

File No. 240006

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date February 7, 2024

Board of Supervisors Meeting Date _____

Cmte Board

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

OTHER (Use back side if additional space is needed)

- RED Presentation 1/31/2024
- _____
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- _____

Completed by: Brent Jalipa Date February 1, 2024

Completed by: Brent Jalipa Date _____

1 [Real Property Lease - AIM TWO - 755 and 759 South Van Ness Avenue - \$644,931 Initial
2 Annual Base Rent]

2

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Public Health, to execute a Lease Agreement for continued use of office**
5 **and clinic space at 755 and 759 South Van Ness Avenue and the adjacent parking lot**
6 **with AIM TWO, as Landlord, effective upon approval of the Resolution by the Board of**
7 **Supervisors and the Mayor and upon execution of the Lease by the Director of**
8 **Property, terminating on December 31, 2027, at the monthly base rent of \$52,178.86 for**
9 **a total annual base rent of \$644,931 with annual 3% to 5% CPI increases; plus one five-**
10 **year extension option; and authorizing the Director of Property to enter into**
11 **amendments or modifications to the Lease that do not materially increase the**
12 **obligations or liabilities to the City, do not materially decrease the benefits to the City**
13 **and are necessary or advisable to effectuate the purposes of the Lease or this**
14 **Resolution.**

15

16 WHEREAS, The Department of Public Health (“DPH”) has occupied and delivered
17 clinical public health services from approximately 13,545 square feet of office space located
18 at 755 and 759 South Van Ness Avenue and the adjacent parking lot comprising
19 approximately 3,675 square feet (“the Premises”), under sequential leases entered into with
20 AIM TWO, as Landlord, since 2001; and

21 WHEREAS, DPH delivers outpatient mental health care, case management and other
22 supportive services for children, families and adults of all ages residing in San Francisco
23 through three programs located at this site - Mission Family Center, South Van Ness Adult
24 Health, and the Transitional Age Youth Programs; and

25

1 WHEREAS, The Department of Health desires and seeks to continue operating these
2 vital programs at the Premises; and

3 WHEREAS, The lease terminated on December 31, 2022, and DPH has been
4 occupying the Premises on holdover pursuant to Section 23.13 of the lease; and

5 WHEREAS, The Real Estate Division, on behalf of the Department of Public Health,
6 negotiated continued occupancy on a month to month basis as of January 1, 2023, at an
7 annual base rent of \$644,931 (\$46.23 per square foot, net of utilities; \$52,178.86 monthly)
8 while the parties negotiated a new lease for the Premises to commence after approval by the
9 Board of Supervisors and Mayor (“Holdover Rate”); and

10 WHEREAS, The City and Landlord have negotiated a proposed new four-year lease
11 terminating on December 31, 2027, at the same Holdover Rate (the “Lease”), a copy of which
12 is on file with the Clerk of the Board of Supervisors in File No. 240006; and

13 WHEREAS, The Lease provides one extension option of five years at a new base rent
14 equal to 95% of the Fair Market Rental price to be established at the time of extension in
15 accordance with the Lease; and

16 WHEREAS, The Director of Property has determined, in accordance with
17 Administrative Code, Section 23.27, that the proposed annual base rent (Holdover Rate) is at
18 or below Fair Market Value; and

19 WHEREAS, DPH will be responsible for providing, at its cost, separately metered
20 utilities on the Premises; and

21 WHEREAS, Landlord, at its sole cost, will be responsible for providing janitorial service;
22 now, therefore, be it

23 RESOLVED, That in accordance with the recommendation of the Director of Property,
24 on behalf of the Department of Public Health, the Board of Supervisors approves the Lease in
25 substantially the form in the Board’s File and authorizes the Director of Property to take all

1 actions on behalf of the City necessary or advisable to effectuate the Lease Agreement with
2 AIM TWO as the landlord for 755 and 759 South Van Ness Avenue; and, be it

3 FURTHER RESOLVED, The base rent for the initial year shall be \$626,146 and
4 thereafter subject to annual CPI adjustments at or between three and five percent and cost of
5 utilities; and, be it

6 FURTHER RESOLVED, That the Director of Property is authorized to enter into any
7 additions, amendments or other modifications (including without limitation, the exhibits) to the
8 Lease that the Director of Property determines, in consultation with DPH and the City
9 Attorney, are in the best interests of the City, do not materially increase the obligations or
10 liabilities of the City, and are necessary or advisable to complete the transaction and
11 effectuate the purpose and intent of this Resolution and are in compliance with all applicable
12 laws, including City's Charter; and, be it

13 FURTHER RESOLVED, That the Lease contains language indemnifying and holding
14 harmless the City from, and agreeing to defend the City against any and all claims, costs and
15 expenses, including, without limitation, reasonable attorney's fees, incurred as a result of
16 Tenant's use of the Premises, any default by the Tenant in the performance of any of its
17 obligations under the Lease or any acts or omissions of Tenant or its agents, in, on or about
18 the Premises or the property on which the Premises are located, except those claims, costs
19 and expenses incurred exclusively as a result of active gross negligence or willful misconduct
20 of City or its agents; and, be it

21 FURTHER RESOLVED, That any actions taken by the Director of Property and other
22 officers of the City with respect to the Lease are hereby approved, confirmed and ratified by
23 this Board of Supervisors; and, be it

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

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<p>Item 1 File 24-0006 <i>(Continued from the 1/31/24 meeting)</i></p>	<p>Department: Department of Public Health (DPH), Real Estate Division (RED)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a lease between the Department of Public Health (DPH) as tenant and AIM TWO as landlord for office and clinic space at 755 and 759 South Van Ness Avenue and the adjacent parking lot, for a term of approximately four years from the date of full Board of Supervisors and Mayor approval through December 2027, with one five-year option to extend, and initial annual rent of \$644,931, with annual three to five percent increases, and authorize the Director of Property to enter into further immaterial amendments to the lease. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • DPH has occupied space at 755 and 759 South Van Ness Avenue since 1981. The premises consists of a 13,545 square foot building and adjacent 3,675 square foot parking lot. The most recent lease expired on December 31, 2022 and DPH has continued to occupy the building in holdover status, paying a negotiated annual rent of \$626,146 (\$46.23 per square foot). DPH currently operates three mental health outpatient programs at the facility: (1) The Mission Family Center; (2) South Van Ness Adult Health; and (3) The Transitional Age Youth (TAY) Programs. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed lease, DPH would pay an initial annual rent of \$644,931. The rent would increase by a minimum of three percent and a maximum of five percent each year, based on the Consumer Price Index (CPI). Over the four-year term of the proposed lease, the City would pay a minimum of \$2,698,149 and a maximum of \$2,779,732 in total rent. DPH also pays utilities, which are approximately \$26,309 per year. Assuming a five percent escalation, DPH would pay approximately \$119,065 in utilities over four years. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • In 2013, the Budget and Legislative Analyst noted that DPH had rented space at 755 and 759 South Van Ness Avenue since 1981 and recommended that DPH provide a report to the Board of Supervisors detailing the DPH facility plan, including plans to reduce the number of leased sites and consolidate programs and services at City-owned facilities. DPH has not prioritized relocating the programs at 755 and 759 South Van Ness Avenue in its capital plan or identified funding for a new facility. The Board of Supervisors could work with the Administration to include funding in the general obligation bond for public health uses scheduled for November 2024 to purchase a site in the Mission to relocate the services currently operating out of this lease. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution. A third-party appraisal is required for leases in which the rent exceeds \$45 per square foot per year.

BACKGROUND

The Department of Public Health (DPH) has occupied space at 755 and 759 South Van Ness Avenue since 1981. The premises consists of a 13,545 square foot building and adjacent 3,675 square foot parking lot. Under the most recent lease, which was approved by the Board of Supervisors in November 2018, DPH paid an initial annual rent of \$541,258 (\$40 per square foot), with annual increases ranging from three to five percent (File 18-0928). The lease expired on December 31, 2022 and DPH has continued to occupy the building in holdover status, paying a negotiated annual rent of \$626,146 (\$46.23 per square foot), which was a five percent increase over the prior rent of \$44.03 per square foot per year. DPH currently operates three mental health outpatient programs at the facility: (1) The Mission Family Center, which provides individual, family, parent, and group therapy to children and adolescents; (2) South Van Ness Adult Health, which provides outpatient mental health services to adults; and (3) The Transitional Age Youth (TAY) Programs, which provides case management, linkages, and coordination of services to young adults (ages 16-22).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease between DPH as tenant and AIM TWO as landlord for office and clinic space at 755 and 759 South Van Ness Avenue and the adjacent parking lot, for a term of approximately four years from the date of full Board of Supervisors and Mayor approval through December 2027, with one five-year option to extend, and initial annual rent of \$644,931, with annual three to five percent increases, and authorize the Director of Property to enter into further immaterial amendments to the lease.

