

File No. 200043

Committee Item No. 5

Board Item No. 7

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 12, 2020

Board of Supervisors Meeting

Date February 25, 2020

#### Cmte Board

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

#### OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong

Date: February 7, 2020

Completed by: Linda Wong

Date: February 19, 2020

FILE NO. 200043

RESOLUTION NO.

1 [Lease of Real Property - TC II 888 Post, LLC - 888 Post Street - Base Annual Rent  
2 \$1,500,000 - Landlord Work \$5,000,000]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**  
4 **Department of Homelessness and Supportive Housing, to lease real property located**  
5 **at 888 Post Street, for an initial term of 20 years anticipated to commence October 1,**  
6 **2020, from TC II 888 Post, LLC, at a base rent of \$1,500,000 per year, increasing at**  
7 **3% per year; authorizing the City's contribution of up to \$5,000,000 towards the cost**  
8 **of Landlord Work; authorizing the Director of Property, under certain conditions, to**  
9 **negotiate and enter into future subleases, including with Goodwill Industries of San**  
10 **Francisco, San Mateo and Marin Counties, Inc. as a subtenant; authorizing the**  
11 **Director of Property to execute documents, make certain modifications and take**  
12 **certain actions in furtherance of the Lease and this Resolution, as defined herein,**  
13 **including allowing the City to increase its contribution towards the cost of the**  
14 **Landlord Work, subject to future appropriation of funds, as defined herein; finding**  
15 **the proposed transaction is in conformance with the General Plan, and the eight**  
16 **priority policies of Planning Code, Section 101.1; and adopting findings under the**  
17 **California Environmental Quality Act.**

18  
19 WHEREAS, The mission of the Department of Homelessness and Supportive  
20 Housing ("HSH") is to prevent homelessness when possible and to make homelessness  
21 rare, brief and one-time in San Francisco through the provision of coordinated,  
22 compassionate and high-quality services; and

23 WHEREAS, With the enactment of Ordinance Nos. 60-19 and 61-19 in April  
24 2019, the Board of Supervisors and Mayor Breed acknowledged homelessness in San  
25

1 Francisco to be at a crisis point, and passed these Ordinances to expedite the process of  
2 opening programs to respond to that crisis; and

3 WHEREAS, According to the January 2019 Point-in-Time Homeless Count  
4 administered by HSH, there were approximately 8,035 people experiencing homelessness  
5 in San Francisco on a single night; of those persons, 64% were unsheltered and 14% were  
6 Transitional Aged Youth (ages of 18-24); and

7 WHEREAS, 83% of the 1,091 Transitional Aged Youth experiencing  
8 homelessness in 2019 were unsheltered, sleeping outside in doorways, parks, vehicles or  
9 wherever they can find; and

10 WHEREAS, 46% of homeless youth age 24 and under identified as LGBTQ or  
11 queer, according to the same 2019 Point-in-Time Homeless Count, versus the national  
12 average, which fluctuates from 20%-40%, with many survey respondents confirming that  
13 they became homeless after fleeing persecution, job discrimination or abuse elsewhere, as  
14 a result of their gender identity or sexual orientation; and

15 WHEREAS, Supervisor Peskin has been searching for a potential Navigation  
16 Center site on both private and public land within the boundaries of District 3 since 2015,  
17 including the Lower Polk neighborhood, which, prior to 1970, was the main gay  
18 neighborhood in San Francisco, and several gay, lesbian, and transgender community  
19 venues remain neighborhood institutions; and

20 WHEREAS, Mayor Breed announced in October 2018 a plan to open 1,000  
21 additional shelter beds by 2020, and to provide more safe options for people experiencing  
22 homelessness to sleep indoors; and

23 WHEREAS, The Real Estate Division and HSH have been investigating potential  
24 sites to accommodate shelter and transitional housing to meet this goal; and  
25

1           WHEREAS, The Board of Supervisors unanimously passed Supervisor Peskin's  
2 Resolution urging the Department of Real Estate to pursue an option to lease or purchase  
3 the 33,970 square foot property located at 888 Post Street (the "Property") for use as a  
4 Navigation Center and/or workforce development on July 9, 2019, on file with the Clerk of  
5 the Board of Supervisors in File No. 190738, which is hereby declared to be a part of this  
6 Resolution as if set forth fully herein; and

7           WHEREAS, The Property affords the City an excellent opportunity to open the  
8 first Navigation Center dedicated to meet the unique needs of Transitional Aged Youth  
9 experiencing homelessness; and

10           WHEREAS, The Real Estate Division, through HSH, in consultation from the  
11 Office of the City Attorney, negotiated a 20-year master lease dated January 13, 2020 (the  
12 "Lease"), of the Property with TC II 888 Post, LLC ("Landlord"), for purposes of providing  
13 temporary shelter to people experiencing homelessness in San Francisco and to provide  
14 related services ("the Project"), a copy of the form of Lease is on file with the Clerk of the  
15 Board of Supervisors in File No. 200043; and

16           WHEREAS, The Lease has a 10-year extension option, to be exercised only  
17 upon authorizing legislation adopted by the Board of Supervisors and Mayor in their  
18 absolute and sole discretion; and

19           WHEREAS, The "Commencement Date", or the date the City is able to occupy  
20 the Property, is expected to occur on or around October 1, 2020, subject to substantial  
21 completion of tenant improvement and capital work to be performed by Landlord at the  
22 direction of the Department of Public Works ("DPW") necessary for City to occupy the  
23 Property ("Landlord Work"); and

