$ 1.01		\$ 1.09
Southern Waterfront	Pier 68 Shipyard Building 36	\$ 1.20		\$ 1.40	\$ 0.90	-	\$ 1.05
Southern Waterfront	Pier 80	\$ 1.50		\$ 1.75	\$ 1.13	-	\$ 1.31
Southern Waterfront	Seawall Lot 354	\$ 1.25		\$ 1.40	\$ 0.94	-	\$ 1.05
Southern Waterfront	Pier 90	\$ 1.10		\$ 1.20	\$ 0.83	-	\$ 0.90
Southern Waterfront	Pier 92	\$ 1.10		\$ 1.20	\$ 0.83	-	\$ 0.90
Southern Waterfront	Seawall Lot 352	\$ 1.25		\$ 1.40	\$ 0.94	-	\$ 1.05
Southern Waterfront	Seawall Lot 344	\$ 1.25		\$ 1.40	\$ 0.94	-	\$ 1.05
Southern Waterfront	Pier 96 - M&R Building	\$ 1.30		\$ 1.40	\$ 0.98	-	\$ 1.05
Southern Waterfront	Fmr. RR ROW-Fac # 6019	\$ 0.75		\$ 0.83	\$ 0.56	-	\$ 0.62
Open Land, Pier and Airspace Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate			Monthly Net Eff. Rental		
		Range PSF			Range PSF		
Open Land	Improved Land & Sidewalk (including outdoor	\$ 0.85	-	\$ 0.94	\$ 0.64	-	\$ 0.71
Open Land	Sidewalk & Land for Port Percentage Rent tenants (largely outdoor dining) ²	\$ 0.45	-	\$ 0.85	\$ 0.34	-	\$ 0.64
Open Land	Pedicab, rate per pedicab	\$ 30.00		per cab per month			
Open Land	Paved Land	\$ 0.55		\$ 0.75	\$ 0.41	-	\$ 0.56
Open Land	Unpaved Land	\$ 0.40		\$ 0.50	\$ 0.30	-	\$ 0.38
Open Land	Paved Land w/ Industrial Power Capacity	\$ 0.75		\$ 0.95	\$ 0.56	-	\$ 0.71
Open Land	Unpaved Land w/ Industrial Power Capacity	\$ 0.60		\$ 0.80	\$ 0.45	-	\$ 0.60
Open Land	Subterranean Land	\$ 0.19		\$ 0.21	\$ 0.14	-	\$ 0.16
Open Land	Submerged Land	\$ 0.20		\$ 0.30	\$ 0.15	-	\$ 0.23
Open Land & Pier	Airspace (signage, overhangs)	\$ 0.40	-	\$ 0.50	\$ 0.30	-	\$ 0.38
Open Pier	Open Pier Space	\$ 0.40		\$ 0.44	\$ 0.30	-	\$ 0.33
Open Pier	Apron Space	\$ 0.40		\$ 0.44	\$ 0.30	-	\$ 0.33
China Basin	Pier 54 - apron	\$ 0.15	-	\$ 0.25	\$ 0.11	-	\$ 0.19
Power Hook-UP		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate			Monthly Net Eff. Rental		
All Areas	All industrial and land properties						

Fish Processing & Wholesale Industry Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate Range			Monthly Net Eff. Rental		
		PSF			Range PSF		
Fisherman's Wharf	Pier 45 2nd Fl Mezz.	\$ 1.15	-	\$ 1.27	\$1.04	-	\$1.14
Fisherman's Wharf	Pier 45 Office 1st Fl Office	\$ 1.40	-	\$ 1.54	\$1.26	-	\$1.39
Fisherman's Wharf	Pier 45 Shed	\$ 1.50	-	\$ 1.75	\$1.17	-	\$1.29
Fisherman's Wharf	Second floor warehouse	\$ 0.80	-	\$ 0.88	\$0.72	-	\$0.79
Fisherman's Wharf	SWL 302	\$ 1.30	-	\$ 1.43	\$1.17	-	\$1.29
Northeast	Pier 33	\$ 1.50	-	\$ 1.65	\$1.35	-	\$1.49
Fishing Gear Storage Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate Range			Monthly Net Eff. Rental		
		PSF			Range PSF		
Portwide	Berthholders	\$ 0.55	-	\$ 0.61	\$ 0.50	-	\$ 0.54
Portwide	Non-Berthholders	\$ 1.65	-	\$ 1.82	\$ 1.49	-	\$ 1.63
Pier 40 Storage Locker Rates		FY 23/24					
Sub-Area	Location Type	Base Rent					
South Beach	Pier 40 Lockers	\$ 100.00	Per Month per Locker				
Telecommunications Site Rates		FY 23/24					
Sub-Area	Location Type	Base Rent					
Portwide	Fixed Telecom Site	\$ 6,750.00	-	\$ 7,000.00	Per Month		
Portwide	Small Cell Site	\$ 3,600.00		\$ 4,700.00		Per Month	
Portwide	Temporary Telecom Site	\$ 500.00	Per Day				
Yacht Club Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate Range			Monthly Net Eff. Rental		
BV/HP	Bay View Boat Club	\$ 0.10					
BV/HP	Mariposa Hunter's Point Yacht Club	\$ 0.10		\$ 0.20			

Parking Stall Permit Rates		FY 23/24		
Facility	Stall Type	Pre-Tax Rent	Parking Tax	Total
Agriculture Building	Building Tenant	\$ 360.00	\$ 90.00	\$ 450.00
Pier 9	Shed Tenant	\$ 360.00	\$ 90.00	\$ 450.00
SWL 302	Commercial Tenant	\$ 340.00	\$ 85.00	\$ 425.00
SWL 302	Restaurant Tenant	\$ 235.00	\$ 58.75	\$ 293.75
SWL 303	Commercial Tenant	\$ 340.00	\$ 85.00	\$ 425.00
SWL 303	Restaurant Tenant	\$ 235.00	\$ 58.75	\$ 293.75
Pier 45	Reserved Parking - Adj Shed B	\$ 340.00	\$ 85.00	\$ 425.00
Pier 45	Restaurant Staff - Grotto Wall	\$ 117.50	\$ 29.38	\$ 146.88
Pier 45	Fishers - btw Grotto and Chapel	Per Tariff		
Pier 45	Reserved Parking Shed C	\$ 340.00	\$ 85.00	\$ 425.00
Pier 26	Shed Tenant	\$ 220.00	\$ 55.00	\$ 275.00
Pier 40	Berthholder	\$ 110.00	\$ 27.50	\$ 137.50
601 Cesar Chavez	Building Tenant	\$ 165.00	\$ 41.25	\$ 206.25
Pier 80	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Pier 90	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Pier 94	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Pier 96	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Color Curb Program Licenses		FY 23/24		
Zone Type	Zone Use	Set-Up	Monthly	Size
Green Zone	Short Term Parking	\$ 425.00	\$ 325.00	Per 20 Feet
White Zone	Passenger Loading	\$ 425.00	\$ 325.00	Per 20 Feet
Yellow Zone	Commercial Delivery	\$ 425.00	0	Per 40 Feet
Temporary No Parking Fees		FY 23/24		
		Set-Up Fee	Per Meter	
			\$ 30.00	

SMALL FEE-BASED CLASSES PERMIT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Comments
Up to 1,600 sf; not fenced		45 Days			\$50		Per 2-hour session
LONGER TERM FEE-BASED CLASSES PERMIT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Comments
Up to 1,600 sf; not fenced		45 Days			\$20/hour		1 hour/day x # days
Up to 1,600 sf; not fenced		45 Days			\$25/hour		2 hour/day x # days
ATHLETIC EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	< 2,000 People	120 Days	\$1,850+	Per Day	\$3,700+	Per Day	Restrooms, Maintenance, Trash
Small	< 2,000 People	45 Days	\$2,750+	Per Day	\$5,500+	Per Day	Concession or Ticket Sale Fees May Apply
Medium	2,001 - 5,000 People	120 Days	\$2,600+	Per Day	\$5,200+	Per Day	Restrooms, Maintenance, Trash
Medium	2,001 - 5,000 People	45 Days	\$3,750+	Per Day	\$7,500+	Per Day	Concession or Ticket Sale Fees May Apply
Extra Large	> 5,000 People	120 Days	\$3,200+	Per Day	\$6,400+	Per Day	Restrooms, Maintenance, Trash
Extra Large	> 5,000 People	45 Days	\$4,700+	Per Day	\$9,400+	Per Day	Concession or Ticket Sale Fees May Apply
FREE PUBLIC OR PUBLIC TICKETED EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	1-50 people	45 Days	\$250-500	Per Day	\$500-1000	Per Day	Restrooms, Maintenance, Trash
	<10,000 sf						Concession or Ticket Sale Fees May Apply
Medium	51-100 people	45 Days	\$1,500+	Per Day	\$3,000+	Per Day	Restrooms, Maintenance, Trash
	<25,000 sf						Concession or Ticket Sale Fees May Apply
Large	101-400** people	120 Days	\$2,500+	Per Day	\$5,000+	Per Day	Restrooms, Maintenance, Trash
	25,000+ sf	45 Days	\$3,625+	Per Day	\$7,250+	Per Day	Concession or Ticket Sale Fees May Apply
Extra Large	400->2000** people	120 Days	\$3,500+	Per Day	\$7,000+	Per Day	Restrooms, Maintenance, Trash
	25,000+ sf	45 Days	\$5,075+	Per Day	\$10,150+	Per Day	Concession or Ticket Sale Fees May Apply