The proposed resolution states that the initial annual rent is \$626,146, (\$46.23 per square foot), which was the negotiated holdover rental rate. However, the Real Estate Division (RED) had negotiated the proposed lease under the assumption that it would be approved in 2023, and the proposed lease notes that the first rent adjustment would be on January 1, 2024. At the recommendation of the Budget and Legislative Analyst, at its January 31, 2024 meeting, the Budget & Finance Committee amended the proposed resolution to state that the initial annual rent is \$644,931, which is a three percent increase over the holdover rate.¹

The key terms of the proposed lease are shown in Exhibit 1 below.

¹ According to the U.S. Bureau of Labor Statistics, the Consumer Price Index (CPI) for the San Francisco area increased by 2.6 percent from December 2022 to December 2023. This CPI increase triggers the minimum three percent annual increase stated in the lease.

Exhibit 1: Key Terms of Proposed Lease

Premises	Approximately 13,545 square feet of office space and 3,672 square feet in the parking lot (at no additional cost)
Term	Approximately 3 years and 11 months, from date of full Board of Supervisors and Mayor approval through December 31, 2027
Annual Base Rent	\$644,931 (\$47.61 per square foot of office space)
Rent Adjustment	Annually on January 1, based on Consumer Price Index (CPI), but with a minimum increase of 3% and maximum of 5% each year
Options to Extend	One 5-year option to extend through December 31, 2032. Base rent would be set at 95% of prevailing market rate
Utilities	Paid by City
Janitorial Services	Paid by Landlord

Source: Proposed lease

DPH would continue to operate the Mission Family Center, South Van Ness Adult Health, and TAY programs at the facility.

The proposed lease also adds standards for janitorial service provided by the landlord.

An appraisal conducted by The Dore Group indicates that the proposed annual rent of \$47.61 per square foot is at or below fair market rate.

FISCAL IMPACT

Under the proposed lease, the City would pay an initial annual rent of \$644,931. Over the four-year term, the City would pay a minimum of \$2,698,149 and a maximum of \$2,779,732 in total rent, as shown in Exhibit 2 below.

Exhibit 2: Annual Rent Paid by City

Year²	Minimum Rent (3% Annual Increases)	Maximum Rent (5% Annual Increases)
1	\$644,931	\$644,931
2	664,279	677,177
3	684,207	711,036
4	704,733	746,588
Total	\$2,698,149	\$2,779,732

Source: BLA analysis of proposed lease.

According to DPH, annual utility costs for the property are approximately \$26,309. Assuming a five percent escalation, DPH would pay approximately \$119,065 in utilities over four years, for a total cost of rent with utilities of approximately \$2,817,214 to \$2,898,797. If the option to extend is exercised, the initial base rent for the extension term would be set at 95 percent of prevailing market rent.

² Year 1 rent is shown for the full period of January 2024 through December 2024, regardless of approval date.

POLICY CONSIDERATION

In a 2013 report, the Budget and Legislative Analyst noted that DPH had rented space at 755 and 759 South Van Ness Avenue since 1981 and recommended that DPH provide a report to the Board of Supervisors detailing the DPH facility plan, including plans to reduce the number of leased sites and consolidate programs and services at City-owned facilities, as the Board considered the City’s 10-year Capital Plan for 2015-2024 (File 13-1036), which was included in the resolution approving the 2013 lease. Due to staff turnover, DPH staff was unfamiliar with that request but provided a space planning document detailing plans to relocate 13 programs into City-owned space or to consolidate leases. The 755 and 759 South Van Ness site has not been prioritized for relocation. No analysis has been done to identify other suitable sites and the DPH capital plan does not include funding for moving these services to City-owned space. According to Kathy Jung, DPH Director of Facilities and Capital Planning, DPH would prefer to keep the programs in place at the site because of its proximity to the served population, public transportation access, and on-site parking for City vehicles used for outreach.

The FY 2024-2033 Capital Plan includes a \$320 million General Obligation Bond scheduled for the November 2024 ballot, of which DPH anticipates receiving \$220 million, if approved. The Board of Supervisors could work with the Mayor, Department of Public Health, Real Estate Division, and Capital Planning Committee to include funding in that bond to purchase a site in the Mission to relocate the services currently operating out of this lease. According to Director Jung, DPH’s priorities for the current bond are focused on addressing life safety concerns in existing DPH-owned buildings, including the Chinatown Public Health Center, City Clinic, Silver Avenue Family Health Center, San Francisco General Hospital, and Laguna Honda Hospital. If the bond is approved and sufficient funding is available, the identification of space, purchase, and move could potentially be completed by the end of the initial term of the proposed lease.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 2 File 24-0006</p>	<p>Department: Department of Public Health (DPH), Real Estate Division (RED)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a lease between the Department of Public Health (DPH) as tenant and AIM TWO as landlord for office and clinic space at 755 and 759 South Van Ness Avenue and the adjacent parking lot, for a term of approximately four years from the date of full Board of Supervisors and Mayor approval through December 2027, with one five-year option to extend, and initial annual rent of \$644,931, with annual three to five percent increases, and authorize the Director of Property to enter into further immaterial amendments to the lease.

Key Points

- DPH has occupied space at 755 and 759 South Van Ness Avenue since 1981. The premises consists of a 13,545 square foot building and adjacent 3,675 square foot parking lot. The most recent lease expired on December 31, 2022 and DPH has continued to occupy the building in holdover status, paying a negotiated annual rent of \$626,146 (\$46.23 per square foot). DPH currently operates three mental health outpatient programs at the facility: (1) The Mission Family Center; (2) South Van Ness Adult Health; and (3) The Transitional Age Youth (TAY) Programs.

Fiscal Impact

- Under the proposed lease, DPH would pay an initial annual rent of \$644,931. The rent would increase by a minimum of three percent and a maximum of five percent each year, based on the Consumer Price Index (CPI). Over the four-year term of the proposed lease, the City would pay a minimum of \$2,698,149 and a maximum of \$2,779,732 in total rent. DPH also pays utilities, which are approximately \$26,309 per year. Assuming a five percent escalation, DPH would pay approximately \$119,065 in utilities over four years.

Policy Consideration

- In 2013, the Budget and Legislative Analyst noted that DPH had rented space at 755 and 759 South Van Ness Avenue since 1981 and recommended that DPH provide a report to the Board of Supervisors detailing the DPH facility plan, including plans to reduce the number of leased sites and consolidate programs and services at City-owned facilities. DPH has not prioritized relocating the programs at 755 and 759 South Van Ness Avenue in its capital plan or identified funding for a new facility. The Board of Supervisors could work with the Administration to include funding in the general obligation bond for public health uses scheduled for November 2024 to purchase a site in the Mission to relocate the services currently operating out of this lease.

Recommendations

- Amend the proposed resolution to state that the initial annual rent is \$644,931.
- Approve the resolution, as amended.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution. A third-party appraisal is required for leases in which the rent exceeds \$45 per square foot per year.

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The proposed resolution states that the initial annual rent is \$626,146, (\$46.23 per square foot), which was the negotiated holdover rental rate. However, the Real Estate Division (RED) had negotiated the proposed lease under the assumption that it would be approved in 2023, and the proposed lease notes that the first rent adjustment would be on January 1, 2024. Therefore, the Budget and Legislative Analyst recommends amending the proposed resolution to state that the initial annual rent is \$644,931, which is a three percent increase over the holdover rate.¹

The key terms of the proposed lease are shown in Exhibit 1 below.

¹ According to the U.S. Bureau of Labor Statistics, the Consumer Price Index (CPI) for the San Francisco area increased by 2.6 percent from December 2022 to December 2023. This CPI increase triggers the minimum three percent annual increase stated in the lease.

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Janitorial Services	Paid by Landlord

Source: Proposed lease

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POLICY CONSIDERATION

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The FY 2024-2033 Capital Plan includes a \$320 million General Obligation Bond scheduled for the November 2024 ballot, of which DPH anticipates receiving \$220 million, if approved. The Board of Supervisors could work with the Mayor, Department of Public Health, Real Estate Division, and Capital Planning Committee to include funding in that bond to purchase a site in the Mission to relocate the services currently operating out of this lease. According to Director Jung, DPH’s priorities for the current bond are focused on addressing life safety concerns in existing DPH-owned buildings, including the Chinatown Public Health Center, City Clinic, Silver Avenue Family Health Center, San Francisco General Hospital, and Laguna Honda Hospital. If the bond is approved and sufficient funding is available, the identification of space, purchase, and move could potentially be completed by the end of the initial term of the proposed lease.

RECOMMENDATIONS

- 1. Amend the proposed resolution to state the initial annual rent is \$644,931.
- 2. Approve the resolution, as amended.



Lease for continued
occupancy of
755 and 759 South Van
Ness Avenue

Department of
Public Health

3 outpatient mental
health programs

Term commences following Board adoption and Mayoral approval, through December 31, 2027; with one 5 year extension option

Background:

DPH has occupied premises since 2001, providing community serving, outpatient, mental health programs. Current programs are:

Mission Family Center – individual, family, parent and group therapy to children and adolescents with serious mental or emotional problems.

South Van Ness Adult Health – supportive mental health services to adults.

Transitional Age Youth – mental health case management, linkage and coordination of services to young adults, aged 16-22, with a history of emotional problems and difficulties in school, home, and the community, including involvement with the legal system and/or substance abuse.