24           WHEREAS, Under the Lease, base rent payable by City in the first year of the  
25 initial 20-year term will be \$1,500,000 per year (or \$125,000 per month), increasing at 3%

1 per year on each anniversary of the Commencement Date, subject to abatement of rent for  
2 the first two months after the Commencement Date; and

3 WHEREAS, As of the Commencement Date, City is obligated to pay for its own  
4 utilities, services, routine maintenance and repair, insurance, and other operating  
5 expenses, plus actual property taxes assessed; and

6 WHEREAS, Landlord, during the term of the Lease, will maintain and replace the  
7 exterior, major building systems, structural nature, and roof of the Property; and

8 WHEREAS, The Lease requires that City is responsible for certain items outside  
9 the Landlord Work, which City may request Landlord to perform on behalf of City at City's  
10 cost, such as purchasing furniture, fixtures and equipment, assisting with moving services,  
11 and performing other work and services outside the Landlord Work; and

12 WHEREAS, The City agrees to contribute up to \$5,000,000 towards the cost of  
13 the Landlord Work, subject to further increases by City in association with the City  
14 intending to seek approval to exercise the City's Purchase Option, pursuant to terms and  
15 conditions of the Lease; and

16 WHEREAS, The City has an option to purchase the Property from Landlord at  
17 any time prior to August 1, 2022 ("Purchase Option"), pursuant to terms and conditions  
18 specified in the Lease, and the exercise of the Purchase Option will be subject to a future,  
19 separate approval action by this Board; and

20 WHEREAS, The City, prior to the Commencement Date but in any event, at times  
21 throughout the term of the Lease, intends to negotiate and enter into subleases with other  
22 subtenants , preferably non-profit organizations with similar goals and uses consistent with  
23 HSH's use of the Property, to allow the subtenants to use portions of the Property; and  
24  
25

1           WHEREAS, The City is currently negotiating a sublease with Goodwill Industries  
2 of San Francisco, San Mateo and Marin Counties, Inc. ("Goodwill" or "Anchor Subtenant")  
3 to sublease the ground floor of the Property (the "Goodwill Premises"); and

4           WHEREAS, Any subleases will help offset the cost of the City's obligations under  
5 the Lease or as a future owner of the Property in a manner proportionate to the space any  
6 subtenants might occupy, and such subleases will be approved as to form by the Office of  
7 the City Attorney; and

8           WHEREAS, The Director of Property determines the rental rate under the Lease  
9 to be at or below fair market rental value; and

10          WHEREAS, Pursuant to Chapter 23 of the Administrative Code, since the base  
11 rent charged is less than \$45 per sq. ft. per year, an independent fair market rental  
12 appraisal is not required in conjunction with the approval of this Lease; and

13          WHEREAS, The Planning Department found that the Project and Lease are  
14 categorically exempt as a Class 3 exemption under the California Environmental Quality  
15 Act ("CEQA") Guidelines, Section 15303 (the "CEQA Determination"), and is consistent  
16 with the General Plan, and the eight priority policies of Planning Code, Section 101.1 ( the  
17 "General Plan Findings"); and

18          WHEREAS, Upon the Commencement Date or upon any earlier purchase of the  
19 Property by City, the Property will be delivered vacant and be substantially complete; now,  
20 therefore, be it

21          RESOLVED, This Board affirms the categorical exemption and adopts General  
22 Plan Findings, finding that this proposed Lease is consistent with the General Plan; and, be  
23 it

24          FURTHER RESOLVED, That in accordance with the recommendation of the  
25 Director of HSH and the Director of Property, the Board of Supervisors approves the Lease

1 in substantially the form presented to the Board, and authorizes the Director of HSH and  
2 the Director of Property to take all actions necessary or appropriate to execute the Lease;  
3 and, be it

4 FURTHER RESOLVED, If the City intends to seek Board of Supervisors approval  
5 to exercise its Purchase Option, City will be allowed to increase the City's contribution  
6 towards Landlord Work for the purposes specified in the Lease, so long as there is an  
7 applicable appropriation of additional funds; and, be it

8 FURTHER RESOLVED, Subject to availability of funding, the Director of HSH will  
9 submit a plan to the Board of Supervisors no later than August 31, 2021, outlining a  
10 proposal to purchase the Property, and to the extent applicable, seek approval to purchase  
11 the Property; and, be it

12 FURTHER RESOLVED, Any subleases, including the sublease with Goodwill for  
13 the Goodwill Premises, will be entered into with consultation with the City Attorney's Office,  
14 the Mayor's Office, and the Property's District Supervisor's Office, and be in accordance  
15 with all applicable sections of the City's Administrative Code, including but not limited to  
16 Chapter 23, which states provisions for rent to be paid to City by any subtenants; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
18 Property and Director of HSH (or the Directors' designees), in consultation with the City  
19 Attorney, to enter into any additions, amendments, or other modifications to the Lease and  
20 any other documents or instruments necessary in connection therewith, (including entering  
21 into the subleases), that the Directors determine are in the best interests of the City, do not  
22 materially decrease the benefits to the City with respect to the Property, do not materially  
23 increase the obligations or liabilities of the City, and are necessary or advisable to complete  
24 the transaction contemplated in the Lease and that effectuate the purpose and intent of this  
25 Resolution, such determination to be conclusively evidenced by the execution and delivery