PAID PUBLIC TICKETED EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	1-50 people <10,000 sf	45 Days	\$500-\$1,500+	Per Day	\$1,000-\$3,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Medium	51-100 people <25,000 sf	45 Days	\$2,000-\$3,000+	Per Day	\$4,000-\$6,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Large	101-400** people 25,000+ sf	120 Days 45 Days	\$3,000-\$8,000+	Per Day	\$6,000-\$8,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Extra Large	400->2,000 people 25,000+ sf	120 Days 45 Days	\$3,500+	Per Day	\$7,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
CORPORATE OR PRIVATE EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	1-50 people <10,000 sf	45 Days	\$2,000+	Per Day	\$4,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Medium	51-100 people <25,000 sf	45 Days	\$4,000+	Per Day	\$8,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Large	101-400** people 25,000+ sf	120 Days 45 Days	\$5,000+	Per Day	10,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Extra Large	400->2000 25,000+ sf	120 Days 45 Days	\$7,500+	Per Day	15,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
PIER 30/32 & VALLEY EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
All Events		120 Days	\$ 8,000+	Per Day	\$ 25,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
FIREWORKS							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
All Events		120 Days	\$ -		\$ 1,100.00	Per Show	
*Additional fees may apply depending on number of locations and/or complexity of the event.							
**An event over 400 people could be considered as a special request under certain circumstances							
NONPROFIT AND GOVERNMENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
			50% of event fee		25%-50% off of event rate		Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply

Photo Shoot Rates			FY 23/24	
Sub-Area	Location Type	Description	Permit Fees	
Portwide	Outdoor	Simple	\$ 2,250.00	Per Day
Portwide	Indoor	Simple	\$ 2,750.00	Per Day
Portwide	Outdoor	Major	\$ 4,000.00	Per Day
Portwide	Indoor	Major	\$ 5,250.00	Per Day
Film Shoot Rates			FY 23/24	
Sub-Area	Location Type	Event Size	Permit	
Portwide	All	Simple	\$ 2,250.00	Per Day
Portwide	All	Major	\$ 4,250.00	Per Day

Fee Reductions for License Fees for Special Events

	Non-Profit Events	Diversity & Equity Events	Pop Up RFQ
Event Qualifications	<ul style="list-style-type: none"> Fundraising event to benefit the nonprofit Open to the public 	<ul style="list-style-type: none"> Benefits communities of color or marginalized communities Open to the public 	<ul style="list-style-type: none"> Interim activations may include but are not limited to cultural events and activations, food and beverage activations, retail markets, athletic showcases and art exhibitions and performances Open to the public
Sponsor Qualifications	<ul style="list-style-type: none"> 501 (c)(3) and Based in SF and Annual budget exceeding \$3M (25% fee reduction) Annual budget equal to or less than \$3M (50% fee reduction) 	<ul style="list-style-type: none"> Annual operating budget equal to or less than \$2M and Mission statement of the organization or the goals/objectives of the event must identify the community they are serving and San Francisco-based 	<ul style="list-style-type: none"> Named a Port Qualified Operator and Annual budget equal to or less than \$2M
License Fees	Fee Reduction – 25%-50% off license event fee <ul style="list-style-type: none"> Only reduction/waiver of license event fee permitted Regulatory permits and cost recovery not included Port will not expend any resources or revenue to support the event 	Fee Waiver – No fee waiver to exceed \$7,000. Program limited to \$60,000 and/or 12 events maximum per year Fee Reduction – 50% off license event fee; unlimited # events	Fee Reduction – 25% off license event fee <ul style="list-style-type: none"> Only reduction of license event fee permitted Regulatory permits and cost recovery not included Port will not expend any resources or revenue to support the event

	Non-Profit Events	Diversity & Equity Events	Pop Up RFQ
		<ul style="list-style-type: none"> • When fee waiver funds are exhausted, applicants can receive a license event fee reduction • Only reduction/waiver of license event fee permitted • Regulatory permits and cost recovery not included • Port will not expend any resources or revenue to support the event 	
Internal Process	Applicant must: <ul style="list-style-type: none"> • Submit 501(c)(3) documentation • Provide P&L statement 	Applicant must: <ul style="list-style-type: none"> • Submit a mission statement of the organization or the goals/objectives of the event and identify the community they are serving • Provide P&L statement • Disclose if a fiscal sponsor and who sponsors and amounts. 	Applicant: <ul style="list-style-type: none"> • Provide P&L statement

EXHIBIT B

Synopsis of Port Leasing Policies/Delegated Authorities

The Port Commission has delegated authority to Port staff to execute certain leases, licenses, and memoranda of understanding that meet the following criteria:

1. **Use Type:**
The agreement is for an office building or bulkhead office space, open or enclosed pier shed space, paved or unpaved open space, or open pier or apron space or roof-top space but is not for retail use.
2. **Use Consistency:**
Except for temporary uses (with terms not exceeding six (6) months), the use under the agreement represents a like-kind use to the existing or the immediate prior use of the facility.
3. **Routine Supplemental Lease-Related Agreements:**
Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases and execute other routine supplemental agreements and consents including those required for loans; security instruments; and subordination/ non-disturbance agreements; estoppels and similar routine agreements in a form approved by the City Attorney and provided the terms and the conditions of the agreement complies with the terms and conditions of the Lease.
4. **As-Is Execution:**
The tenant executes the Port's appropriate standard form agreement with no alterations except for minor changes approved by the City Attorney or changes in insurance requirements approved by the City Risk Manager.
5. **Term Limits:**
The term of the agreement does not exceed five (5) years, except for those leases in the Fisherman's Wharf Seafood Center at Pier 45 Sheds B and D that have a maximum lease term of ten (10) years (Port Resolution No. 94-122; Amended February 28, 2006, by Resolution No. 06-15). Leases for telecommunication sites may be up to nine (9) years (Port Resolution No. 96-123).
6. **Select Tenant Improvement Allowance:**
Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and for floor covering, up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full-service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.
7. **Limited Early Entry:**
One month rent-free early entry to include rent abatement for each year of lease term may be granted, up to three months, for the purpose of space preparation (not to exceed three months). (Amended July 14, 2009 by Resolution No. 09-34).

8. Compliance with Laws:

The standard forms require compliance with all laws, explicitly including requirements for compliance with environmental laws including hazardous materials handling and cleanup; City zoning laws; the Port Waterfront Land Use Plan; and consistency and compliance with the Secretary of the Interiors' Standards for the Treatment of Historic Properties and the Port of San Francisco Historic Preservation Review Guidelines for Pier and Bulkhead Wharf Substructures.

9. Large Land Discount:

Port staff is authorized to offer a 5% discount for land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months (Amended June 8, 2010 by Resolution 10-37).

10. Rental Rates:

The Port's leasing policy provides for an annual update of the Rental Rate Schedule. The Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of Minimum Net Effective Rental Rates per square foot (if any rent credits are to be provided) by type of use and facility for office, shed, and industrial space.

11. Reporting to Port Commission:

Port staff provides a monthly report to the Port Commission indicating Leases, Licenses and Memoranda of Understanding-executed pursuant to this policy.

12. Competitive Bidding:

The City's administrative policy is to competitively solicit leasing opportunities, except where impractical or infeasible. The Port has a high volume of leases (about 550) for relatively small leased areas at nominal rental rates. To competitively bid such a large volume of leases would be impractical because the benefit of doing so does not outweigh the cost of resources that would be required just for this effort. Moreover, Port is generally able to accommodate most entities that wish to enter into leases for general special events, offices, pier, and open land storage space. As such, it is the policy of the Port not to competitively bid leases or licenses for special events, office, warehouse space, or unimproved land. Instead, for these fairly routine leases, the Port relies on the parameter rental rate structure that is based on an analysis of comparable rent charged in the private sector and/or based on existing conditions of individual properties as adjusted annually to reflect market conditions. However, where a business model is highly competitive and represents a major revenue opportunity for the Port (e.g., development opportunities, retail leases, parking lots, concrete batching, construction materials recycling), the Port would issue a competitive solicitation.

13. Public Art Fees:

The Port's Executive Director is authorized to waive Public Art use fees in license agreements and MOUs under the following circumstances: (i) there are no other uses for the space during the term of the license/MOU that would generate rent to the Port; (ii) no uses would be displaced; (iii) the Port does not expend any or only minimal or incidental resources or revenues to support the installation; (iv) there is a direct benefit to the Port in that Public Art enlivens and attracts people to the waterfront, and (v) the sites that are most likely to be attractive for large scale public art, and that have adequate space for a variety of types of installations include: Pier 14, Cruise Terminal Plaza, Harry Bridges Plaza, Brannan Street Wharf, Crane Cove Park, and Heron's Head Park. Port staff would continue the practice of informing citizen advisory committees and presenting informational items on public art installations to the Port Commission. (Port Commission Resolution No. 15-21.)

14. Subsurface Utility Distribution and Infrastructure Use Fees:

The Port's Executive Director is authorized to proportionally waive Subsurface Utility Distribution and Infrastructure use fees in real property agreements including, license agreements, encroachment permits, and MOUs, under the following circumstances: (i) the utility infrastructure is intended to be utilized in whole or in part for distribution of public utility or fire suppression services to the Port or Port tenants; for clarity "public utility" includes the utilities serving Mission Rock by a private entity called Mission Rock Utilities and its successor and similar circumstances, should they arise, at the Pier 70 development site, (ii) the utility infrastructure is located beneath a current or future street right of way or dedicated public access area that is not anticipated for any other use and the applicable federal, state or local governmental agency, commission, or department has maintenance and repair obligations for the infrastructure; (iii) the term of the real property agreement does not exceed 66 years (subject to Board of Supervisors approval if otherwise required due to the term); and (iv) any real property agreement includes requirements for the removal of such infrastructure at no cost to Port if the street, public area, or right of way is vacated, abandoned, or if the use is no longer consistent with the public trust at some point in the future. The delegated authority would not extend to the issuance of real property agreements for non-public utilities or utilities that primarily support revenue-generating enterprise activities; transmission-only facilities (as opposed to distribution facilities) or telecommunications, cable, or wireless services. Such agreements will continue to be subject to compliance with the rental rate parameters established by the Commission. (Port Resolution 18-41, amended by Port Commission Resolution 22-41.)