Lease Summary

- 13,545 square feet of clinic and office space, with an adjacent fenced parking lot of approximately 3,673 square feet
- Initial term begins following Board and Mayoral approval and terminates on December 31, 2027
- Prior lease terminated December 31, 2022, without extension option and annual base rent at \$596,329/80 (\$44.03/square foot; utilities, trash and telecom paid by City).
- RED negotiated continued occupancy on month to month basis at annual Holdover Rate of \$626,146.29 (\$46.23/square foot, a 5% increase from prior rental rate)
- Upon commencement of new lease, annual base rent shall be \$644,930.68 (\$47.61/square foot, a 3% increase from Holdover Rate) as of January 1, 2024, with future January 1st CPI increases between 3 and 5 %.
- One 5-year Extension Option with initial rental rate of 95% of Fair Market Rent for similar space and location.



Questions?

OFFICE LEASE

between

AIM TWO, a California Partnership,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
755 and 759 South Van Ness Avenue
San Francisco, California

November 1, 2023

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LIST OF EXHIBITS AND SCHEDULES

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OFFICE LEASE

THIS OFFICE LEASE (this “**Lease**”), dated for reference purposes only as of October 1, 2023, is by and between AIM TWO, a California general partnership (“**Landlord**”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**City**” or “**Tenant**”).

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	November 1, 2023
Landlord:	AIM TWO, a California general partnership
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	755 and 759 South Van Ness Avenue, San Francisco
Premises (<u>Section 2.1</u>):	Entire 2-story office building commonly known as 755 and 759 South Van Ness Avenue (Assessor’s Block 3591, Lot 9) and adjacent fenced and paved Parking Lot, with the address of 743-753 South Van Ness Avenue (Assessor’s Block 3591, Lot 10)
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 13,545 rentable square feet within the Building (basis for Base Rent calculation) and approximately 3,672 square feet within the Parking Lot (not included in Base Rent calculation)
Term (<u>Section 3</u>):	Estimated Commencement Date: November 1 2023 Expiration Date: December 31, 2027
Extension Option(s) (<u>Section 3.4</u>):	One (1) additional term of five (5) years, exercisable by City by written notice to Landlord given no later than July 1, 2027, with rent determined by Lease Section 4.3 If Extension Option is exercised, the Extended Lease Term would commence on January 1, 2028 and terminate on December 31, 3032.

Base Rent (Section 4.1): Annual Base Rent: \$626,146.29 (\$46.23 per sq. ft X 13,545 sq ft of office space – parking area square footage is not included in square footage factor of rent calculation.)
Monthly payments: \$52,178.86 (\$3.85 per sq. ft.)

Base Rent Adjustment; Adjustment Dates (Section 4.2): January 1 annually, including during Extended Term, if any. First Adjustment Date January 1, 2024. Base Rent will be adjusted by an amount equal to any increase in CPI, with a minimum of 3% and a maximum of 5% as detailed in Section 4.2 of this Lease.

Use (Section 5.1): Public serving programs, including general office and any City administrative or business related purpose.

Leasehold Improvements (Section 6) NONE

Utilities (Section 9.1): City pays costs of separately metered electric, gas, water, garbage removal and telecommunication services directly to service providers.

Services (Section 9.2): Landlord, at its sole cost and without contribution or reimbursement from City, shall provide janitorial services to the Premises in accordance with attached **Exhibit C**.

Notice Address of Landlord (Section 24.1): AIM TWO c/o Marc Ducasse
23118 Henry Lane
Hayward, CA 94541
E-mail: mducasse@earthlink.net

Landlord's Key Contact: Marc Ducasse

Landlord Contact Telephone No.: (510) 393-4507

Tenant's Notice Address (Section 24.1): Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: 755 South Van Ness

and to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate & Finance Team
Re: 755 South Van Ness
Fax No.: (415) 554-4757

Tenant's Key Contact: David Borgognoni

Tenant Contact Telephone No.: (415) 260-8001

Brokers (Section 24.8): NONE

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "**Building**") and shown on the floor plan(s) attached as **Exhibit A** (the "**Premises**"). The Premises contain the rentable area and consists of the entire Building and Parking Lot specified in the Basic Lease Information. As used in this Lease, the term "**rentable area**" means that square footage of the Building and Parking Lot, although the Base Rent is determined by using the Building rentable area of 13,545 sq ft, and not the Parking Lot square footage. The Building, the land on which the Building is located, and all other improvements on or appurtenances to the land are referred to collectively as the "**Property**."

2.2 Common Areas

City has the exclusive right to use the lobbies, corridors, elevators, stairways, and other public areas, including entrances, of the Property (collectively, the "**Common Areas**").

2.3 Condition of the Premises on Delivery

Landlord will deliver the Premises to City in good, broom clean condition, fully demised, water tight, with all Building Systems (as defined in Section 8.1 (Landlord's Repairs)) in good working order, condition, and repair, and all other systems in and serving the Premises in good working order, condition, and repair, and the Premises, the Building, and the Common Areas in compliance with all applicable Laws, as provided in Section 10.1 (Landlord's Compliance with Laws; Premises Condition; Indemnity).

2.4 Disability Access

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

City is advised that the Premises have been inspected by a CASp and have been found to meet all applicable construction-related accessibility requirements under California Civil Code Section 55.53.

3. TERM

3.1 Term of Lease

The Premises are leased for a term (the “**Term**”) commencing on the date the Lease is signed by the Director of Property, as authorized by a resolution adopted by the Board of Supervisors and approved by the Mayor (the “**Commencement Date**”). The Term will end on the Expiration Date specified in the Basic Lease Information, or the date that this Lease is earlier terminated under the provisions of this Lease, unless City extends the Term pursuant to Section 3.4 (Extension Option), below.

3.2 Commencement Date and Expiration Date

The dates that the Term commences and expires under this Lease are the “**Commencement Date**” and the “**Expiration Date**.” If the Commencement Date occurs on a date other than the Estimated Commencement Date provided in the Basic Lease Information, then Landlord will promptly deliver to City a notice substantially in the form of the attached Exhibit B confirming the actual Commencement Date, but Landlord’s failure to do so will not affect the dates of commencement or expiration of the Term.

3.3 Intentionally Omitted

3.4 Extension Option(s)

Landlord grants City the right to extend the Term (the “**Extension Option(s)**”) for the additional term(s) specified in the Basic Lease Information (the “**Extended Term(s)**”). The Extended Term(s) will be on all of the terms and conditions contained in this Lease. City may exercise an Extension Option, if at all, by giving written notice (the “**Extension Notice**”) to Landlord no later than July 1, 2027; provided, however, if there is an uncured Event of Default on the date City gives an Extension Notice, then Landlord may reject City’s Extension Notice if City fails to cure the Event of Default within ten (10) days after Landlord’s written demand for City to cure the Event of Default. If City extends the Term as provided in this Section, then the word “Term” will mean and include any Extended Terms.

4. RENT

4.1 Base Rent

Beginning on the Commencement Date, City will pay to Landlord the annual Base Rent specified in the Basic Lease Information (the “**Base Rent**”). The Base Rent is payable in equal monthly payments at the address specified for Landlord in the Basic Lease Information, or other place as Landlord may designate in writing on not less than thirty (30) days’ advance notice. City will pay the Base Rent monthly within thirty (30) days after invoice from Landlord and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for the fractional month will be prorated based on a thirty (30)-day month.

4.2 Adjustments in Base Rent

On each date specified in the Basic Lease Information for the adjustment of Base Rent (an “**Adjustment Date**”), the Base Rent payable under Section 4.1 (Base Rent) will be adjusted as follows:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the “**Index**”) published most immediately preceding the Adjustment Date (the “**Adjustment Index**”), will be compared with the Index published for the same month the prior year (the “**Base Index**”).

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date will be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. In no event will the monthly Base Rent on or after the Adjustment Date be less than three (3%) or more than five (5%) of the monthly Base Rent in effect for the last full month immediately before the Adjustment Date.

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

4.3 Determination of Base Rent for the Extended Term

(a) At the commencement of the Extended Term, the Base Rent will be adjusted to equal 95% of the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location, and quality to the Building (“**Comparable Space**”) situated within the Mission area of San Francisco (“**Reference Area**”); provided, however, in no event will the Base Rent be reduced below the Base Rent for the twelve (12)-month period before the Extended Term. As used in this Section, “**prevailing market rate**” means the base rent for Comparable Space, taking into account (i) any additional rent and all other payments and escalations payable under this Lease, (ii) floor location and size of the premises covered by leases of the Comparable Space, (iii) the duration of Extended Term under this Lease and the term of the leases for Comparable Space, (iv) free rent and any other tenant concessions given under the leases for Comparable Space, and (v) tenant improvement allowances and other allowances given under the leases for Comparable Space.

(b) Within sixty (60) days after City’s exercise of the Extension Option, Landlord will notify City of Landlord’s determination of the prevailing market rate for the Premises, together with reasonable supporting documentation. If City disputes Landlord’s determination of the prevailing market rate, City will notify Landlord within fourteen (14) days after Landlord’s notice to City of the prevailing market rate and the dispute will be resolved as follows:

(i) Within thirty (30) days after Landlord’s notice to City of the prevailing market rate (the “**Consultation Period**”), Landlord and City will attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve the disagreement.