1 by the Director of Property of any such additions, amendments, or other modifications; and,  
2 be it

3 FURTHER RESOLVED, City is authorized to request Landlord to perform on  
4 behalf of City at City's cost, other work and services at the Direction of DPW; and, be it

5 FURTHER RESOLVED, That under the Lease, City shall indemnify and hold  
6 harmless the Landlord from, and agree to defend the Landlord against, any and all claims,  
7 costs and expenses, including without limitation, reasonable attorneys' fees, incurred as a  
8 result of City's use of the premises or any negligent acts or omissions of City, its agents or  
9 invitees in, on or about the Property; and, be it

10 FURTHER RESOLVED, That the City shall occupy the premises for the full term  
11 of the Lease unless funds for rental payments are not appropriated in any subsequent  
12 fiscal year at which time City may terminate the Lease with written notice to Landlord, and  
13 the Lease shall be subject to certification as to funds by the Controller, pursuant to Section  
14 3.105 of the Charter; and, be it

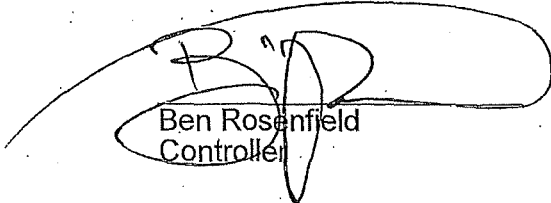
15 FURTHER RESOLVED, That within thirty (30) days after the Lease  
16 commencement date and any future contracts (such as a sublease) being fully executed by  
17 all parties, HSH shall provide the final contracts to the Clerk of the Board for inclusion into  
18 the official file.



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\$5,000,000 Available

Fund ID: 10581	Fund Title: SR.OCOH Nov18 Prop C GF Advance
Department ID: 203646	Department Project ID: 10034457
Project Authority ID: 20810	Authority title: ERAFCHOM SAFE Emergency Shelter
Account ID: 506070	Account title: Programmatic Projects- Budget
Activity ID: 0001	Activity title: HOM_WFAL2



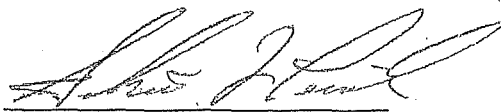
Ben Rosenfield  
Controller

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

RECOMMENDED:



Homelessness and Supportive Housing  
Director



Real Estate Division 1/13/20  
Director of Property

<p><b>Item 5</b> <b>File 20-0043</b></p>	<p><b>Department:</b> Department of Homelessness and Supportive Housing Real Estate Division</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution would approve a lease between the City and TC II 888 Post, LLC for property located at 888 Post Street for an initial term of 20 years with one 10-year one option to extend, for a total 20 year lease. The resolution (a) authorizes the Director of Property to negotiate and enter into future subleases, including with Goodwill Industries as a subtenant; (b) finds the proposed transaction is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and (c) adopts findings under the California Environmental Quality Act.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• The property at 888 Polk Street would serve as a 75 bed Navigation Center for Transitional Age Youth. In July 2019, the Board of Supervisors approved a resolution urging the Department of Real Estate to pursue a financially feasible option to lease or purchase 888 Post Street for use as a Navigation Center and/or workforce development and multi-use service center serving homeless and/or formerly homeless individuals (File 19-0738).</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• The proposed lease provides an annual base rent of \$1,500,000 for the first year, increasing by 3 percent per year. Total estimated rent, taxes, and insurance over the initial 20-year lease term are \$49,041,565. Operating costs for the proposed Navigation Center with approximately 75-beds are \$3,764,663 per year.</li> <li>• The City would also make an initial contribution of \$5,000,000 toward capital and tenant improvements.</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution authorizes the Director of Property and Director of the Department of Homelessness and Supportive Housing to exercise the extension option without further Board of Supervisors approval. The Budget and Legislative Analyst recommends amending the proposed resolution to delete this provision; the intent of this recommendation is for the exercise of the lease extension to be submitted to the Board of Supervisors for approval, consistent with Board of Supervisors practice.</li> <li>• The rent payments paid by the City (rent payments not anticipated due until December 2020) over the initial 20 year term of \$40 million exceed the purchase price of \$29 million.</li> </ul>	
<p style="text-align: center;"><b>Recommendations</b></p>	
<ul style="list-style-type: none"> <li>• Amend the proposed resolution to delete the provision that allows the Director of Property and the Director of the Department of Homelessness and Supportive Housing to exercise the option to extend the lease by ten years at the end of the initial 20 year term.</li> <li>• Amend the proposed resolution to request the Department of Homelessness and Supportive Housing, subject to the availability of funding, to submit a plan to the Board of Supervisors prior to August 2021 to purchase 888 Post Street.</li> <li>• Approve the proposed resolution, as amended.</li> </ul>	

## MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases of one year or more in which the City is the tenant.

## BACKGROUND

The Navigation Center model was first piloted in March 2015 to provide a low-barrier, service-rich alternative to traditional homeless shelters, with the goal of transitioning people off the streets and into longer-term solutions. As of January 2020, seven Navigation Centers have been opened in three out of the eleven Supervisorial Districts (District 6, District 9, and District 10).