15. Mutual Termination:

The Port Commission delegated authority to the Port Executive Director to partially or completely terminate by mutual agreement leases and licenses with a remaining term of less than five years and monthly rent not to exceed twenty thousand (\$20,000.00) when the following conditions are met: (a) Port staff has independently verified the tenant's financial condition; (b) Port staff has inspected the subject property, made a record of the condition of the property and documented any unfulfilled tenant obligations for maintenance, repair, tenant improvements, removal of personal property and/or restoration of the premises; (c) Port staff has determined it is more economically viable to allow tenant to terminate and vacate the premises rather than pursue an unlawful detainer action; (d) Tenant has provided documentation showing it is financially unable to continue to meet its lease obligation and continued occupancy will lead to an accrual of uncollectible rents; and (e) the Port Executive Director determines in her/his sole discretion that early termination of a lease in exchange for payment or other consideration made by the tenant is in the Port's best interests (see Resolution No. 21-15 for more information).

16. Southern Waterfront Beautification Set Aside Benefit Fund accounting:

The Port defines the Southern Waterfront as the area located from Mariposa Street in the north to India Basin in the south (the "Southern Waterfront"). The Southern Waterfront is home to the Port's industrial maritime operations and a mixture of other users. In November 2007 the Port Commission adopted its Policy for Southern Waterfront Benefits and Beautification, which includes a requirement that Port set aside a portion of monthly rents collected from Southern Waterfront property leases. The amounts set aside were intended to be, and have been, used to fund certain improvements, beautifications, and/or benefits in the Southern Waterfront. Port staff account for the set-aside by multiplying revenue from all leases in the Southern Waterfront by 6.5 percent and allocating that revenue to the Southern Waterfront Beautification Fund. As has been done in the last fiscal year budgets, the revenues are shown in the budget along with the approved uses for the funds.

17. San Francisco Film Commission:

Per Port Commission direction in 2018, Port staff have authority by Resolution 18-41 to waive of fees for use of public access and public rights of way areas on Port property and extending the associated delegation of authority to the San Francisco Film Commission to issue and enforce filming permits, with San Francisco Film Commission retaining all fees paid to it in order to defray its administrative costs. This arrangement is the continuation of long-established practice, whereby the San Francisco Film Commission requests permission from the Port prior to any issuance of a film permit for these public areas, imposes conditions requested by the Port, and ensures that the Port is indemnified and released, named as an additional insured on all required insurance policies and is otherwise covered under the San Francisco Film Commission's standard use agreement which includes repair of damage, compliance with laws and City requirements, and public safety precautions. Port will continue to issue use agreements and charge parameter rates for filming in indoor areas not otherwise subject to a lease or license (e.g., an empty pier shed and for special events).

18. Special Events:

To accommodate special circumstances that may arise, the Executive Director may grant fee waivers or fee reductions for special events as necessary when all of the following conditions are met: (1) event will attract people to the waterfront; (2) location is available with no conflicting use or loss of revenue; (3) Port will not need to expend any resources or revenue to support the event and (4) event to indemnify the Port and accept all liability. Port staff must maintain a list of events receiving such waivers to help inform Executive Director's use of the delegated authority when requested.

19. Mission Rock and Pier 70:

Specific to the development projects at Mission Rock and Pier 70, the Executive Director is authorized to waive Port-Owned Improvement use fees if the Port assigns any Port-Owned Improvements located in public right of way or dedicated public access areas so long as they confer associated maintenance and repair obligations to a non-Port entity that is either (a) each project's Master Developer, or (b) its direct affiliate, in real property agreements including, license agreements, encroachment permits, and MOUs, under the following circumstances: (i) the improvement is intended to be utilized solely for distribution or operational services to the Port or Port tenants, (ii) the improvement is located within Port-owned property that is subject to a current or future street right of way or dedicated public access area that is not anticipated for any other use and the applicable federal, state or local governmental agency, commission, or department has maintenance and repair obligations for the improvement; (iii) assigning the improvement(s) reduce obligations or liabilities otherwise created by the Port maintaining and repairing those improvements itself (iv) the term of the real property agreement does not exceed 66 years (subject to Board of Supervisors approval if otherwise required due to the term); and (v) any real property agreement includes requirements for the removal of such improvement at no cost to Port if the street, public area, or right of way is vacated, abandoned, or if the use is no longer consistent with the public trust at any point in the future. The delegated authority would not extend to the issuance of real property agreements for an improvement that primarily support revenue-generating enterprise activities of which the Port does not participate, directly or indirectly. Such agreements will continue to be subject to compliance with the rental rate parameters established by the Commission. (Port Resolution 18-41 as amended by Port Resolution 22-41.)

20. Tenant Improvement Allowance and Chapter 6 Waiver:

Per Resolution 23-08, Port staff may offer the use of tenant improvement allowances in the following limited circumstances (i) lease or lease amendment subject to Port Commission and Board of Supervisors approvals; (ii) property improvements spur economic recovery and generate additional rents to the Port; and (iii) not more than \$20 million in tenant improvement allowance funds may be committed cumulatively across all such leases.

EXHIBIT C

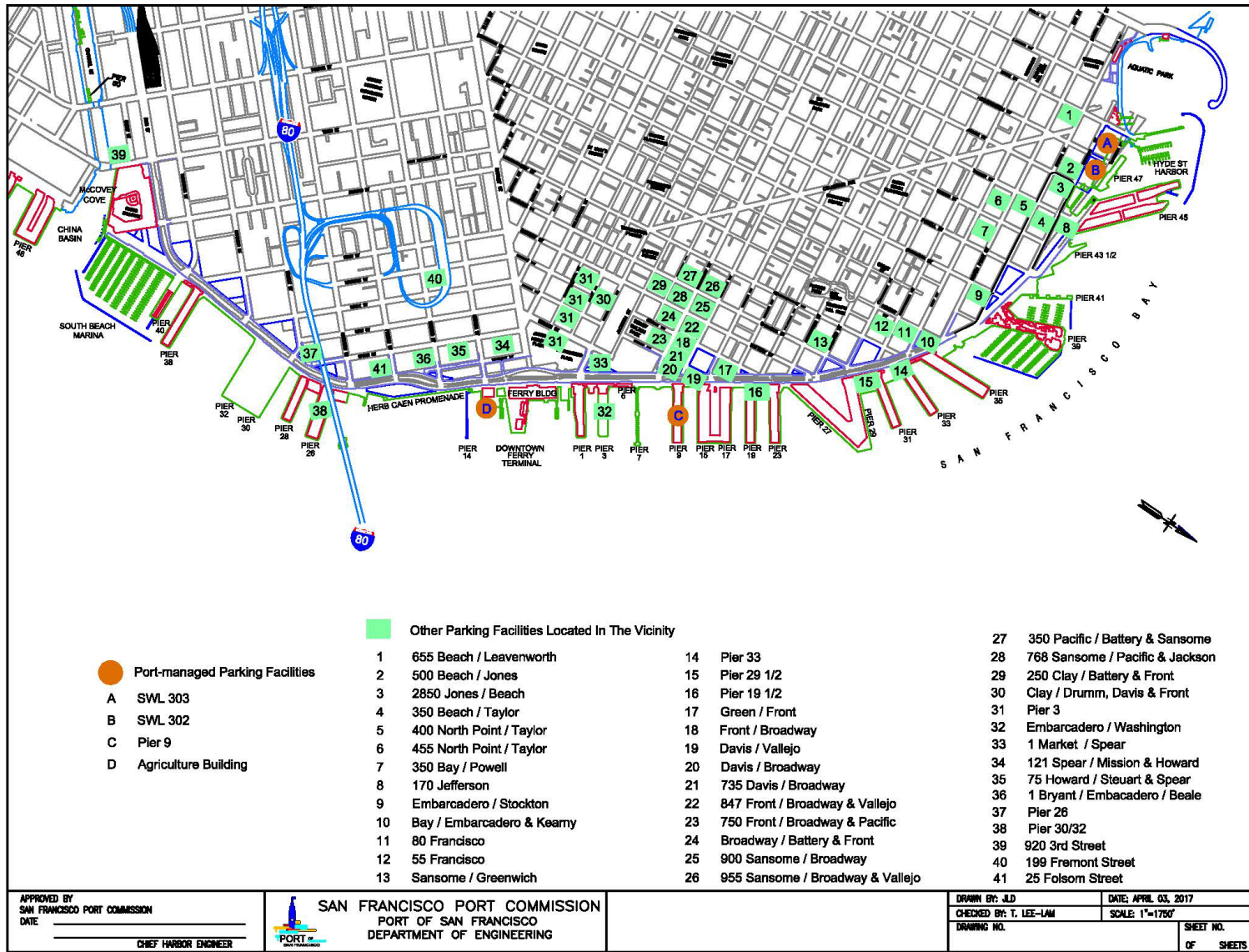
Parking Facilities Located in the Vicinity 2019 and Map

Attached is a parking survey conducted by Port staff and our summer intern in June of 2022. The survey resulted in the identification of three significant trends:

- **Digitization.** The pandemic has had major influences on both the market for parking in San Francisco as well as on the way Port's parking lots are conducting business. Following the previous trend toward automation and away from labor, companies have continued to further leverage their digital footprint by moving booking systems online. This has given rise to third-party apps such as SpotHero, Spot Angel, & ParkMe, which aggregate parking availability data from multiple operators and broker reservations.
- **Softened demand.** The reduction in both tourism and traditional commuter traffic has softened demand for both daily and monthly parking. Commuter traffic has seen a general reduction on Mondays and Fridays as work-from-home trends have continued, while tourism traffic remains steady but at reduced levels.
- **.. but stable demand.** That all said, a reduction in overall parking supply in the City has counteracted that softening demand and allowed prices to remain relatively stable. Over 500 parking spaces have been eliminated in the Downtown core in the last 3 years, including the 75 Howard Street garage which was demolished in 2021, and the Embarcadero enhancement project's progressive removal of parking along the waterside of the roadway.