(ii) If within that thirty (30)-day period Landlord and City cannot agree on the prevailing market rate, then each will select one appraiser to determine the prevailing market rate. Within forty-five (45) days after the expiration of the Consultation Period, each party will cause its

appraiser to prepare and complete an appraisal report determining the prevailing market rate and submit the report to Landlord and City.

(iii) If only one appraisal report is submitted within that forty-five (45)-day period, then the prevailing market rate determined in that appraisal report will be used to establish the Base Rent for the Extended Term. If both appraisal reports are submitted within the thirty (30)-day period, and if the prevailing market rates determined in the two appraisal reports differ by less than ten percent (10%) of the higher of the two, then the average of the two will be the prevailing market rate. If the prevailing market rates in the two appraisal reports differ by more than ten percent (10%) of the higher of the two, then the two appraisers will immediately select a third appraiser. Within thirty (30) days after the third appraiser is selected, the third appraiser will prepare an appraisal report determining the prevailing market rate and submit the report to Landlord and City. The prevailing market rate determined in the third appraisal report will then be averaged with the closer of the prevailing market rates from the two previous appraisals and the result will be the prevailing market rate. The determination of the third appraiser will be final and binding on the parties.

(iv) If City's Director of Property does not approve the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may revoke City's exercise of the Extension Option.

(v) All appraisers must be "MAI" designated members of the Appraisal Institute with not less than five (5) years' recent experience appraising leases of commercial properties similar to the Premises in the Reference Area. Landlord and City will pay the cost of the appraiser it selects and one-half of the cost of the third appraiser.

4.4 Intentionally Omitted

4.5 Intentionally Omitted

4.6 Payments by City

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

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

Landlord acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Landlord under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector

will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

4.8 Additional Services

City may request that Landlord provide or arrange for additional services for the Premises, which Landlord may provide or arrange in its reasonable discretion. If Landlord elects to provide the requested additional services and City has approved the cost and scope of those services in advance, then City will pay Landlord as Additional Charges the cost of those services plus a three percent (3%) administrative fee. Landlord may not contract for or provide any services (and City will not be obligated to pay for such services) without City's prior written approval of the cost of the additional services (which may be the known costs, or an hourly rate and maximum number of hours, or a cost estimate with a not-to-exceed maximum amount) in writing before Landlord incurs any costs. City will pay for the cost of the additional services and the administrative fee within thirty (30) days after receipt of an invoice; provided, however, that City may elect to provide any deposit or other prepayment that City determines is appropriate given the nature of the requested services. Any additional terms for the additional services will be memorialized by a written agreement, which, upon execution by Landlord and City, will be considered a part of this Lease.

5. USE

5.1 Permitted Use

City may use the Premises for general office uses and any other uses specified in the Basic Lease Information, and for no other use without Landlord's prior written consent, which may not be unreasonably withheld, conditioned, or delayed.

5.2 Interference with Access

Landlord will provide to City uninterrupted access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, including during any power outages affecting the Premises or any portion of the Building; but Landlord may, after consultation with City's Administrator, interrupt City's access to the Premises or the Building if there is an immediate threat that will render the Premises, the Common Areas, or any other portion of the Building unsafe for human occupancy. If City's use of any of the Premises or access to the Premises is interrupted because the Premises, the Common Areas, or any other portion of the Building is unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than an Event of Default, then Landlord will immediately undertake all necessary steps to correct the condition. If the condition continues for two (2) business days and impairs City's ability to carry on its business in the Premises, then the Rent will be abated based on the extent to which the condition interferes with City's ability to normally and safely carry on its business at the Premises. If the condition continues for thirty (30) days or more after City's use is interrupted or impaired then, without limiting any of its other rights under this Lease, City may terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days after the date City's use was interrupted or impaired, and City's full use is actually restored within that sixty (60)-day period. Nothing in this Section will limit City's rights with respect to any disruption due to casualty under Section 12 (Damage and Destruction).

6. Intentionally Omitted

7. ALTERATIONS

7.1 Alterations by City

City may not make or permit any alterations, installations, additions, or improvements (collectively, “**Alterations**”) to the Premises without first obtaining Landlord’s written consent, which Landlord will not unreasonably withhold, condition, or delay. Installation of furnishings, fixtures, equipment, or decorative improvements that do not affect the Building Systems or structural integrity of the Building, and the repainting and re-carpeting of the Premises do not constitute Alterations and do not require Landlord’s consent. Any Alterations permitted under this Lease will be made at City’s cost in compliance with applicable Laws (as defined in Section 10.1 (Landlord’s Compliance with Laws; Premises Condition; Indemnity)). Without cost to itself, Landlord will cooperate with City in securing building and other permits and authorizations needed for any permitted Alterations. Landlord will not be entitled to any construction or other administrative fee in connection with any Alteration. City will not be required to remove any Alterations on the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves the Alterations that they must be removed. City is not required to remove any improvements not requiring Landlord’s consent.

7.2 Title to Improvements

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

7.3 City’s Personal Property

(a) All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Premises by or for City and that can be removed without structural damage to the Premises (collectively, “**City’s Personal Property**”) are and will remain City’s property. If City requests, Landlord may assist City by ordering and installing City’s Personal Property and City will reimburse Landlord for all fees, costs, and expenses approved by City in advance within thirty (30) days after receipt of an invoice; provided, however, that City may elect to provide any deposit or other expense required at the time of ordering City’s Personal Property. To the extent possible, any maintenance contract or warranty in connection with the purchase or lease of tangible personal property will be optional (namely, City may, but is not required to, purchase a maintenance contract or warranty). To the extent feasible, Landlord and any vendors of Landlord will separately itemize any shipping charges. Although Landlord may order and install City’s Personal Property, all items will remain City’s Personal Property. With regard to any personal property purchased by Landlord on behalf of City or leased by City under this Lease, (a) Landlord represents that it is fully compliant with the California Sales and Use Tax Law and warrants to City that Landlord that it will fulfill its use tax obligations under that law with respect to the subject transaction; (b) Landlord will accept a Use Tax Direct Payment Exemption Certificate in lieu of any use tax payment if the City, in its sole discretion, elects to provide such Certificate to Landlord; (c) If the City pays use tax to Landlord, Landlord will remit the entire amount of the use tax payment to the state and provide the City with a receipt in accordance with the California Sales and Use Tax Law; and (d) Landlord will be liable to the City for all amounts of use tax paid to Landlord that Landlord fails to remit to the State. This obligations of Landlord under the foregoing sentence will survive and termination or expiration of the Lease.

(b) At any time during the Term, City may remove any of City's Personal Property, and City will repair any damage to the Premises resulting from that removal. On the expiration or earlier termination of this Lease, City will remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises). Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City ("**Secured Personal Property**"). Landlord recognizes the rights of any supplier, lessor, or lender who has an interest in any items of Secured Personal Property to enter the Premises and remove that Secured Personal Property at any time during the Term or within thirty (30) days after the Expiration Date. On City's reasonable request, Landlord will execute and deliver any document required by any supplier, lessor, or lender in connection with the installation of any items of Secured Personal Property in the Premises, under which Landlord waives any rights it may have or acquire with respect to the Secured Personal Property, so long as the supplier, equipment supplier, lessor, or lender agrees that it **(i)** will remove the Secured Personal Property from the Premises within thirty (30) days after the Expiration Date (and if it does not remove the Secured Personal Property within that time the equipment supplier, lessor, or lender will have waived any rights it may have had to the Secured Personal Property), and **(ii)** will repair any damage caused by the removal of the Secured Personal Property.

7.4 Alteration by Landlord

Landlord will use its best efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions, or improvements to the Building, including any leasehold improvement work for other tenants in the Building. Landlord will promptly remedy any interference or disruption on receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

At its cost, Landlord will repair and maintain the exterior and structural portions of the Building in first-class condition, including, the roof, foundation, bearing and exterior walls, windows, doors, door frames, demising walls, and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security, and other mechanical, electrical, and communications systems of the Building (collectively, the "**Building Systems**") and the Common Areas. Without limiting the foregoing, Landlord will maintain the Building in a clean, safe, and attractive manner, will provide exterior graffiti removal with reasonable frequency in accordance with Section 9.2 (Services), and will not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property, or constitutes a nuisance.