In July 2019, the Board of Supervisors approved a resolution urging the Department of Real Estate to pursue a financially feasible option to lease or purchase Assessor's Parcel Block No. 0300, Lot No. 009, at 888 Post Street, for use as a Navigation Center and/or workforce development and multi-use service center serving homeless and/or formerly homeless individuals (File 19-0738).

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a lease between the City and TC II 888 Post, LLC for property located at 888 Post Street for an initial term of 20 years at a base rent of \$1,500,000 per year that increases at 3 percent per year and includes one option to extend the lease for a period of ten years; (2) authorize the City's contribution of up to \$5,000,000 towards the cost of landlord improvements; (3) authorize the Director of Property, under certain conditions, to negotiate and enter into future subleases, including with Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc. as a subtenant; (4) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and this proposed resolution, including allowing the City to increase its contribution towards the cost of the landlord improvements, subject to future appropriation of funds; (5) finding the proposed transaction is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and (6) adopting findings under the California Environmental Quality Act.

According to Ms. Dylan Rose Schneider, Manager of Policy and Legislative Affairs at the Department of Homelessness and Supportive Housing, the site at 888 Post Street will primarily be used for a Navigation Center with approximately 75-beds for transitional-aged youth (TAY) between the ages of 18-24 who are experiencing homelessness. Ms. Schneider also states that the City is negotiating with Goodwill Industries to sublease the ground level of the building as a donation/drop-off center with training opportunities. Other additional subtenants that provide complementary services will also be considered to fully utilize the building.

Table 1 below lists the terms of the proposed lease.

**Table 1. Proposed Lease Terms for 888 Post Street**

Landlord	TC II 888 Post, LLC
Tenant	City
Area	33,970 square feet
Rent (monthly and annual)	<ul style="list-style-type: none"> <li>• \$125,000 (monthly)</li> <li>• \$1,500,000 (annually)</li> <li>• Rent abatement for the first two months after the commencement date of lease</li> </ul>
Rent adjustments	<ul style="list-style-type: none"> <li>• 3 percent annual increase</li> <li>• If, before the rent commencement date, the tenant makes any supplemental contributions then the base rent will be reduced by \$0.09 per annum for each \$1.00 of supplemental contributions<sup>1</sup>.</li> </ul>
Term	20 years. Anticipated Commencement Date on or around October 1, 2020 with an expiration date of approximately September 30, 2040.
Options to extend	One additional 10-year option, exercisable by the City by notice to landlord given not less than 12 months in advance, with rent determined to be the greater of 95 percent of prevailing market rate or 103 percent of the Base Rent payable at the time the extension option is exercised.
Services and Utilities	<ul style="list-style-type: none"> <li>• City to provide and pay for services and utilities.</li> <li>• City is responsible for purchasing furniture, fixtures and equipment, assisting with moving services, and performing other work and services outside the landlord improvements</li> </ul>
Tenant, Leasehold and Capital Improvements	City to contribute capped amount of \$5 million towards landlord costs of Tenant Improvements, Leasehold Improvements and/or Capital Improvements. Additionally, at its option, the City may contribute up to an additional \$2,000,000 to the City Contribution. Landlord is responsible for all tenant, leasehold and/or capital improvement costs above the \$5 million capped amount from the City.
Taxes and Insurance	City to reimburse landlord for real estate taxes and landlord's insurance.
Purchase Option	City has an option to purchase the property for \$29 million from the landlord at any time prior to August 1, 2022.

<sup>1</sup> For example, if the City makes \$500,000 in supplemental contributions, then the annual base rent payable would be reduced by \$45,000. The City and landlord will confirm the reduction in base rent in writing before the commencement date, which, upon execution by the landlord and the City, will be considered a part of the proposed lease.

**Option to Purchase Property from Landlord**

Under the proposed lease, the City has an option to purchase the property for \$29 million from the landlord at any time prior to August 1, 2022 ("Purchase Option"). Under the proposed lease, the exercise of the Purchase Option will be subject to a future, separate approval action by the Board of Supervisors. According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, the \$29 million purchase price was proposed by the landlord, exercisable any time before August 1, 2022. Mr. Keene states that to check the reasonableness of the proposed \$29 million purchase amount absent an appraisal, the City used an income approach to estimate the value of the lease<sup>2</sup>. Given the long term and low risk tenant (the City) and the current market, the Real Estate Division used a 5 percent capitalization rate. As previously mentioned, approval of the purchase option is subject to future Board approval action either at a maximum \$29 million purchase price if the City intends to exercise this in the future, as well as available funding. Mr. Keene states that an appraisal and review would then be obtained to confirm the appropriateness of the proposed purchase price.

**City Contribution of \$5 Million**

According to Mr. Keene with consultation through San Francisco Public Works, major building systems and seismic upgrades are necessary throughout the building. The scope of work has not been finalized yet, but examples of the landlord improvements include electrical upgrades, elevator and elevator equipment, structural elements such as the roof, heating and air circulation/ventilation, light fixtures, plumbing, meeting disabled accessibility standards, and exterior improvement work. Under the proposed lease, the City will contribute up to \$5 million towards the cost of landlord leasehold, capital and/or tenant improvements. Additionally, at its option, the City may contribute up to an additional \$2 million for a total City contribution of \$7 million. According to Mr. Keene, the purpose of this clause is to allow the City to reduce its base rent obligation if the City elects to contribute additional capital beyond the \$5 million. Under the proposed lease, if the City makes any supplemental contributions, then the base rent will be reduced by \$0.09 per annum for each \$1.00 of supplemental contributions. According to Mr. Keene, the City would likely only consider evoking this clause if it elects to not purchase the building. The landlord is responsible for all leasehold, capital and/or tenant improvement costs above the \$5,000,000 contribution amount from the City. In addition, under the proposed lease, the City is responsible for purchasing its own furniture, fixtures and equipment, assisting with moving services and other one-time costs estimated at \$500,000, according to Mr. Keene with consultation through San Francisco Public Works.