As it has been for the past decade, the Northern waterfront is primarily tourism serving, the central waterfront is primarily commuter serving, the Ballpark/Warriors Arena/Boat Launch is special event-oriented, and the southern waterfront is fleet/industrial focused. By having the best located parking for these specific types, the Port maintains a competitive advantage in parking stall leasing. Port's parking lags behind digitization trends, however, and several lots would benefit from maintenance and capital improvements.

Port's parking inventory remains stable and its valuation should be maintained with the pace of current inflation. As such, parking rates have been increasing parking rates between 5% – 10%, with a progressive increase in percentage value moving south from Fisherman's Wharf Portfolio.



Parking Lot Survey – June 2022

Parking Lot	Beach & Hyde Garage	Anchorage Shopping Center Garage	Fisherman's Wharf Parking	Wharf Garage	Longshoremen's Hall Parking Lot	Cost Plus Plaza Garage	North Point Center Garage	Triangle Parking Lot	Pier 39 Garage	Bay / Embarcadero & Kearny	80 Francisco Parking Garage	55 Francisco Parking Garage	Levi's Plaza Garage	Pier 33	Pier 29.5	Pier 19.5	SWL 321	SWL 322-1	SWL 323
Alt. Address	655 Beach	500 Beach	2850 Jones	350 Beach	400 Northpoint	425 Northpoint	350 Bay	170 Jefferson	2550 Powell	2 Bay	Waterfront Plaza	55 Francisco strret	1453 sansome street	seawall lot 314	1282 the embarcadero	920 the embarcadero	1050 Front	50 Broadway	
Operator	Propark America	Ace Parking	Wharf Properties, Inc	Imperial Parking	City Park	ABM Parking	Imperial Parking	SP+ Parking	Ampco System	Central Parking	Imperial Parking	Ace Parking	Ampco System	SP+ Parking	SP+ Parking	SP+ Parking	SP+ Parking	SP+ Parking	SP+ Parking
Phone	415-447-0232	415-440-2407	415-885-4884	415-227-0114	415-495-3909	415-351-4450	415-227-0114	415-441-4053	415-705-5418	877-717-0004	415-398-4162	415-398-0208	415-981-8213	415-715-4282	628-400-8020	415-558-1663	415-715-4282	415-715-4282	415-715-4282
Covered?	Covered	Covered	Uncovered	Covered	Uncovered	Covered	Both	Uncovered	Covered	Uncovered	Covered	Covered	Covered	uncovered	uncovered	Covered	Uncovered	Uncovered	Uncovered
Manned?	N	N	N	N	N	N	Y	N	Y	N			N	N	N	N	N	N	
In-Person Hours																			
Lot Op. Days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	M-F	7 days	7 days	7 days	7days	7 days	
Lot Op. Hours	7am-12pm	24 Hours	9AM-12AM	24Hour	5AM-12AM	6AM-10PM	24 Hours	24 Hours	24 Hours	24 Hours	6am-9pm	6am-10pm	6am-11pm	24 hours	8am-8:30pm	8am- 8:30pm	24 Hours	24 hours	
Weekday Weekend:	7AM-12AM 7AM-12AM		9am-12am 9am-2am			6am-10pm					6am-9pm 8am-9pm	6am -10pm 8am-10pm	6am-11pm 7am-7pm		8am-8:30 pm				
Monthly:																			
Reserved					\$ 225.00					\$ 450.00	\$ 300.00			\$ 450.00					
Non-Reserved																			
Vacancy																			
In/Out Priv.			N	N	N	N	N	N	N	N	N								
Notes:																			
Daily:																			
Weekday:																			
Oversize Max																			
Daily Max		\$ 41.60	\$ 40.00	\$ 36.00	\$ 20.00	\$ 20.00 - \$30.00	\$ 36.00	\$ 25.00	\$ 50.00	\$ 40.00	\$ 27.00	\$ 30.00	\$ 60.00	\$ 40.00	\$ 40.00	\$ 25.00	\$ 25.00	\$ 30.00	\$ 30.00
Early Bird				\$ 14.00			\$ 14.00	\$ 22.00		\$ 20.00	\$ 19.00		\$ 18.00	\$ 20.00	\$ 20.00		\$ 22.00	\$ 22.00	
Weekend:																			
Oversize Max																			
Daily Max		\$ 41.60	\$ 40.00	\$ 35.00				\$ 30.00	\$ 60.00	\$ 48.00	\$ 20.00	\$ 20.00		\$ 48.00			\$ 30.00	\$ 35.00	\$ 35.00
Early Bird																	\$ 15.00	\$ 22.00	
Notes:																			
Hourly:																			
Full Hourly		\$ 9.60	\$ 6.00	\$ 12.00		\$ 5.00	\$ 12.00			\$ 20.00		\$ 8.00		\$ 20.00				\$ 15.00	\$ 7.50
1/2 Hourly																			
1/4 Hourly																			
Notes:	Closed		Early bird is in by 9:30 out by 6									6am-9pm out 6pm							

Parking Lot Survey – June 2022 (continued)

Parking Lot	847 Front Parking Garage	Golden Gate Commons	750 Battery Parking Garage	900 Sansome Parking Garage	955 Sansome Parking Garage	350 Pacific Parking Garage	768 Sansome Parking Garage	Golden Gateway Garage	Embarcadero Center Garage	Hornblower Landing Parking Lot	ferry building investors parking lot	1 Market Garage	Rincon Center Garage	75 Howard Parking Garage	Bayside Lot	Pier 26	Pier 30/32	Hills Plaza Garage	199 Fremont Garage	China Basin Landing
Alt. Address	250 clay street	750 Front	750 battery street	900 sansome street	955 sansome st	350 Pacific	768 sansome st	250 Clay	Buildings 1, 2, 3 & 4	Pier 3	201 N Embarcadero	55 spear st	160 spear street	75 howard st	1 Bryant st	1 bryant st	the embarcadero	345 spear street	199 fremont street	920 3rd
Operator	Imperial Parking	Pro Park	Ampco System	Liberty Parking	Liberty Parking	American West	California Parking	Five Star Parking	Ampco System	Hornblower Landing	Ace Parking	Ampco System	Standard Parking	Ampco System	Imperial Parking	Imperial Parking	Imperial Parking	ProPark	City Park	Ace Parking
Phone	415-433-4722	415-374-2047	415-956-8148	415-431-8400	650-342-3010	415-606-2071	415-468-4860	415-433-4722	415-772-0670	415-788-8866	415-777-2292	415-777-2292	415-882-9468	415-814-4462	415-227-0114	415-227-0114	415-227-0114	415-820-5908	415-357-0971	415-625-0755
Covered?	Covered	Covered	Covered	Covered	covered	Uncovered	Uncovered	Covered	Covered	Uncovered	covered	Covered	Covered	Covered	Uncovered	uncovered	Uncovered	Covered	Covered	Covered
Manned?	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N	N	N	N	N	N	N
In-Person Hours							6:30AM-7PM													
Lot Op. Days	M-F	M-F	M-F	M-F	M-F	M-S	7 days	7 days	7 days	7 days	M-F	M-F	M-F	M-F	7 days	7 days	M-S	7 days	M-F	M-F
Lot Op. Hours	4am-10pm	8am-4pm	7AM-7PM	6am-9pm	6AM-9PM	24 Hours	24 Hours	4/7/9-10PM	5am-12am	5am-12am	7am-4pm	6AM-7PM	7am-4pm	4pm-11pm	24 Hours	24 hours	6am-11pm	6:30am-11pm	6am-10pm	6AM-10pm
Weekday	4am-10pm	8am-4pm	7AM-7PM	6am-9pm	6am-9pm		6:30AM-7PM	4am-10pm	7am - 7pm	5am-12am	7am-4pm	6am-7pm	7am-4pm	4pm-11pm			6am-11pm	6:30am- 11pm	CLOSED	
Weekend									& 3 7am-12am	5am-12am	CLOSED			4 hours			6am-11pm	7am-10pm		
Monthly:																				
Reserved		\$ 530.00		\$ 280.00	\$ 300.00	\$ 320.00		\$ 530.00							\$ 315.00	\$ 315.00			\$ 430.00	
Non-Reserved		\$ 420.00						\$ 435.00					\$ 475.00							
Vacancy																				
In/Out Priv.	N	N		Y	N	N	Y & N	N		N	N			N	N	N	N		N	
Notes:																				
Daily:																				
Weekday:																				
Oversize Max				\$ 40.00	\$ 35.00							\$ 65.00								
Daily Max	\$ 44.00	\$ 44.00		\$ 25.00	\$ 20.00	\$ 5.00	\$ 27.00	\$ 44.00	\$ 35.00			\$ 44.00	\$ 30.00	\$ 31.00	\$ 20.00	\$ 20.00	\$ 17.00	\$ 60.00	\$ 35.00	\$ 26.00
Early Bird	\$ 20.00	\$ 20.00	\$ 18.00	\$ 15.00	\$ 15.00			\$ 20.00	\$ 20.00	\$ 30.00				\$ 24.00			\$ 15.00	\$ 24.00	\$ 24.00	
Weekend:																				
Oversize Max																				
Daily Max	\$ 44.00	\$ 44.00	\$ 24.00			\$ 15.00	\$ 15.00		\$ 35.00			\$ 65.00					\$ 10.00	\$ 60.00		
Early Bird												\$ 44.00						\$ 24.00		
Notes:																				
Hourly:																				
Full Hourly	\$ 7.00	\$ 7.00				\$ 23.00	\$ 7.00	\$ 7.00	\$ 3.00	\$ 10.00	\$ 6.00	\$ 12.00	\$ 6.00	\$ 6.00				\$ 12.00	\$ 12.00	
1/2 Hourly							\$ 4.00					\$ 6.00								
1/4 Hourly																				
Notes:				in 10am out 6pm	9:30am by 7pm									Demolished						

EXHIBIT D

Third-Party Review 2023 (Keyser Marston & Maven memorandum)



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May 2023

Office

San Francisco's office sector continues its uphill battle in its post-pandemic recovery, with negative net absorption recorded for the sixth consecutive quarter. This is largely due to the continued adoption of hybrid and work-from-home models by firms, which is affecting the demand for office space, especially for tech-based tenants. Many companies are revisiting their office space needs amid current economic insecurity, causing rents to fall across all submarkets, particularly in downtown San Francisco where Class A sublease space is available at very low-cost levels.