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Landlord's Compliance with Laws; Premises Condition; Indemnity), and any construction warranties or guaranties received in connection with Landlord's repair and maintenance obligations under this Lease, City will repair and maintain at its cost the interior portions of the Premises and will keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty or condemnation. City will make any required repairs and replacements to the interior of the Premises that Landlord specifies in writing **(a)** at City's cost, **(b)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(c)** so that the interior portions of the Premises will be at least substantially equal in quality, value, and utility to the original work or installation before the damage, **(d)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use, or occupation of the

Building or the Building Systems, and (e) in compliance with all applicable Laws, including any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term, promptly after City's reasonable notice, Landlord will provide City and its Agents with access to those portions of the Building that are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord will furnish the following utilities and services to the Premises: (a) heating, air conditioning, and ventilation in amounts required for City's comfortable use and occupancy of the Premises, during the period from 7:00 a.m. to 6:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("**Daily Basis**"); (c) elevator service on a Daily Basis; and (d) water for lavatory, kitchen, and drinking purposes on a Daily Basis; provided, however, City shall pay directly to the utility providers the actual costs of separately metered electric, gas, water, garbage removal and telecommunication services. Without limiting Landlord's obligations under this Section, Landlord will furnish all utilities and services required under this Lease in a manner consistent with utilities and services normally provided in other first-class buildings similar to the Building in the San Francisco Mission District.

9.2 Services

(a) Janitorial Service

At its cost, Landlord will provide janitorial service in accordance with the specifications contained in the attached **Exhibit C**.

(b) Graffiti Removal

Landlord shall be responsible for the prompt removal of graffiti from the exterior of the Building, except that if the City (with Landlord's approval) has a special paint scheme applied to the Building exterior (such as a mural), then City will be responsible for removal of graffiti from the special area.

9.3 Conservation

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

9.4 Disruption in Essential Utilities or Services

If any failure, stoppage, or interruption of any utilities or services to be furnished by Landlord occurs, Landlord will immediately notify City of the failure, stoppage, or interruption; diligently attempt to restore service as promptly as possible; and keep City apprised of its efforts. If Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "**Essential Services**") and that inability of Landlord impairs City's ability to carry on its business in the Premises for **(a)** one (1) or more business days and it is in Landlord's reasonable control to restore the Essential Services or **(b)** five (5) or more consecutive business days if the failure is not within Landlord's reasonable control, then the Rent will be abated based on the extent that the lack of the Essential Services impairs City's ability to normally carry on its business in the Premises, or, alternatively at City's election, City may provide the Essential Services and offset the reasonable cost against the Rent next due under this Lease. The abatement or right to provide the Essential Services and offset against Rent will continue until the Essential Services have been restored so that the lack of any remaining Essential Services no longer materially impairs City's ability to carry on its business in the Premises. Landlord will use its best efforts to restore disrupted Essential Services as soon as possible. If the failure to provide any Essential Services occurs for any reason for fifteen (15) days or more in any sixty (60)-day period and that failure interferes with City's ability to normally carry on its business in the Premises, then, without limiting any of its other rights or remedies under this Lease or at law or in equity, City may terminate this Lease on written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be reliably restored within sixty (60) days after the date City's use was first interrupted, and the Essential Services are actually restored and reliable within the sixty (60)-day period. City will not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City results solely to the negligent acts or omissions of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1 Landlord's Compliance with Laws; Premises Condition; Indemnity

Subject to City's obligation under Section 8.2 (City's Repairs) above, Landlord will at all times during the Term maintain, at its cost, the Property, Building, Common Areas, and the Building Systems in compliance with applicable present or future federal, state, local, and administrative laws, rules, regulations, orders, and requirements (collectively, "**Laws**"). Landlord represents and warrants to City, and covenants with City, as follows: to the best of Landlord's knowledge: **(a)** the physical structure, fixtures, and permanent improvements of the Premises and all portions of the Property and the Building along the path of travel to the Premises (including the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks, and drinking fountains and parking areas), as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990, California Code of Regulations Title 24, and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, "**Disabilities Laws**"); **(b)** the Building is not an unreinforced masonry building, and as of the Commencement Date will be, in compliance with all applicable Laws relating to seismic safety (collectively, "**Seismic Safety Laws**"); **(c)** the Building, the Common Areas, and Building Systems serving the Premises are, as of the Commencement Date, in full compliance with all applicable Laws relating to fire and life safety (including the San Francisco High-Rise Sprinkler Ordinance) (collectively, "**Life Safety Laws**"); **(d)** the Building, the Common Areas, and Building Systems serving the Premises are, as of the Commencement Date, in compliance with all other applicable Laws; and **(e)** there are not, as of the Commencement Date, any material physical or mechanical defects in the Premises, Building, or the Building Systems that would materially adversely affect City's intended use of the Premises. Without limiting Section 16.2 (Landlord's Indemnity), Landlord will Indemnify City

against any and all Claims (defined in Section 16.1 (City's Indemnity) below) arising out of **(i)** any failure of the Property, Building, Common Areas, Building Systems (or any portion of any of them) to comply with applicable Laws; or **(ii)** any misrepresentation by Landlord under this Section.

10.2 City's Compliance with Laws; Indemnity

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

10.3 City's Compliance with Insurance Requirements

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

11. SUBORDINATION

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

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

12. DAMAGE AND DESTRUCTION

(a) If the Premises, the Building, or any Building Systems are damaged by fire or other casualty, Landlord will repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if, at its sole option, City makes sufficient funds available to Landlord, Landlord will also repair the Leasehold Improvements) so long as the repairs can be made under applicable Laws within sixty (60) days after Landlord obtains all necessary permits but not later than two hundred ten (210) days after the date of the damage (the “**Repair Period**”). If Landlord is obligated to repair as provided above, then this Lease will remain in full force and effect, except that City will be entitled to an abatement of Rent until the Premises are restored to their condition before the casualty. The abatement in Rent will be based on the extent to which the damage, the making of the repairs, and reoccupying the repaired Premises interferes with City’s use of the Premises. Landlord’s repairs will not include, and the Rent will not be abated as a result of, any damage by fire or other cause to City’s Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents that is not covered by insurance.

(b) Within twenty (20) days after the date of the damage, Landlord will notify City whether, in Landlord’s reasonable judgment made in good faith, the repairs can be made within the Repair Period. If the repairs cannot be made within the Repair Period, then either party may terminate this Lease by giving written notice to the other given within thirty (30) days after the date of Landlord’s notice. The termination date will be the date specified in the termination notice, which date may be not less than thirty (30) or more than sixty (60) days after Landlord’s notice. If either party elects to terminate this Lease, then the Rent will be reduced by a proportionate amount based on the extent to which the damage interferes with the normal conduct of City’s business in the Premises, and City will pay the reduced Rent up to the date of termination. Landlord will refund to City any Rent previously paid for any period after the date of termination.

(c) Notwithstanding the foregoing, if the Premises are damaged or destroyed by flood or earthquake, and the damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry under this Lease (excluding any deductible, for which Landlord is solely responsible), then Landlord may terminate this Lease by written notice to City within thirty (30) days after the date Landlord receives written notice that the damage is not covered by insurance. Landlord’s termination notice must include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease, then subsections (a) and (b) will apply.

(d) If during the last six (6) months of the Term there is substantial damage that Landlord would be required to repair under this Section, then within thirty (30) days after

the date of the damage Landlord or City may, each at its option, terminate this Lease as of the date the damage occurred by giving written notice to the other party of its election to do so; provided, however, Landlord may terminate this Lease only if it would take more than thirty (30) days to repair the damage.

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

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

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

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

13.5 Termination of Lease; Rent and Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

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

without Landlord's consent, City may transfer this Lease or use and occupancy of all or any of the Premises to any department, commission, or agency of the City and County of San Francisco for uses permitted under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

(a) After Landlord is qualified as an approved vendor as provided in Section 4.6 (Payments by City) above, City fails to make any timely payment of Rent and to cure the nonpayment within five (5) business days after receipt of written notice of nonpayment from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City will have twenty (20) days after written notice from Landlord to cure any nonpayment.

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

(c) City's failure to perform any other of its covenants or obligations under this Lease (not involving the payment of money) and failure to cure the non-performance within thirty (30) days of the date of receipt of Landlord's notice of the failure, provided that if more than thirty (30) days are reasonably required for the cure, no Event of Default will occur if City commences the cure within the thirty (30)-day period and diligently prosecutes the cure to completion.

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease), at its sole option, City may cure the default at Landlord's expense if the default continues after ten (10) days after the date City gives notice to Landlord of City's intention to perform the cure. However, if a default occurs because of a cause beyond Landlord's control (excluding any financial inability to perform), and Landlord cannot with due diligence cure the default within the ten (10)-day period, then the ten (10)-day period

will be extended if, promptly on receipt of City's notice, Landlord advises City of Landlord's intention to take all steps required to cure the default, and Landlord promptly commences the cure and diligently prosecutes the cure to completion. But if any default by Landlord continues for sixty (60) days and impairs City's ability to carry on its normal business in the Premises, then City may terminate this Lease on written notice to Landlord within thirty (30) days after the expiration of the sixty (60)-day period. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the ten (10)-day cure period provided above (as it may be extended as provided above), then, whether or not City elects to cure Landlord's default, the Rent will be abated based on the extent to which the default interferes with City's ability to carry on its normal business at the Premises. City's rights under this Section and under any other provisions of this Lease will not limit in any way any of its other rights and remedies under this Lease or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

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

16.2 Landlord's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

(a) At all times during the Term, Landlord will keep the Building insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage (include earthquake sprinkler leakage) and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including debris removal and demolition). Upon City's request, Landlord will provide to City a certificate of insurance issued by the insurance carrier, evidencing the required insurance. The certificate must expressly provide that the policy is not cancelable or subject to reduction of coverage or otherwise subject to modification except after thirty (30) days' prior written notice to City (or, if the insurer refuses to provide notice to the City, then Landlord will provide such thirty (30)-day prior notice to City). Landlord waives any rights against City for loss or damage to the Premises or any other part of the Property to the extent covered by Landlord's property insurance.