In addition, per the proposed lease, if the City intends to seek Board of Supervisors approval to exercise its Purchase Option, the City will be allowed to increase the City's contribution towards the landlord costs for capital, tenant and leasehold improvements if there is an applicable

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<sup>2</sup> According to Mr. Keene, the Real Estate Division used the following equation to help determine an approximate price point for the value of the property: \$1,500,000 (first year revenue) divided by the 5 percent capitalization rate, which equals \$30 million dollars. The estimated 5 percent capitalization rate is based on current market conditions and considers the strong credit worthiness of the City's Lease. According to CBRE Research published in summer 2019, Class A & B office space cap rates range between 4.5 – 6.0%.

appropriation of additional funds. According to Mr. Keene, the purpose of the clause is to allow the possibility to negotiate a possible reduced purchase price by increasing the City contribution towards the landlord costs for capital, tenant and leasehold improvements.

#### **Sub-Lease with Goodwill Industries and Other Subtenants**

Under the proposed lease, the City intends to negotiate and enter into subleases with other subtenants, preferably nonprofit organizations with similar goals and uses consistent with the services offered at the proposed Navigation Center. The City is currently negotiating a sublease with Goodwill Industries of San Francisco, San Mateo and Marin Counties (Goodwill) to sublease the ground floor of the property, which is approximately one-third of the premises. The sublease with Goodwill will be on the same terms and conditions of the Master Lease (as per the current proposed resolution) but adjusted for Goodwill's percentage occupancy. For example, if Goodwill occupies one-third of the building, the organization will pay one-third of the base rent under the proposed lease for 888 Post Street. The purpose of the subleases is to help offset the cost of the City's obligations under the proposed lease or as a future owner of the property that is proportionate to the space occupied by the subtenants.

According to the proposed resolution, the Board of Supervisors authorizes the Director of Property and Director of the Department of Homelessness and Supportive Housing to enter into any additions, amendments, or modifications to the lease (including entering into subleases and exercising the extension option) that the Directors determine are in the best interests of the City, do not materially decrease the benefits to the City and do not materially increase the obligations or liabilities of the City. A sublease would require subsequent Board action if there was a material deviation, such as the subtenant is paying less rent per square feet than the City is.

#### **FISCAL IMPACT**

The proposed lease provides an annual base rent of \$1,500,000 (or \$125,000 per month) for the first year. Annual rent adjustments will be 3 percent thereafter on each anniversary of the proposed lease's commencement date. Rent abatement of \$250,000 for the first two months will occur after the proposed lease's commencement date. In addition, as previously mentioned, if the City makes any supplemental contributions up to an additional \$2 million beyond the \$5 million City contribution then the base rent will be reduced by \$0.09 per annum for each \$1.00 of supplemental contributions<sup>3</sup>, which could result in approximately \$4.8 million in savings over the 20 years if the maximum \$2 million is contributed. Table 2 below summarizes the leasing costs of the initial 20-year term of the proposed lease. Total estimated leasing costs over the initial 20-year lease term for 888 Post Street is \$49,041,565.

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<sup>3</sup> For example, if the City makes \$500,000 in supplemental contributions, then the annual base rent payable would be reduced by \$45,000.

**Table 2. Total Estimated Leasing Costs Under Proposed Lease for 888 Post Street**

Year	Base Rent (Per Square Feet)	Square Feet	Total Rent Payments	Taxes and Insurance <sup>4</sup>	Total Leasing Costs
1 <sup>5</sup>	\$44.16	33,970	\$1,500,000	\$271,760	1,521,760
2	45.48	33,970	1,545,000	285,348	1,830,348
3	46.85	33,970	1,591,350	299,615	1,890,965
4	48.25	33,970	1,639,091	314,596	1,953,687
5	49.70	33,970	1,688,263	330,326	2,018,589
6	51.19	33,970	1,738,911	346,842	2,085,753
7	52.73	33,970	1,791,078	364,184	2,155,263
8	54.31	33,970	1,844,811	382,394	2,227,204
9	55.94	33,970	1,900,155	401,513	2,301,668
10	57.61	33,970	1,957,160	421,589	2,378,749
11	59.34	33,970	2,015,875	442,668	2,458,543
12	61.12	33,970	2,076,351	464,802	2,541,153
13	62.96	33,970	2,138,641	488,042	2,626,683
14	64.85	33,970	2,202,801	512,444	2,715,245
15	66.79	33,970	2,268,885	538,066	2,806,951
16	68.79	33,970	2,336,951	564,970	2,901,921
17	70.86	33,970	2,407,060	593,218	3,000,278
18	72.98	33,970	2,479,271	622,879	3,102,150
19	75.17	33,970	2,553,650	654,023	3,207,672
20	77.43	33,970	2,630,259	686,724	3,316,983
<b>20-Year Subtotal</b>			<b>\$40,305,562</b>	<b>\$8,986,004</b>	<b>\$49,041,565</b>

According to Mr. Keene, the current rent for a comparable site in size (30,163 square feet) and location (555 Post) is \$48 per square foot per year. Mr. Keene states that the fair market rental rates for available property in the area range from \$48.00 to \$68.82 per square foot per year<sup>6</sup>. According to Mr. Keene, the negotiated base rent of \$44.16 per square foot per year of the proposed lease is at or below the fair market rental value estimate. In addition, the proposed base rent does not meet the independent appraisal requirement threshold of \$45 per square foot per year as stipulated under Section 23.27 of the Administrative Code<sup>7</sup>.