There is growing concern that many office assets are underwater on their mortgages, leading to a possible uptick in future foreclosures and distressed sales – likely resulting in further delay in leasing absorption, at least until those particular assets are stabilized. The San Francisco office vacancy rate has increased to 24.1%. The submarkets in San Mateo County and South San Francisco have fared better, with a significantly lower vacancy rate and positive net absorption in recent quarters. As one would expect, the low demand for office space in San Francisco, combined with increasing interest rates and construction costs, has diminished new construction activity.

Despite the challenges in the office market, an increase in tenant requirements suggests that companies are still interested in returning to the office (at least in part), although it will be the smaller users and downsizing ("right-sizing") requirements that will drive demand for space. As evidence of the return to office, Kastle Systems has reported Office badge swipes having increased to 43.3% in Q1 2023, its highest point in three years.

Trends & Leasing Strategy

As office vacancy continues to surge throughout San Francisco, turnkey spaces are inundating the market in all office classes. Effective rents have declined quarter-over-quarter and are expected to continue falling due to concessions offered by landlords to combat the historically high vacancies and availability rates. Tenant concessions are also predicted to rise in the next six months, placing further pressure on effective rents. The rising interest rates, widespread layoffs, and economic slowdown have slowed office leasing and sales activity, prompting many office users to rethink their space requirements.

San Francisco Office Market Trends, All Properties

	Q1 2020	Q1 2022	Q1 2023
Total Vacancy Rate	5.20%	21.9%	26.4%
YTD Net Absorption	374,000	-2,000,000	-1,140,896
Direct Monthly Asking Rent, FSG	\$93.24	\$85.92	\$ 77.88
Vacant Space	4 million SF	11 million SF	22.8 million SF

Source: JLL

San Francisco Office Market Trends, Class B and C Properties

	Q1 2020	Q1 2022	Q1 2023
Class B Properties			
Total Vacancy Rate	5.60%	27%	16.8%
QTR Net Absorption	-130,000	15,300	-387,929
Direct Monthly Asking Rate	\$81.60	\$71.76	\$52.80
Vacant Space	1 million SF	5 million SF	9.3 million
Class C Properties			
Total Vacancy Rate	7%	16.60%	15.30%
QTR Net Absorption	49,000	-62,000	-1,649
Direct Monthly Asking Rate	\$72.60	\$67.92	\$45.48
Vacant Space	2.2 million	3.8 Million	4.9 million

Source: CoStar

Submarket 12-Month Trailing, Class B and C Properties

Geography Name	Vacant Available (%)	Vacant Available SF	Vacancy Rate	Net Absorption SF	Market Rent Growth 12 Mo
Mission/Potrero	9.0%	330,877	9.0%	-31,300	-2.3%
Rincon/South Beach	24.5%	1,201,629	26.9%	-39,753	-3.0%
Waterfront/North Beach	18.3%	710,935	20.7%	-1,263	-1.7%

Source: CoStar

Leasing Concessions & Trends

In the San Francisco office market, landlords are offering various leasing incentives to attract and retain tenants in response to the challenges posed by the economic downturn. Some of these incentives include:

1. Tenant improvement allowances: Landlords are offering higher tenant improvement allowances to offset the costs of tenant improvements (and in some cases, furnishings) and make the space more attractive to tenants.
2. Move-in allowances: Moving allowances are being offered to help tenants cover the costs of moving and setting up their new space.
3. Furniture: More and more spaces are being offered fully or partially furnished to reduce move-in and furnishing costs for new tenants.
4. Free rent: Free rent continues to be an easy tool used as an incentive to attract tenants and help them get through the transaction and moving costs.
5. Flexible lease terms: With the uncertainty surrounding the economy and its impact on business operations, landlords are offering more flexible lease terms (including early termination rights) that allow tenants to adjust their space requirements more easily.
6. Softer Approval Process: Landlords are softening their approval criteria, more so on as-is transactions.
7. Reduced or waived security deposits: To reduce the upfront costs for tenants, some landlords are offering reduced or waived security deposits.
8. Parking incentives: Many landlords are offering discounted or free parking to tenants as an additional incentive.
9. Active Submarket: Large discounts continue to be available on sublease opportunities.

Strategy

In the current downturn, office landlords are using various leasing strategies to attract and retain tenants. Some of these strategies include:

1. Improved communication, service, and transparency: Landlords are improving communication and transparency with existing tenants to foster better relationships and address concerns more effectively, with a focus on retaining tenants.
2. Blend & Extend: Rent adjustments in exchange for lease extensions.
3. Providing Additional Building Amenities: Landlords are enhancing their buildings' amenities to attract and retain tenants, including fitness centers, shared conference rooms, showers, and outdoor spaces.
4. Amenity Retail Transactions: Property owners are providing attractive lease packages to retailers (more often to fitness and food & beverage purveyors) to lure them to their buildings in order to provide an additional amenity to office tenants.
5. Increased Broker Commissions & Incentives: Leasing commissions continue to rise to \$3.00 per square foot per year, and sometimes even higher. Landlords are offering vacations, gift certificates, and other bonus gifts to the leasing brokers in an effort to lure them to their buildings.
6. Technology upgrades: Landlords are upgrading their buildings' technology infrastructure to meet the needs of modern businesses, including high-speed internet and smart building systems.

It should also be noted that San Francisco landlords are also considering changing the uses of their office spaces. Specifically, the City government has put forth proposed legislation that may spark conversations around the possibility of converting offices into residential or other types of usable spaces. The legislation aims to offer additional flexibility and incentives for conversions in commercially zoned areas, potentially reinvigorating San Francisco's downtown region and creating a more vibrant neighborhood.

Recommended Leasing Incentives to the Port

In 2021, Port implemented the following leasing incentives:

- For new leases of at least three years, allow rents to ramp up at 70%, 80%, and then 100% of parameter lease rates (years 1, 2, and 3) or,
- If tenant constructs Port-approved tenant improvements, Port staff may offer rent abatement in a maximum amount equal to the cost of the improvement up to *7 months* of the monthly rent due, applied over a 5 year lease term

In 2022, Port modified the ramp-up period as follows:

- To retain office tenants during the current economic downturn, Port offers leasing incentives for 3 year office leases with rates at 70%, 80% and 100% of the applicable Parameter Rent and 4 and 5-year office leases with rates at 70%, 80%, 90%, 100% of Parameter Rent and granting the tenant an early termination right subject to a set fee equal to 1 months of rent multiplied by number of years remaining on the lease, plus reimbursement of Port's costs for processing the termination.

In 2023 we recommend that Port staff be provided the ability to offer ½ month free rent for each lease year to prospective tenants that are also offered the ramp-up rent schedule above. To be clear, Port Staff should continue to be able to offer rent abatement in a maximum amount equal to the cost of the improvement up to 7 months of the monthly rent due, applied over a 5 year lease term, if the prospective tenant is not offered or does not agree to the ramp-up period.

Industrial

Although San Francisco's industrial market trends have shown a slight decline, tenant demand in San Francisco has remained stable. Supply remains limited as the majority of construction activity in the market is focused on life science and residential. According to CoStar, overall vacancies have increased, and currently stand at 7.0%. The increase is primarily due to flex space, where vacancy has increased to 11.9%. In comparison, vacancies in the logistics sector remain close to its long-term average, at 4.4%.

San Francisco boasts the highest industrial property rents in the nation, largely due to a tight market and fierce competition with other land uses for limited space. The industrial market in San Francisco remains relatively stable compared to other property types, mainly due to a scarcity of new developments and overall supply limitations. According to CoStar, the current average asking rate for industrial properties is \$27.00/SF, while flex space commands an average rent of \$36.00/SF, and logistics space is offered for \$22.00/SF. These rates are approximately double the national average.

The industrial sector in San Francisco will likely outperform all other asset types. In addition to the Port, the industrial market is comprised of a few primary submarkets, namely SOMA, 3rd Street & Potrero Hill, Hunters Point/Candlestick Point, and the Bayview/India Basin submarket.

These industrial areas in San Francisco offer a variety of properties that cater to different business needs, including warehouses, distribution centers, manufacturing facilities, and research and development labs. In recent years, the city has seen increased demand for industrial properties due to the growth of e-commerce, which has led to a surge in the need for logistics facilities. The San Francisco industrial market is also easily accessible to the City's major transportation hubs, making it an attractive location for businesses. Despite the high rental rates, demand for industrial properties in the city is expected to remain strong, especially with the rise of last-mile delivery services and the overall growth of the logistics sector. Although San Francisco industrial landlords are not facing the demand hurdles of their office equivalents, industrial landlords are implementing a variety of leasing strategies to maximize their assets. These leasing strategies are designed to help industrial landlords drive rents, retain existing tenants, attract new tenants, and minimize vacancies during the current economic cycle.