(b) In addition, at no cost to City, Landlord will procure and keep in effect at all times during the Term insurance as follows: (i) commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse, and underground (XCU); and (ii) worker's compensation insurance in the amounts required by applicable Laws and employer's liability with limits not less than One Million Dollars (\$1,000,000) each accident. All insurance policies required by this Lease to be maintained by Landlord must be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord and City (or, if such endorsement is not available from the insurer, Landlord will provide such notice to City).

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

(d) Landlord will maintain such umbrella policy and additional coverage as it reasonably determines necessary or as required by any Encumbrancer. The parties agree that the minimums set forth in this Section 17 will be re-evaluated every five (5) years, and increased to the extent consisted with similarly situated landlords and properties.

18. ACCESS BY LANDLORD

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

19. ESTOPPEL CERTIFICATES

From time to time during the Term, by not less than thirty (30) days' prior written notice to the other party, either party may request the other party to execute, acknowledge, and deliver to the persons or entities designated by the other party a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect

as modified and stating the modifications), **(c)** that there are no defaults under this Lease (or if so, specifying the same), and **(d)** the date to which Rent has been paid.

20. SURRENDER OF PREMISES

On the expiration or sooner termination of this Lease, City will surrender the Premises to Landlord in good order and condition, excepting reasonable use and wear and damage by fire or other casualty or condemnation. Within ten (10) days after the Expiration Date, City will remove from the Premises all of City's Personal Property, City's telecommunications, data, and computer facilities and any Alterations City desires or is required to remove from the Premises under the provisions of Section 7.1 (Alterations by City). City will repair or pay the cost of repairing any damage to the Premises or the Building resulting from that removal. City will not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section will survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

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

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

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date: **(a)** the Property is not in violation of any Environmental Laws; **(b)** the Property is not now, and has not been, used for the manufacture, use, storage, discharge, deposit, transportation, or disposal of any Hazardous Material, except for the use of Hazardous Material in limited quantities as are customarily used in offices, which limited use is and has been in compliance with Environmental Laws; **(c)** the Property does not consist of any landfill or contain any underground storage tanks; **(d)** the Building does not contain any asbestos-containing materials or have building materials that contain any other Hazardous Material, and the Premises or the common areas of the Building do not contain any lead-based paints; **(e)** there is and has been no

Release of any Hazardous Material in the Building or in, on, under, or about the Property; and **(f)** the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under, or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord will maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety, and welfare of City's employees or City's use, occupancy, or enjoyment of the Premises for their intended purposes.

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), Landlord will Indemnify City and its Agents against any and all Claims arising during or after the Term **(a)** as a result of any breach of any of Landlord's representations, warranties, or covenants in the preceding Section, or **(b)** in connection with any presence or Release of Hazardous Material in the Building or on, under, or about the Property, unless City or its Agents caused the Release.

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

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

22. SPECIAL PROVISIONS

22.1 Right of First Offer to Purchase

If Landlord decides to sell or transfer the Property to an unrelated third party, as described below, during the Term of this Lease, Landlord shall first offer the Property to the City at the purchase price that Landlord will offer the Property to third parties. Such proposed purchase price shall be set forth in a written notice ("Sale Notification") from Landlord to City and shall be subject to adjustment as provided below. City shall have fifteen (15) business days from the date of the Sale Notification to submit to Landlord in writing (i) an offer to purchase the Property at the price specified in the Sale Notification and otherwise upon the other business terms contained herein or (ii) a counter offer to purchase the Property at a lesser price and otherwise upon the other business terms contained herein (the "Counter Offer"). If Landlord elects to accept City's Counter Offer, Landlord shall provide City with written notice of such election within fifteen (15) business days of receipt of City's Counter Offer.

If City offers to purchase the Property for the price in the Sale Notification, or if Landlord elects to accept City's Counter Offer, Landlord and City shall promptly enter into a purchase and sale agreement for the Property at the agreed price and on the terms and conditions specified in this Section 22.1. City's offer or Counter Offer to purchase the Property shall be

subject to the following conditions precedent: (i) approval of the Board of Supervisors and the Mayor, in their respective sole discretion, given within seventy five (75) days of Landlord's execution of a purchase and sale agreement (the "**Approval Deadline**"), incorporating the terms herein, (ii) the title company being willing to issue ALTA Title Insurance acceptable to City, (iii) City's successful issuance of debt to fund the purchase; and (iv) City is not then in default nor has there been an Event of Default in prior two (2) year period, whether or not such default is satisfactorily cured. If City's Board of Supervisors fails to approve the purchase transaction by the Approval Deadline, City may withdraw the offer or Counter Offer by written notice to Landlord.

Within ten (10) days of the execution of a purchase and sale agreement, Landlord shall deliver to City copies of all reports, appraisals and other documents in Landlord's possession, not previously delivered to City. Landlord shall cooperate with the City in its due diligence investigation.

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

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

- a grant deed conveying title subject only to taxes not yet due and payable, and other exceptions acceptable to City, and
- a bill of sale for all personal property on the Property owned by Landlord.

If City does not agree to purchase the Property for purchase price contained in the Sale Notification or make a Counter Offer within the fifteen (15) business days period specified above, then this right of first offer shall terminate and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City. If, however, City, while not accepting the purchase price set forth in the Sale Notification, made a Counter Offer within the fifteen (15) business day period and such Counter Offer was not accepted by Landlord, then Landlord may sell the property, free of any claim of City, only to a buyer who agrees to pay a purchase price exceeding the price proposed in City's Counter Offer.

In the event Landlord is unable to sell the Property for more than the proposed purchase price specified in City's Counter Offer but continues to desire to sell the Property, Landlord may elect to give City another Sale Notification restating the proposed purchase price in City's Counter Offer and the above procedure for City's first right of offer may be repeated only one additional time.

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

For purposes of this Section 22.1, the following events shall not be deemed a sale or transfer of the Property to an unrelated third party triggering City's rights hereunder: (i) the conveyance of entity membership interests, stock or partnership interests within the Landlord entity, or (ii) a transfer of Landlord or the holders of interests in the Landlord entity to another entity or trust with essentially the same holders of interests, or (iii) dissolution of the Landlord entity upon the death of some or all of the holders of interests therein, or (iv) the addition of family related holders of interests or beneficiaries of a trust or change of administrator of the

trust or general partner of a limited partnership. The term “unrelated third party” shall mean any other transferee.

Notwithstanding City’s exercise of the First Right of Offer to Purchase, this Lease, including City’s obligation to pay Rent, will continue in full force and effect until terminated whether expressly, under the terms of this Lease, or by merger or otherwise as a matter of law).

23. CITY PROVISIONS

23.1 MacBride Principles - Northern Ireland

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

23.2 Controller’s Certification of Funds

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

23.3 Prevailing Wages and Working Conditions

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

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

Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

23.4 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of San Francisco Administrative Code Chapters 12B and 12C relating to non-discrimination by parties contracting for the lease of property to City are incorporated into this Section by reference and made a part of this Lease as though fully set forth. Landlord will comply fully with and be bound by all of the provisions that apply to this

Lease under Administrative Code Chapters 12B and 12C, including the remedies provided in those Chapters. Without limiting the foregoing, Landlord understands that under San Francisco Administrative Code Section 12B.2(h) a penalty of Fifty Dollars (\$50) for each person for each calendar day during which that person was discriminated against in violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

23.5 Bicycle Parking Facilities

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

23.6 Resource-Efficient City Buildings

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

23.7 Sunshine Ordinance

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

23.8 Conflicts of Interest

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

23.9 Notification of Prohibition on Contributions

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

ten percent (10%) in Landlord; any subcontractor listed in the lease; and any committee that is sponsored or controlled by Landlord; and **(ii)** within thirty (30) days of the submission of a proposal for the Lease, the City department with whom Landlord is leasing is obligated to submit to the Ethics Commission the parties to the lease and any subcontractor. Additionally, Landlord certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

23.10 Preservative-Treated Wood Containing Arsenic

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

24. GENERALLY APPLICABLE PROVISIONS

24.1 Notices

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

24.2 No Implied Waiver

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

24.3 Amendments

The terms and provisions of this Lease may only be changed, waived, discharged, or terminated by a written instrument signed by both parties. No waiver of any breach will affect or alter this Lease, and each and every term, covenant, and condition of this Lease will continue in full force and effect with respect to any other then-existing or subsequent breach. Whenever this Lease requires or permits City's consent or approval, the Director of Property, or his or her designee, will be authorized to provide the consent or approval, except as otherwise provided by applicable Law, including the Charter of the City and County of San Francisco. City's agreement to any amendments or modifications to this Lease (including the exhibits) may be made on the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease **(a)** changing the legal description of the Premises, **(b)** increasing the Term, **(c)** increasing the Rent, **(d)** changing the general use of the Premises from the use authorized under Section 5.1 (Permitted Use), and **(e)** any other amendment or modification that materially increases City's liabilities or financial obligations under this Lease will also require the approval of City's Board of Supervisors.