<sup>4</sup> According to Mr. Keene, this is an estimate of \$8.00 per square foot per year at 5 percent growth per year.

<sup>5</sup> Year 1 includes 2 months of rent abatement (\$250,000 credit removed from Year 1 Total Leasing Costs).

<sup>6</sup> According to Mr. Keene, the following comparable properties were used to determine the base rental rate: \$58 per square foot for 14,730 square feet, \$68.82 per square foot for 11,472 square feet, \$48.00 per square foot for 30,163, \$58 per square foot for 11,772 square feet, and \$58 per square foot for 14,642 square feet. The average of all comparable properties is \$58.16 per square foot per year.

<sup>7</sup> Per City Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than \$45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease

### Proposed Operating Costs of Navigation Center

In addition to leasing costs, as noted above in Table 2, the proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. These costs have been incorporated into the operating costs for the proposed Navigation Center at the site. According to Ms. Schneider, the proposed annual operating costs for a Navigation Center with approximately 75-beds will be \$3,764,663, as shown in Table 3 below<sup>8</sup>.

**Table 3. Proposed Annual Operating Costs for 75-Bed Navigation Center at 888 Post Street**

Operating Costs	Amount
Salaries and Benefits <sup>9</sup>	\$2,381,482
Operating Expense <sup>10</sup>	892,138
Indirect Cost	491,043
<b>Total Costs</b>	<b>\$3,764,663</b>

### Source of Funds

According to Ms. Schneider, the Department of Homelessness and Supportive Housing plans to utilize the \$27,671,628 in State Homeless Emergency Aid Program (HEAP) funding received in February 2019 to fund the proposed lease and Navigation Center operating costs for the first two years. Tenant improvement costs, not to exceed \$5 million, would be funded by the department's FY 2019-20 General Fund appropriation for new Navigation Centers. After the first two years of the proposed lease, the department has not identified sources of funding and is currently exploring various options, such as the Homeless Housing and Assistance Program (HHAP) State grant or purchasing the building.

## POLICY CONSIDERATION

### Option to Extend the Lease

If the City exercises its option to extend the initial lease term, the rent would be the greater of 95 percent of the prevailing market rate or 103 percent of the base rent payable at the time the extension option is exercised. As previously mentioned, according to the proposed resolution, the Board of Supervisors authorizes the Director of Property and Director of the Department of Homelessness and Supportive Housing to enter into any additions, amendments, or modifications to the lease (including entering into subleases and exercising the extension option) that the Directors determine are in the best interests of the City, do not materially

<sup>8</sup> The nonprofit operator has not been selected yet.

<sup>9</sup> This includes staffing costs for a Site Manager, Assistant Site Manager, Shift Supervisor, Monitors, Maintenance Manager, Janitors/Maintenance Staff, Case Management Supervisor, Case Managers, laundry staff (client laundry) and miscellaneous part-time positions.

<sup>10</sup> This includes costs such as utilities, trash, building maintenance supplies and repair, cleaning/janitorial supplies, office supplies, cable, linen laundry, client supplies, and rental of equipment.



decrease the benefits to the City and do not materially increase the obligations or liabilities of the City.

The Budget and Legislative Analyst recommends amending the proposed resolution to delete the provision that allows the Director of Property and the Director of the Department of Homelessness and Supportive Housing to exercise the option to extend the lease by ten years at the end of the initial 20 year term. The intent of this recommendation is for the exercise of the lease extension to be submitted to the Board of Supervisors for approval, consistent with Board of Supervisors practice.

#### **Option to Purchase the Property**

The proposed lease grants the City the exclusive option to purchase the property for \$29 million at any time on or before August 1, 2022. According to Mr. Keene, independent of whether funding is available today or not, the Real Estate Division is utilizing a lease with an option to purchase rather than an outright purchase of 888 Polk Street, because the lease provides that the owner (not the City) make the tenant and capital improvements at the owner's cost, subject only to the City's contribution of \$5 million. Whether the City is to buy today or buy in 2021, the price is still \$29 million. The rent payments paid by the City (rent payments not anticipated due until December 2020) over the initial 20 year term of \$40 million exceed the purchase price of \$29 million. If the City were to purchase today rather than lease the property first, the owner would not be required to make the tenant and capital improvements.

#### **RECOMMENDATIONS**

- Amend the proposed resolution to delete the provision that allows the Director of Property and the Director of the Department of Homelessness and Supportive Housing to exercise the option to extend the lease by ten years at the end of the initial 20 year term.
- Amend the proposed resolution to request the Department of Homelessness and Supportive Housing, subject to the availability of funding, to submit a plan to the Board of Supervisors prior to August 2021 to purchase 888 Post Street.
- Approve the proposed resolution, as amended.