1. Rent abatement: Free rent continues to be used as an incentive to attract tenants, and often to offset the prospective tenant's investment into the property.
2. Reduced Security Deposits: Landlords are offering lower security deposits to attract tenants, but generally limited to the stronger-credit tenants.
3. Flexible lease terms: Industrial landlords are offering flexible lease terms to accommodate the needs of tenants. This includes shorter lease terms, rights to expand and/or purchase, and the ability to expand or contract space as needed.
4. Improving building amenities: Landlords are investing in building upgrades and amenities such as improved HVAC systems, touchless entry systems, and indoor/outdoor gathering spaces to attract and retain tenants.
5. Enhancing tenant experience: Landlords are working to create a better tenant experience, including items like property management portals, for example, that allow tenants to easily make payments, communicate with management, and/or request maintenance services – all in the spirit of tenant retention.
6. Increasing marketing efforts: Industrial landlords are increasing their marketing efforts by using virtual leasing tools, online listing platforms, and social media to reach potential tenants and promote their properties.
7. Softer Approval Process: Landlords are softening their approval criteria, more so on as-is transactions.

Industrial Submarket/12 Month

Type	Geography Name	Vacant Available (%)	Vacant Available SF	Vacancy Rate	Net Absorption SF	Market Rent Growth 12 Mo
All	Mission Bay/China Basin	5.0%	258,068	5.5%	-59,952	4.6%
Logistics	Mission Bay/China Basin	7.1%	192,240	8.0%	-51,443	7.3%
All	Mission/Potrero	9.0%	917,159	9.6%	-27,234	4.8%
Logistics	Mission/Potrero	2.8%	192,772	3.0%	-14,240	6.8%
All	SF - North	6.9%	134,801	6.9%	-82,302	4.5%
Logistics	SF - North	4.5%	43,810	4.5%	-43,810	8.5%
All	South FiDi/South Beach	7.8%	104,209	9.7%	-47,500	2.4%
Logistics	South FiDi/South Beach	1.2%	3,500	1.2%		8.4%
All	Waterfront/North Beach	0.9%	10,078	0.9%	-3,718	4.8%
Logistics	Waterfront/North Beach	0.8%	4,918	0.8%	-4,918	9.0%

Source: CoStar

Recommended Leasing Incentives to the Port

Although the general industrial market is strong, Port property still faces challenges in loading dock heights, access, and other specifications for logistics. So while the private sector's industrial real estate is being absorbed, the Port will likely continue to face challenges with the physical attributes of the spaces. Currently, Port is offering the following leasing incentives:

- Allow new leases to ramp up at 80%, 90%, and then 100% of parameter lease rates (years 1, 2, and 3) or,
- If tenant constructs Port-approved infrastructure or improvements considered to be the landlord's work, Port staff may offer rent abatement in a maximum amount equal to the cost of the improvement up to 6 months of the monthly rent due, applied over the first 5 years of the lease.

In 2023 we recommend that Port staff be provided the ability to offer ½ month of free rent for each lease year to prospective shed tenants that are also offered the ramp-up rent schedule above. To be clear, Port Staff should continue to be able to offer rent abatement in a maximum amount equal to the cost of the improvement up to 6 months of the monthly rent due, applied over a 5-year lease term, if the prospective tenant is not offered or does not agree to the ramp-up period.

Retail

San Francisco's retail vacancy rate, which was one of the lowest in the nation in 2019, increased in the post-pandemic period and is now one of the nation's highest at 5.6%. Over the last three years, retailers have faced challenges such as reduced foot traffic, reduction in tourism, decreased sales, increases in property crimes, and adjacent vacancies. Nevertheless,

San Francisco's retail rents remain high. According to CoStar, San Francisco still has the second-highest rent levels in the nation, after New York. But annual market rent growth, however, which currently stands at 3.5% nationally, is 0.2% in San Francisco.

The 33 conventions in San Francisco in 2022 are still significantly lower than the 164 conventions held in 2019, and business visitors figures are still low. However, San Francisco has demonstrated some positive tourism numbers over recent quarters. Heavily reliant on tourism, the City's tourism numbers are on their way up and expected to surpass the 2019 numbers by 2025. In 2022, the city welcomed 21.9 million visitors, an increase from 2021 and 84.3% of the numbers that visited in 2019, before the COVID-19 pandemic. The City's tourism industry is expected to continue to grow in 2023, with a projected 23.9 million visitors. Although the City's unemployment rate rose slightly during the first quarter of 2023, according to the City of San Francisco, San Francisco's jobless rate continues to be the second lowest in the state and sits at 2.6% as of April 2023, significantly lower than the 2.6% national average. Although hotel occupancy has not reached 2019 levels on a consistent basis, it did enjoy a couple of summer months in 2022 when occupancy numbers were in line with similar periods in 2019.

Compared to the downtown areas, San Francisco's neighborhoods are thriving. Chestnut Street, Hayes Street, and Upper Fillmore Street are popular retail corridors with high occupancy rates, and retailers are once again struggling to establish their presence in these neighborhood retail cores. Although San Francisco's Financial District is still facing challenges in attracting and retaining tenants, there are signs of recovery in Union Square. While some prominent retailers like Crate & Barrel, Nordstrom, and Athleta have left or plan to leave Union Square, other retailers such as Omega, Patek Philippe, and Van Cleef and Arpels have found new homes by leasing properties on the Square. Additionally, IKEA and Chanel have recently purchased buildings in the area, indicating confidence in the Union Square retail market.

Despite the current favorable conditions for retailers to secure prime spaces with favorable lease terms, many are hesitant to take action until they observe positive developments in San Francisco or a more optimistic outlook. Some retailers are opting for a compromise, opting for temporary leases with full option periods or pop-up concepts. More established retailers are signing long-term leases to secure lower rents, but with the inclusion of early termination rights, whether unilateral or triggered by low sales volumes.

Leasing Concessions & Strategy

Over the last three years, San Francisco landlords were forced to offer rent relief and other incentives to retain tenants. As the retail environment improves throughout the City, rent relief has diminished. However, landlords are being challenged to reduce rents to retain tenants and secure new ones. Landlord concessions are taking various forms such as rent reductions, rent-free periods, tenant improvement allowances, or extensive landlord work.

Tenant Incentives	Trends & Leasing Strategies
Tiered rent years 1-3	Extended permitting contingency periods
Extended rent abatement period	Percentage Rent
Limited personal guarantees	Norther neighborhoods continue to be most desirable
Gross leases	Lenient force majeure language
Delayed lease/rent start dates	Early termination clauses / often based on sale performance
Short term leases with longer options	As-is delivery condition (with or without TI Allowance)
Landlords performing more base building work	Offsetting TI allowance with abated rent
Full permitting time for zoning and building permits	Softer approval process on as-is transactions
	Pop-Ups
	Competitive broker commissions

Restaurants

San Francisco, historically known as a culinary epicenter, is now struggling to find its footing in the restaurant scene. According to the San Francisco Chronicle, Bay Area restaurants received only three James Beard nominations for the 2023 Chef and Restaurant Awards—the fewest the region has received since the awards were introduced in 1991. In a city that once ruled the nation in restaurants per capita, according to the Golden Gate Restaurant Association, in 2021, San Francisco saw a total of 546 restaurant closures and 268 openings, leaving over 200 restaurants vacant and available. Many of these were absorbed through 2022, but restaurant entrepreneurs continue to struggle with labor constraints, increased food and construction costs, raising capital, and most recently, the increase in interest rates.

Despite witnessing the closure of several iconic San Francisco eateries and the absence of award-winning restaurateurs, the restaurant industry has remained surprisingly active over the past year, despite its volatility. In the past, many of San Francisco's renowned dining spots were located in the downtown area, close to office buildings and hotels. However, the pandemic has shifted the focus to neighborhoods, outdoor spaces, and convenience.

Leasing Concessions, Trends & Strategy

Due to significant delays in City permitting, restaurant owners continue to seek out second-generation spaces that require minimal renovations and upgrades. During better economic times, landlords tend to provide minimal rent relief and allowances for tenant improvements. However, they are now offering more support in the form of time to obtain permits and landlord work contributions to assist tenants in opening sooner. Landlords are also continuing to offer rent relief instead of allowances for tenant improvements and are willing to limit or eliminate personal guarantees for experienced operators. With the surge in on-demand food delivery

services, restaurants are also changing their shape to allow for a dedicated area to these services, which now make up a significant portion of their revenue.

Landlords have adapted their rent strategies to offer tenants a sense of comfort during the current economic climate. One such approach is the implementation of a tiered rent structure, which provides a lower starting rent for the first year or two, gradually increasing over the lease term as business improves. Percentage rents, which were previously more common in larger venues, have emerged as a popular tool for landlords to accommodate tenants while safeguarding themselves against potential upside. Landlords have also employed percentage rent structures, often with a minimum base rent, to modify or extend existing leases and retain tenants. Additionally, tenants have successfully negotiated caps on operating expense reimbursements to landlords.