24.4 Authority

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

24.5 Parties and Their Agents; Approvals

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

24.6 Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and will in no way define or limit the scope or intent of any provision of this Lease. Except as otherwise specifically provided in this Lease, wherever Landlord or City is required or requested to give its consent or approval to any matter or action by the other, the consent or approval will not be unreasonably withheld or delayed and the reasons for disapproval of consent will be stated in reasonable detail in writing. Provisions in this Lease relating to number of days will be calendar days, unless otherwise specified. If the last day of any period to give notice, reply to a notice, or to take any other action occurs on a Saturday, Sunday, or a bank or City holiday, then the last day for taking the action or giving or replying to the notice will be the next succeeding business day. The words "**include**" or "**including**" or similar words will not be construed to limit any general term, statement, or other

matter in this Lease or any of its attached exhibits, whether or not language of non-limitation, such as “without limitation” or similar words, are used.

24.7 Successors and Assigns

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

24.8 Brokers

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

24.9 Severability

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

24.10 Governing Law

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

24.11 Entire Agreement; Incorporation of Exhibits

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

24.12 Holding Over

If City holds over in possession of the Premises after the expiration of the Term with Landlord's consent, that holding over will not be deemed to extend the Term or renew this Lease, and City's tenancy will continue as a month-to-month tenancy until the tenancy is terminated by either party by giving least thirty (30) days' prior written notice of termination. The month-to-month tenancy will be on all the terms and conditions of this Lease and at the monthly Base Rent in effect during the last month of the Term or as Landlord and City may mutually agree in writing. If City holds over without Landlord's consent, the rent payable by City during the period of holding over will be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and the tenancy will otherwise be on the terms and conditions contained in this Lease. If, as provided in Section 20 (Surrender of Premises) above, City fails to remove its furniture, furnishings, equipment, City's Personal Property and designated Alterations by the Expiration Date, then City's continued possession will be deemed a holding over, but Base Rent will not be payable for a ten (10)-day period so long as City complies with Section 20 (Surrender of Premises) no later than the last day of such ten (10)-day period; if City remains in possession of the Premises beyond that ten (10)-day period, then City's possession will be deemed a holding over and Base Rent will be payable for the entire hold over period (including the 10 days) as set forth in this Section.

24.13 Cumulative Remedies

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

24.14 Time of Essence

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

24.15 Survival of Indemnities

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

24.16 Signs

City may erect or post exterior signs on or about the Premises with Landlord's prior approval. Landlord reserves the right to review and approve the placement, design, and plan for before erecting or posting any sign, which review and approval will not be unreasonably withheld or delayed. Interior signs not visible from the exterior of the Premises are permitted as provided under Article 7 (Alterations).

24.17 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power, and authority to grant the leasehold estate as provided in this Lease, and covenants that City, on paying the Rent and performing the covenants contained in this Lease, will peaceably and quietly have, hold, and enjoy the Premises and all related rights during the Term as against all persons or entities or on account of any action, inaction, or agreement of Landlord or its Agents. Without limiting the

provisions of Section 16.2 (Landlord's Indemnity), Landlord will Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

24.18 Bankruptcy

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

24.19 Transfer of Landlord's Interest

Landlord may transfer its interest in the Property, the Building, or this Lease to any other financially responsible person or entity. If Landlord transfers its interest in the Property, the Building, or this Lease to another other financially responsible person or entity, then Landlord will be relieved of Landlord's obligations under this Lease accruing from and after the date of the transfer when **(a)** Landlord has provided notice to City of the name and address of Landlord's successor, **(b)** Landlord has provided City with supporting documentation reasonably acceptable to City demonstrating the transferee's financial ability to assume this obligations transferred to it by Landlord, **(c)** Landlord has transferred the Security Deposit to the transferee, and **(d)** Landlord has delivered to City an express written assumption by the transferee of all of Landlord's obligations under this Lease.

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

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

24.21 Counterparts

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

24.22 Effective Date

This Effective Date and Commencement Date of this Lease will be the date this Lease is duly executed by Landlord and City, in accordance with of authorizing legislation adopted by the Board of Supervisors and approved by the Mayor, in their sole and absolute discretion.

24.23 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined, or disbarred by, or prohibited from contracting with, any federal, state, or local governmental agency. If Landlord or any of its officers or members have been suspended, disbarred, disciplined, or prohibited from contracting with any

governmental agency, it will immediately notify City of that fact and the reasons for the suspension, disbarment, discipline, or prohibition together with any relevant facts or information requested by City. If there is any suspension, disbarment, discipline, or prohibition that may result in the termination or suspension of this Lease, City may terminate this Lease on written notice to Landlord. Landlord acknowledges that this certification is a material term of this Lease.

24.24 Cooperative Drafting

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

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

[Signatures appear on the following page]

Landlord and City have executed this Lease as of the date the Lease is signed by the Director of Property.

LANDLORD:

AIM TWO,
a California general partnership

By: 
Marc Ducasse, Partner 8/25/2023

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
ANDRICO Q. PENICK
Director of Property

RECOMMENDED:

Greg Wagner, Deputy Director,
Department of Public Health

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Vincent Brown
Deputy City Attorney

EXHIBIT A

Legal Description of Property/Floor Plan(s)

CONSISTING OF 2 PAGES ATTACHED TO THIS TITLE PAGE

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

Date

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

RE: Acknowledgement of Commencement Date, Lease Between AIM TWO, a California partnership (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 755 and 759 South Van Ness Avenue located at San Francisco, California

Dear Mr. Penick:

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

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
Andrico Q. Penick
Director of Property

Dated: _____

EXHIBIT C

STANDARDS FOR JANITORIAL SERVICE

755 and 759 South Van Ness Avenue, San Francisco

I. SPECIFICATION OF SERVICES TO BE PERFORMED - SCOPE OF WORK

- A.** Landlord's janitorial contractor (its "**Contractor**") will furnish all labor, materials, and equipment required to perform exterior and interior janitorial service five days a week, Monday through Friday, excluding holidays, at the above location in accordance with these specifications:
- B.** All windows and glass broken by Landlord's Contractor will be replaced at no cost to City.
- C.** Landlord's Contractor must, at all times, maintain adequate staffing that meets these specifications. All employees must wear uniforms (See Section II). City may request Landlord to remove any janitor from the Premises at any time it desires and for any reason whatsoever, and an immediate replacement will be provided. All written notices are to be submitted to:

City and County of San Francisco
1380 Howards Street, #403
San Francisco, CA 94103
Attn: David Borgognoni

- D.** All services must be performed after 5:00 p.m.
- E.** All employees of Landlord's Contractor must be fully trained and experienced in the custodial service trade.
- F.** Landlord will assign space in the Building to Contractor to store supplies and equipment. Supplies and equipment must be neatly stored only in the areas provided by Landlord. No supplies or equipment may be stored in the Premises without City's prior approval.
- G.** City's Recycling Program includes recycling materials from offices in the Building. Bins for recyclable materials can be obtained from City.
- H.** On or before the Commencement Date, Landlord's Contractor will provide a schedule for all periodic services specified in this Exhibit.
- I.** Janitorial Service Specifications for Offices and Common Areas.
 - 1.** Nightly Services
 - a.** Turn off all lights as soon as possible each night.
 - b.** Vacuum all carpets. Move electric cords to prevent damage to the corner bead.

- c.** Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.
- d.** Spot clean any stains on carpet.
- e.** Dust all desks and office furniture with treated dust cloths.
- f.** Papers and folders on desks are not to be moved.
- g.** Sanitize all telephone receivers.
- h.** Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by City.
- i.** Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
- j.** Return chairs and waste baskets to proper positions.
- k.** Clean, sanitize, and polish drinking fountains.
- l.** Monitor any interior public planters and remove extraneous items.
- m.** Dust and remove debris from all metal door thresholds.
- n.** Wipe clean smudged brightwork.
- o.** Spot clean resilient and composition floors as required.
- p.** Service all walk-off mats as required.
- q.** Close all window coverings.
- r.** Check for burned out lights and replace from building stock (to be supplied by Landlord).

2. Weekly Services

- a.** Dust all low reach areas including chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
- b.** Dust inside of all door jambs.
- c.** Clean and polish all metal door thresholds.
- d.** Wipe clean and polish all brightwork
- e.** Sweep the service stairwell.
- f.** Damp mop all vinyl bases.
- g.** Edge all carpeted areas.

3. Monthly Services

- a.** Dust all high reach areas including tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
- b.** Vacuum upholstered furniture.
- c.** Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
- d.** Clean and buff all building standard resilient and/or composite flooring.

4. Quarterly Services

- a.** Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
- b.** Wash all chair pads.

5. Semi-Annual Services

- a.** Vacuum all window coverings.
- b.** Dust light diffusers.

6. Annual Services

- a.** Shampoo carpets in offices (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.