MASTER LEASE

between

TC II 888 POST, LLC,  
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,  
as Tenant

For the lease of  
888 Post Street  
San Francisco, California

January 13, 2020

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- EXHIBIT C – Work Letter
- EXHIBIT D – Form of Memorandum of Lease
- EXHIBIT E – Form of Sublease Consent
- EXHIBIT F – Rules and Regulations
- EXHIBIT G – Form of Purchase and Sale Agreement

## MASTER LEASE

THIS MASTER LEASE (this "Lease"), dated for reference purposes only as of January 13, 2020 (the "Reference Date"), is by and between TC II 888 POST, LLC, a Delaware limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

### 1. BASIC LEASE INFORMATION

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

Lease Reference Date:	January 13, 2020
Landlord:	TC II 888 POST, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (Section 2.1):	888 Post Street; San Francisco, CA 94109
Premises (Section 2.1):	The entire Building
Rentable Area of Premises (Section 2.1):	Approximately 33,970 rentable square feet on floors 1 through 3 (including a mezzanine)
Term (Section 3):	The Commencement Date will be October 1, 2020 (subject to Landlord Delays (as defined in the Work Letter)).
	Expiration Date: Two Hundred Forty (240) full calendar months following the Commencement Date.
	Rent Commencement Date: Sixty (60) days after the Commencement Date.
Extension Option (Section 3.4):	One additional term of ten (10) years, exercisable by City by notice to Landlord given not less than twelve (12) months in advance, with rent determined to be the greater of 95% of prevailing market rate or 103% of the Base Rent payable at the time the Extension Option is exercised.



Base Rent (Section 4.1): Annual Base Rent: \$1,500,000 (based on \$44.16 per sq. ft.)  
Monthly payments: \$125,000 (based on \$3.68 per sq. ft.)  
Subject to adjustment under Section 4.2(a)

Adjustment Dates (Section 4.2(b)): Base Rent will increase by 3% on each anniversary of the Commencement Date or, where the Commencement Date occurs on a date other than the first day of a calendar month, on the first day of the calendar month in which the Commencement Date occurred (an "Adjustment Date").

Taxes & Insurance (Section 4.6) City will reimburse Landlord for Real Estate Taxes and Landlord's Insurance

Use (Section 5.1): Any legally permitted uses, subject to compliance with all Laws (as defined in Section 10.1 below), including obtaining necessary regulatory approvals.

Leasehold Improvements/City Contribution (Section 6) and Work Letter (Exhibit C): Tenant to contribute Five Million Dollars (\$5,000,000) as the "City Contribution" to facilitate delivery of the Leasehold Improvements, as more particularly set forth in the Work Letter, a portion of which shall be used for the CM Fee, as defined in the Work Letter. Additionally, at its option, Tenant may contribute up to an additional \$2,000,000 to the City Contribution as provided in Section 4.2(a).

Utilities (Section 9.1): As of the Commencement Date, City will directly arrange and pay for any necessary or desired utilities.

Services (Section 9.2): City is responsible for any services necessary for City's uses of the Premises and as may be required under this Lease, subject to any Additional Services requested under Section 4.5.

Notice Address of Landlord (Section 24.1): Tidewater Capital, LLC  
564 Market Street, Suite 225  
San Francisco, CA 94104  
Attn: Craig M. Young  
Email: cyoung@tidewatercap.com

Landlord's Key Contact: Craig Young  
Landlord Contact Telephone No.: (415) 407-8467  
Landlord Contact Email: cyoung@tidewatercap.com  
Tenant's Notice Address (Section 24.1): Director of Property  
Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102  
Attn: Re: **888 Post**

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 and Finance Group  
Re: **888 Post**

Tenant's Key Contact: Rachel Alonso  
Tenant Contact Telephone No.: (415) 557-4784  
Tenant Contact Email: rachel.alonso@sfgov.org  
Tenant's Alternate Contact: Josh Keene  
Alternate Contact Telephone No.: (415) 554-9859  
Alternate Contact Email: joshua.keene@sfgov.org  
Brokers (Section 24.8): None  
City's Option to Purchase (Section 22): City has right to purchase Building for \$29,000,000.00 on or before August 1, 2022, as more particularly provided in Section 22 and Exhibit G.

## 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 are comprised of the entire Building specified in the Basic Lease Information. As used in this Lease, the term "**rentable area**" means that measurement of Exterior Gross Area computed in accordance with the 2018 BOMA Gross Area Standard, adopted by the Building Owners and Managers Association. In no event will any deviation in the rentable square footage as determined by

remeasurement of the Building or any portion thereof result in an adjustment in Base Rent, the purchase price under Section 22, or other monetary obligations under this Lease.

## 2.2 Disability Access

California Civil Code section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist (“CASp”) to determine whether the property meets all applicable construction-related accessibility requirements. City is advised that as of the Reference Date, the Premises have not been inspected by a CASp. A CASp can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties will mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises. This disclosure is made pursuant to Section 1938 of the California Civil Code.

The Leasehold Improvements will be constructed in a manner so as to comply with accessibility requirements under California Civil Code section 55.53.

## 3. TERM

### 3.1 Term of Lease

The Premises are leased for an initial term commencing on the Commencement Date, which date may not be before the Effective Date, as provided in Section 24.23 (Effective Date), and ending 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 (the “Term”), subject to extension 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 October 1, 2020, then Landlord will promptly deliver to City a notice substantially in the form of the attached Exhibit B confirming the actual Commencement Date, but Landlord’s failure to do so will not affect the dates of commencement or expiration of the Term.