1. Tenant improvement allowances: Landlords are offering higher tenant improvement allowances to offset the costs of tenant improvements.
2. Rent Abatement: Free rent continues to be an easy tool used as an incentive to attract tenants and contribute to the planning and construction period and offset tenant improvement costs.
3. Percentage Rent. Percentage rent lease structures are becoming more common in the market. Such structures include percentage-rent-only terms, or a hybrid structure, where a minimum rent is established (potentially on a tiered rent schedule) with a percentage rent payable to the landlord above a natural or artificial breakpoint.
4. Softer Approval Process: Landlords are softening their approval criteria, focusing on concepts and track records versus financial strength.
5. Improved communication, service, and transparency: Landlords are improving communication, service, and transparency with existing tenants to foster better relationships and address concerns more effectively, with a focus on retaining tenants.
6. Blend & Extend: Rent adjustments in exchange for lease extensions. In some cases, transitioning to percentage rent lease structures.
7. Amenity Retail Transactions: Property owners are providing attractive lease packages to restaurateurs to lure them to their buildings in order to provide an additional amenity to attract very rare office tenants.
8. Tiered Rent Structures. Tenants have been attracted to tiered rent structures, which provide a lower starting rent for the first year or two, gradually increasing over the lease term as business improves.
9. Full permitting period. To avoid scenarios where they need to pay rent prior to opening for business, Tenants are requiring rent abatement during both the permitting and construction phases, which often results in over a year of little or no income to landlords.
10. Competitive broker commissions. As is the case in any economic downturn, brokerage commissions are being inflated to help lure tenants.
11. Alternative rent language. Landlords and tenants continue to discuss alternative rent schedules in the event that the business is forced to fully or partially close due to a pandemic.
12. Limited personal exposure. Landlords are taking on more risk and limiting guarantees to lure the right concept to their project.

Parking

Although parking transactions are occurring less frequently in San Francisco these days, the scarcity of available parking lots in San Francisco has forced many operators to maintain a search for more space, albeit cautiously. During the recent downturn, parking lot transactions have seemed to transition from a lease structure to more of a management agreement with a revenue-sharing component. Both the landlord and parking operator share the view that the current work-from-home trend and reduced tourism impact parking occupancy and pose significant risks to the operator when committing to a fixed rent. Therefore, what was once a landlord-friendly rent structure has morphed into the landlord contributing to the operator's risk through a revenue-sharing model, resulting in lower rental income in slower months, but with the potential to participate in profits in the busier times.

According to the City of San Francisco's Controller's Office, parking tax revenue was budgeted at \$55.9 million in the fiscal year 2021-22, which is \$3.5 million (5.8 percent) less than what was budgeted in Fiscal Year 2020-21. Fiscal Year 2022-23 revenue is budgeted at \$68.8 million, which is \$12.9 million (23.1 percent) higher than the proposed FY 2021-22 budget. As businesses reopen, parking tax revenues will increase, but they are not expected to reach pre-pandemic levels in the next two years due to an increase in employees working from home rather than commuting into the City.

Maven's findings, based on input from multiple operators, indicate that parking revenue in 2021 was robust, primarily driven by a significant rise in tourism compared to 2020 and locals' renewed interest in public spaces. According to local operators, monthly parking income has increased with some employees returning to work. However, it should be noted that some parkers are avoiding the large monthly parking expense and paying daily rates since they are now only coming to the office two or three times per week.

As many developers pull the plug on their projects, new parking opportunities are resurfacing in their vacant lots. Due to the tight supply of parking lots and garages throughout San Francisco, parking lot landlords are not offering much in the way of leasing incentives. Although some abated rent is generally offered, it is often limited to 1-2 months. Tiered rent schedules are common and short-term leases are popular as they offer both parties flexibility.

Tenant Incentives	Trends & Leasing Strategies
Percentage Rent Deals (Net of Parking Tax)	Reduced management fee on management contracts
Tiered Rent Schedules	Guaranteed minimum rent structures plus percentage rent
Short term leases	



MEMORANDUM

May 9, 2025

TO: MEMBERS, PORT COMMISSION
Hon. Gail Gilman, Vice President
Hon. Willie Adams
Hon. Stephen Engblom
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of proposed Lease No. L-17253 with TEC of California, Inc., a California corporation ("TEC") for approximately 21,842 square feet of shed space and 11,540 square feet of paved land at Pier 80 for a term of three years with three one-year options to extend, subject to Board of Supervisors' approval.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 25-28

EXECUTIVE SUMMARY

TEC of California, Inc. ("TEC") is an existing Port tenant with two leases at Pier 80. Under Lease No. L-16782 and Lease No. L-16792, TEC leases approximately 14,326 square feet of shed space in Pier 80 G&M Building and 10,955 square feet of paved land adjacent to the Pier 80 G&M Building (collectively the "Pier 80 G&M Space") for the service, repair, and maintenance of commercial trucks and truck parts, general business administration, storage, and parking. Lease No. L-16782 expired on January 31, 2025, and is on a month-to-month holdover. Lease No. L-16792 will expire on June 30, 2025.

Port and TEC wish to consolidate the two agreements and enter into new Lease No. L-17253 (the "Lease") for an initial three (3) year term with three (3) one-year extension options. This new lease will allow TEC to continue its current use and also expand its leased footprint.

The Lease is being presented to the Port Commission because the proposed lease term, including extension options, exceeds five years (totaling 6 years) and the projected rent will generate more than \$1 million during the initial term (\$1,219,690), with an estimated total of \$2,735,362 if all extension options are exercised.

Pursuant to Charter Section 9.118, the Lease will also require approval by the Board of Supervisors because the anticipated revenue will exceed \$1 million over the term of the Lease.

STRATEGIC OBJECTIVE

If approved, the proposed Lease will advance the Economic Growth, Productivity, and Economic Recovery objectives of the Port's Strategic Plan by securing tenancy in the Southern Waterfront and ensuring continued economic benefits through a reliable rent-paying tenant for at least three years, with the potential to extend to six years.

BACKGROUND

TEC currently occupies both interior and exterior areas of the Pier 80 G&M Building (collectively the "Pier 80 G&M Space") under two separate leases. The premises are used for the service, repair, and maintenance of commercial trucks and truck parts, along with general business administration, storage, and parking. Under Lease No. L-16782, TEC leases approximately 12,326 square feet of shed space and 2,000 square feet of paved land. This lease commenced on February 1, 2021, expired on January 31, 2025, and is now on a month-to-month holdover. Additionally, under Lease No. L-16792, TEC leases approximately 7,535 square feet of shed space and 3,420 square feet of paved land. This lease commenced on July 1, 2021, and expires on June 30, 2025. TEC is a tenant in good standing under both of the existing leases.

Port and TEC wish to consolidate the currently leased spaces into a single agreement – Lease No. L-17253 (the "Lease"). The proposed Lease would allow TEC to continue occupying the Pier 80 G&M Space for an initial term of three years, with three one-year extension options.

During the first year of the Lease, the Port will be undertaking a roof repair project at the Pier 80 G&M Building. Recognizing the current condition of the roof and in alignment with the Ramp Up Leasing Incentive Program, the Port and TEC have negotiated a reduced rate for the shed space (Parcel A). Under Port Resolution No. 23-36, TEC qualifies for the Ramp Up Leasing Incentive Program, which phases rent for Parcel A over a three-year period – starting at 70% of the established parameter rate in the first year, increasing to 80% in the second year and reaching 100% in the third year. In contrast, the rent for the paved land spaces (Parcels B and C) will be charged at the full parameter rate, with no discounts.

To support its business growth, TEC is also requesting to expand the existing leased premises from 14,326 to approximately 21,842 square feet of shed space and from 10,955 to approximately 11,540 square feet of paved land.

TEC has been a reliable tenant, and approval of the proposed Lease will secure a consistent and stable revenue stream for the Port over the next three years. The initial monthly base rent will be \$29,281, totaling \$351,373 for the first year. Over the initial three-year term, the Port is projected to receive \$1,219,690 in rent and up to \$2,735,362 if all extension options are exercised.

All other terms and conditions, including Monthly Base Rents, conform to the Port Commission's approved FY 23/24 parameter terms and conditions (Port Resolution No. 23-36). A copy of the proposed Lease is on file with the Commission Secretary.

Port staff has determined that the proposed use is a continuation of existing and related uses and is therefore not a project subject to review under the California Environmental Quality Act.

PROPOSED LEASE TERMS

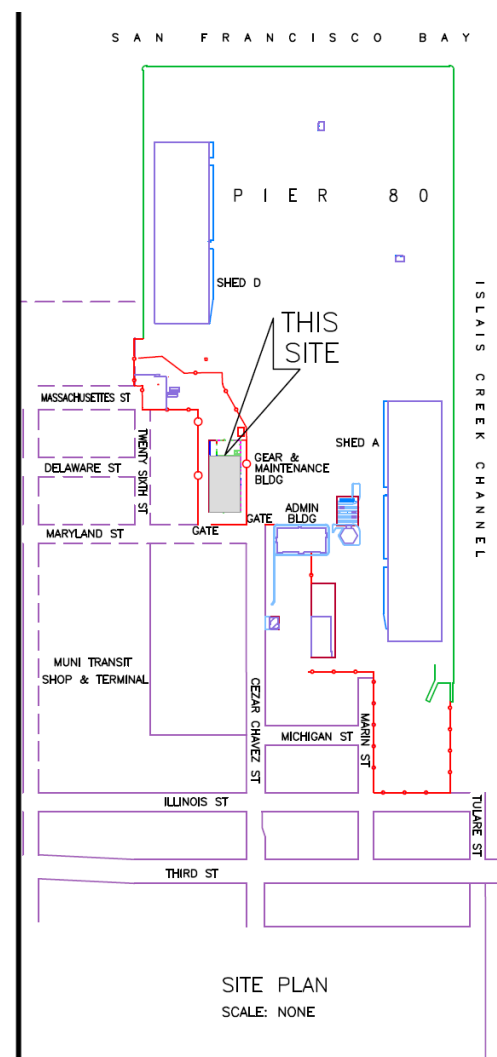
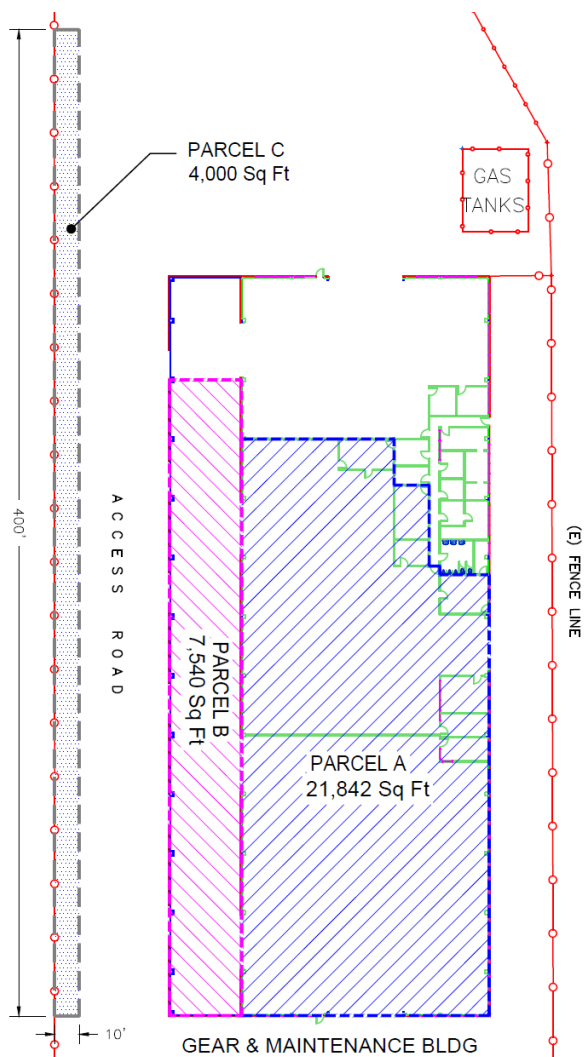
The proposed new Lease No. L-17253 contains the following terms:

<i>Premises:</i>	<p>The Premises consists of the following:</p> <p><u>Parcel A (Shed)</u> – Approx. 21,842 rentable square feet of shed space</p> <p><u>Parcel B (Paved Land)</u> – Approx. 7,540 square feet of paved land</p> <p><u>Parcel C (Paved Land)</u> – Approx. 4,000 square feet of paved land</p>
<i>Permitted Use:</i>	<p><u>Parcel A (Shed)</u> – the service, repair, and maintenance of commercial trucks and truck parts, general business administration, and storage</p> <p><u>Parcel B (Paved Land)</u> – parking</p> <p><u>Parcel C (Paved Land)</u> – parking</p>
<i>Length of Term:</i>	Thirty-six (36) months
<i>Extension Options:</i>	Three (3) one-year extension options
<i>Commencement Date:</i>	The first day of the first calendar month following approval of this Lease by the Board of Supervisors and full execution by Tenant and Port
<i>Rent Commencement Date:</i>	Commencement Date

<i>Expiration Date:</i>	Thirty-six (36) months from the Commencement Date			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A	1-12	21,842	\$1.05	\$22,934.10
Parcel B		7,540	\$0.55	\$4,147.00
Parcel C		4,000	\$0.55	<u>\$2,200.00</u>
				\$29,281.10
Parcel A	13-24	21,842	\$1.20	\$26,210.40
Parcel B		7,540	\$0.57	\$4,297.80
Parcel C		4,000	\$0.57	<u>\$2,280.00</u>
				\$32,788.20
Parcel A	25-36	21,842	\$1.50	\$32,763.00
Parcel B		7,540	\$0.59	\$4,448.60
Parcel C		4,000	\$0.59	<u>\$2,360.00</u>
				\$39,571.60
Parcel A	37-48	21,842	\$1.55	\$33,855.10
Parcel B		7,540	\$0.60	\$4,524.00
Parcel C		4,000	\$0.60	<u>\$2,400.00</u>
<i>Extension Option 1</i>				\$40,779.10
Parcel A	49-60	21,842	\$1.60	\$34,947.20
Parcel B		7,540	\$0.62	\$4,674.80
Parcel C		4,000	\$0.62	<u>\$2,480.00</u>
<i>Extension Option 2</i>				\$42,102.00
Parcel A	61-72	21,842	\$1.65	\$36,039.30
Parcel B		7,540	\$0.64	\$4,825.60
Parcel C		4,000	\$0.64	<u>\$2,560.00</u>
<i>Extension Option 3</i>				\$43,424.90

<i>Security Deposit:</i>	Two times the Monthly Base Rent for the final year
<i>Maintenance/Utilities:</i>	Tenant's sole responsibility
<i>Form Lease; City Requirements</i>	The new lease shall be on the Port's form lease and include all standard provisions, including, but not limited to, Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction, and all current City ordinances and requirements as necessary.

PROPOSED PREMISES



SOUTHERN WATERFRONT COMMUNITY BENEFITS AND BEAUTIFICATION POLICY

Consistent with the most recent adoption of Parameter Rates, 6.5% of lease revenues will be allocated to the Port's Southern Waterfront Community Benefits and Beautification Fund. This contribution is approximately \$22,839 in the first year of the lease, \$79,280 over the initial three-year term, and \$177,798 if all the extension options are exercised.

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution authorizing the Executive Director or her designee to: forward the Lease to the Board of Supervisors for approval and, upon the effectiveness of such approval, execute the Lease on the terms described in this memorandum and substantially in the form of the Lease on file with the Commission Secretary.

Prepared by:	Jennifer Gee, Senior Property Manager Real Estate and Development
Through:	Kimberley Beal, Assistant Deputy Director Real Estate and Development
For:	Scott Landsittel, Deputy Director Real Estate and Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 25-28

- WHEREAS, Charter B3.581 empowers the Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and
- WHEREAS, TEC of California, Inc. ("TEC") is a tenant in good standing under its current Lease Nos. L-16782 and L-16792 in and outside Pier 80 G&M Building ("Pier 80 G&M Space") for the service, repair, and maintenance of commercial trucks and truck parts, general business administration, storage, and parking; and
- WHEREAS, Port and TEC have negotiated the terms of a new three (3) year Lease No. L-17253 (the "Lease") with three (3) one-year options to extend for approximately 21,842 square feet of shed space and 11,540 square feet of paved land at Pier 80 G&M Space; and
- WHEREAS, The proposed use is a continuation of existing and related uses and is therefore not a project subject to review under the California Environmental Quality Act; and
- WHEREAS, The Port Commission approved the Ramp Up Leasing Incentive Program that provides a ramp-up of lease rates at 70%, 80%, and 100% of parameter rate for shed leases with at least a three-year term pursuant to Port Resolution No. 23-36; and
- WHEREAS, TEC qualifies for the Ramp Up Leasing Incentive Program for Parcel A (Shed), and the rent for Parcel A shall be phased over a three-year period, beginning at 70% of the established parameter rate in the first year, increasing to 80% in the second year, and reaching 100% of the established parameter rate in the third year; and
- WHEREAS, The rent for Parcels B and C (Paved Land) is not subject to the Ramp Up Leasing Program and shall be charged at the full parameter rate from the commencement of the lease term; and
- WHEREAS, The total term, including extension options, exceeds five (5) years and revenue generated exceeds \$1 million – \$1,219,690 for the initial lease term and \$2,735,362 if all extension options are exercised; and
- WHEREAS, Port staff recommends approval of the proposed Lease with TEC of California, Inc. on the terms described in the Memorandum to the Port Commission dated May 9, 2025, and substantially in the form of the Lease on file with the Commission Secretary; now, therefore be it

RESOLVED, That the Port Commission hereby approves the terms of proposed Lease No. L-17253 with TEC of California, Inc. for a three-year lease term with three (3) one-year extension options for approximately 21,842 square feet of shed space and 11,540 feet of paved land at Pier 80 G&M Space for the service, repair, and maintenance of commercial trucks and truck parts, general business administration, storage and parking as described above, and authorizes the Executive Director or her designee to forward the Lease to the Board of Supervisors ("Board") for approval, pursuant to the Board's authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the Lease; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee, to enter into any additions, amendments, or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2025.

DocuSigned by:

Jenica Lin

Secretary

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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 #: 250652

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
Jennifer Gee	415-274-0562
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
PRT Port of San Francisco	jennifer.a.gee@sfport.com

5. CONTRACTOR	
NAME OF CONTRACTOR TEC of California, Inc.	TELEPHONE NUMBER 510-577-5520
STREET ADDRESS (including City, State and Zip Code) 400 Cesar Chavez Street, San Francisco, Ca 94124	EMAIL jtrimm@tecequipment.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 250652
DESCRIPTION OF AMOUNT OF CONTRACT \$2,735,362		
NATURE OF THE CONTRACT (Please describe) <p>Port Lease No. L-17253 between TEC of California, Inc. and the Port of San Francisco for 21,842 square feet of shed space and 11,540 square feet of paved land in and around Pier 80 Gear & Maintenance Shed. Rent over the initial three-year term is projected at \$1,219,690, and up to \$2,735,362 if all extension options are exercised.</p>		

7. COMMENTS

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	Jason	Trimm	other Principal officer
2	Jon	Warren	other Principal officer
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9. AFFILIATES AND SUBCONTRACTORS

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

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

10. VERIFICATION

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

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

SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK

DATE SIGNED

BOS Clerk of the Board

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Boris Delepine, Port of San Francisco
DATE: June 6, 2025
SUBJECT: Real Property Lease L-17253 TEC California

Attached please find 1 copy of each of the following:

☒ Proposed Board of Supervisor Resolution

☒ Port Commission Staff Report and Resolution

☒ Ethics Form 126

☒ Draft Lease Agreement

Departmental representative to receive a copy of the adopted resolution:

Name: Boris Delepine Phone: 415-571-6626

Interoffice Mail Address: Pier 1, The Embarcadero, San Francisco, Ca 94111

Certified copy required Yes ☐ No ☒

(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).