J. Rest Room Service Specifications

1. Daily Service

- a.** Re-stock all rest rooms with supplies from the Landlord's stock, including paper towels, toilet tissue, seat covers, and hand soap, as required.
- b.** Re-stock all sanitary napkin and tampon dispensers from Contractor's stock, as required.
- c.** Wash and polish all mirrors, dispensers, faucets, flushometers, and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
- d.** Wash and sanitize all toilets, toilet seats, urinals, and sinks with non-scratch disinfectant cleaner.
- e.** Remove stains, scale toilets, urinals, and sinks, as required.

- f.** Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners, and hard-to-reach areas.
- g.** Empty and sanitize all waste and sanitary napkin and tampon receptacles.
- h.** Remove all rest room trash.
- i.** Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum, and light switches as required.
- j.** Check for burned out lights and replace from building stock (supplied by Landlord).
- k.** Ventilate rest rooms.

2. Weekly Services

- a.** Dust all low reach and high reach areas, including structural ledges, mirror tops, partition tops and edges, air conditioning diffusers, and return air grilles.

3. Monthly Services

- a.** Wipe down all walls and metal partitions. Partitions must be left clean and not streaked after this work.
- b.** Clean all ventilation grilles.
- c.** Dust all doors and door jambs.

4. Quarterly Services

- a.** Thoroughly clean and reseal all ceramic tile floors, using approved sealers.

K. Main Floor Elevator Lobbies and Public Corridors Specifications

1. Nightly Services

- a.** Spot clean all glass including low partitions and the corridor side of all windows and glass doors to City's Premises and other tenants' premises.
- b.** Spot clean all chrome brightwork including swinging door hardware, kick plates, base partition tops, handrails, waste paper receptacles, planters, elevator call button plates, hose cabinets, and visible hardware on the corridor side of tenant entry doors.
- c.** Thoroughly clean all door saddles of dirt and debris.
- d.** Empty, clean, and sanitize all waste paper baskets and refuse receptacles as required.

- e. Vacuum and spot clean all carpets as necessary.
- f. Spot clean all elevator doors and frames.

L. Exterior Structure and Grounds Services Specifications

1. Daily Service

- a. Spot clean accumulations of dirt, papers, and leaves in all corner areas where winds tend to cause collections of debris.
- b. Spot clean all exterior glass at building entrances.
- c. Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.
- d. Empty all waste receptacles and remove trash to designated trash areas.
- e. Clean sidewalk, steps, and landscaped area, walks and benches; including gum removal.

2. Monthly Weekend Services

- a. Steam clean exterior sidewalk and walk way areas.

M. Carpet Cleaning

- 1. Provide spot cleaning to tenant space as necessary and shampoo carpets in tenant office space and any common areas once each year (exact schedule to be approved in advance by City).

N. Window Cleaning

- 1. All work to be performed in accordance with generally accepted industry standards.
- 2. Proper safety standards are to be maintained at all times, including use of proper warning signs and clean up of water in compliance with all City, State, and Federal laws (including OSHA).
- 3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
- 4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.
- 5. Interior and exterior window washing will be scheduled immediately before the Lease Commencement Date. Interior glass will be cleaned not less than once per year. Exterior glass will be cleaned as needed, but not less than once every six months, including May of each year.
- 6. Contractor will notify City for specific scheduling of window washing one week before scheduled cleaning.

7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
8. Exterior surfaces of windows are not to be washed when it is raining.
9. The words “window” and “light” as used in this Exhibit are synonymous and are to be construed to mean any pane of glass or glass substitute.

II. UNIFORMS

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

III. EMPLOYEE SAFETY

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

IV. SUPPLIES

Landlord or its Contractor will supply floor wax, wax stripper, and other expendable supplies required for daily cleaning and maintenance, as well as janitorial supplies such as hand soap, paper hand towels, paper toilet tissue, paper seat covers, and deodorants. Furthermore, Landlord or its Contractor will supply all equipment including ladders, vacuum cleaners, extractors, floor machines, mops, and buckets.

V. APPROVAL OF PRODUCTS

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

VI. DISPOSITION OF REFUSE

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

VII. MAINTENANCE PROBLEMS

Employees of Landlord’s Contractor will note maintenance problems (such as broken glass, light bulbs missing or burned out, inoperative fixtures, etc.) and report them to Landlord. Any problem that prevents performance must be noted in the log (Section VIII) before the end of the shift. Contractor will not claim, and City will not entertain, any claim that those problems prevented Contractor’s performance if the claim is not entered in the log.

VIII. JANITORIAL LOG

Landlord’s Contractor will provide, and City will keep, a janitorial log noting any deficiencies in performance, special problems, or instructions. Landlord’s Contractor

will check the log daily, as arranged with City, and correct any deficiencies in service within twenty-four (24) hours of the log entry. Contractor will initial and date each entry when deficiency has been corrected.

IX. EMERGENCY CONTACT

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

X. PERFORMANCE

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

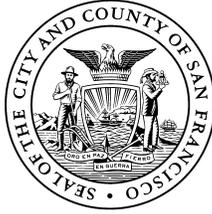
XI. VERIFICATION OF SERVICE

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

XII. HOLIDAY SCHEDULE FOR CITY

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

City & County of San Francisco
London N. Breed, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Andrico Q. Penick, Director of Real Estate

November 17, 2023

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

RE: Lease Agreement – Department of Public Health, 755 – 759 South Van Ness

Dear Board Members:

Background

Attached, for your consideration, is a Resolution authorizing and approving a lease agreement of approximately 13,545 square feet of office space, with an adjacent fenced parking lot of approximately 3,673 square feet, located at 755 and 759 South Van Ness Avenue for the Department of Public Health (DPH). DPH has occupied the premises since 2001 and currently operates three outpatient mental health programs at this location: (1) The Mission Family Center provides individual, family, parent and group therapy to children and adolescents with serious mental or emotional problems; (2) South Van Ness Adult Health provides supportive outpatient mental health services to adults, and (3) The Transitional Age Youth Programs deliver mental health case management, linkage and coordination of services to young adults, aged 16-22, with a history of emotional problems and difficulties in school, home, and the community, including involvement with the legal system and/or substance abuse.

The lease terminated on December 31, 2022 without any extension option. Base rent at the time was \$596,329.80 (\$44.03/square foot, net of utilities; monthly base rent \$49,694.15). The Real Estate Division (“RED”), on behalf of the Department of Public Health, negotiated continued occupancy under the lease’s Holdover provision on a month to month basis, as of January 1, 2023, at an annual base rent of \$626,146.29 (\$46.23 per square foot, net of utilities; monthly base rent \$52,178.86) (“Holdover Rate”).



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 #: 240006

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
Sandi Levine	415-554-9850
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
ADM RED	realstateadmin@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR AIM TWO, a California general partnership	TELEPHONE NUMBER 510-393-4507
STREET ADDRESS (including City, State and Zip Code) 23118 Henry Lane, Hayward, CA 94541	EMAIL mducasse@earthlink.net

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 240006
DESCRIPTION OF AMOUNT OF CONTRACT \$7,554.057.23		
NATURE OF THE CONTRACT (Please describe) Lease for clinic at 755 South Van Ness Avenue for Department of Health, for current occupancy through 12/27/27, with one 5 year extension through 12/31/32.		

7. COMMENTS
Lease initial terms of 4 years; one 5 year extension; assuming maximum 5% CPI increases and including estimated utilities and Trash: \$7,554.057.23

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	Ducasse	Marc	Other Principal Officer
2	Ducasse	Maurice J.	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.

<p>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</p> <p>BOS Clerk of the Board</p>	<p>DATE SIGNED</p>
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From: [Ngo, Jennie \(ADM\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Penick, Andrico](#); [Gorham, Claudia \(ADM\)](#)
Subject: For Submission -Legislative Packet for 755 SVN Lease
Date: Monday, December 11, 2023 11:53:47 AM
Attachments: [755 SVN LsResoCvrltrDrft JS.docx](#)
[23-1206 755 SoVanNess LsResoClrkAppvd4AOPSig.doc](#)
[SFEC Form 126f4BOS-755-759 South Van Ness.pdf](#)
[23-1205 755 SVNLease ResoDPH approval.pdf](#)
[23-1115 ControllerFundCertApprvlEmail\[1\].pdf](#)
[23-0824 755SVN LeaseLL Sig.pdf](#)
[12.6.23 AQP Approval 755 South Van Ness DPH lease -Cover.pdf](#)

Dear BOS clerk,

Attached for submission are documents for 755 & 759 South Van Ness Lease:

- Cover Letter
- Resolution
- Form 126
- Approval Email -DPH
- Approval Email - CON
- Lease
- Director Andrico's approval email

This is for January 9th, 2024 introduction.

If there's any question; please contact me directly.

Best Regards,

Jennie Ngo (She/Her/Hers)

Executive Assistant to **Andrico Penick** | Office Manager

City & County of San Francisco | Real Estate Division

25 Van Ness, Suite 400

San Francisco, CA 94102

Tel: 415-554-9850 (main) | 415-554-9880 (direct)

jennie.ngo@sfgov.org