### 3.3 Delay in Delivery of Possession

Landlord will use commercially reasonable efforts to deliver possession of the Premises with all of the Leasehold Improvements Substantially Completed and accepted under Exhibit C on or before the Commencement Date. If due to Landlord Delays (as defined in Exhibit C) Landlord is unable to deliver possession of the Premises to City as required under this Lease within one-hundred eighty (180) days (as extended due to Force Majeure and Tenant Delays (both as defined in Exhibit C)) after the Commencement Date, then, by written notice to Landlord, City may terminate this Lease, without any further liability to Landlord. If City terminates this Lease, then Landlord will promptly reimburse City

for all of City's costs of construction of the Leasehold Improvement Work that City has paid to Landlord, in accordance with the Work Letter attached as Exhibit C (the "Work Letter"), and City will have no further obligations to Landlord for any payments related to the Leasehold Improvements.

### 3.4 Extension Option

Landlord grants City the right to extend the Term (the "Extension Option") for the additional period specified in the Basic Lease Information (the "Extended Term"). The Extended Term will be on all of the terms and conditions contained in this Lease, except that (i) Base Rent will be determined under Section 4.3 below, (ii) there will be no Base Rent abatement period at the beginning of the Extended Term, (iii) City will accept the Premises in its as-is condition, without any Leasehold Improvements or Alterations being made by Landlord, and (iv) Section 22 (City's Option to Purchase; Notice of Intent to Sell) will be inapplicable during any Extension Term. City may exercise the Extension Option, if at all, by giving written notice to Landlord (the "Extension Notice") no sooner than fifteen (15) months nor later than twelve (12) full calendar months before expiration of the initial Term; provided, however, if there is an uncured Event of Default on the date of City's Extension Notice or prior to the commencement date of the Extended Term, then Landlord at its option may reject City's exercise by notifying City in writing by the later of (i) within thirty (30) days after receipt of the Extension Notice, and (ii) within ten (10) days following the date on which the Event of Default occurred. Landlord acknowledges and agrees that the Extension Option may be subject to the Board of Supervisors and the Mayor enacting a resolution, at their respective sole and absolute discretion, approving and authorizing the extension, which resolution must be final and provided to Landlord within sixty (60) days following the date of the Extension Notice (unless the parties are proceeding under Section 4.3, in which event Section 4.3(b)(v) will control). If the resolution is not provided within the 60-day period, then Landlord may reject City's exercise upon written notice to City at any time before Landlord's receipt of the final resolution. If City extends the Term as provided in this Section, then the word "Term" will mean and include any Extended Term.

## 4. RENT

### 4.1 Base Rent

Beginning on the date that is sixty (60) days after the Commencement Date (the "Rent 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 consecutive monthly payments in advance, 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 specifically provided in this Lease. If the Rent 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

(a) If, before the Rent Commencement Date, Tenant makes any Supplemental Contributions, as provided in the Work Letter, then the Base Rent will be reduced by \$0.09 per annum for each \$1.00 of Supplemental Contributions. For example, if City makes \$500,000 in Supplemental Contributions, then the annual Base Rent payable would be reduced by \$45,000. City and Landlord

will confirm the reduction in Base Rent in writing before the Commencement Date, which, upon execution by Landlord and City, will be considered a part of this Lease.

(b) On each Adjustment Date, Base Rent payable under Section 4.1 (Base Rent) will be adjusted as follows: On the Adjustment Date, the Base Rent for the following twelve-month period will be adjusted to equal one hundred three percent (103%) of the Base Rent for the lease year immediately preceding the Adjustment Date.

#### 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 ninety five percent (95%) of the then prevailing market rate for space of comparable size, use, and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises ("Comparable Space") situated within a one (1) mile radius of the Property ("Reference Area"); provided in no event will the monthly Base Rent be less than one hundred three percent (103%) of the monthly Base Rent for the last full calendar month of the initial Term. As used in this Section, "prevailing market rate" means the base rent for Comparable Space in the Reference Area, 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 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) permitted uses of the Comparable Space, (vi) building standard tenant improvement allowances and other allowances given under the leases for Comparable Space, and (vii) other relevant factors (as determined by the appraiser, if applicable). In addition, the following must be considered when determining the prevailing market rate: the rental rate that would be applicable for a lease term commencing on the commencement date of the Extended Term and that would be payable in any arms' length negotiations for the Premises in their then as-is condition, which rental rate will be established by reference to rental terms in leases actually executed for Comparable Space under primary lease (and not sublease), taking into consideration the location of the Building and existing amenities, situated in similar buildings engaged in then-prevailing ordinary rental market practices with respect to tenant concessions (if any) (e.g. not offering promotional deals and other concessions to tenants in an effort to alleviate cash flow problems or in response to a greater than average vacancy rate in a particular building). The prevailing market rent will include annual rent increases that would be included for space leased for the period of the Extended Term.

(b) Within thirty (30) 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. 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 fourteen (14) days after Landlord's notice to City of the prevailing market rate, 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 fourteen (14)-day period Landlord and City cannot agree on the prevailing market rate, then each will select one real estate appraiser to determine the prevailing market rate. Within twenty (20) days after the expiration of the fourteen (14)-day 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 20-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 20-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 two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers will immediately select a Neutral Appraiser (defined in subsection (vi) below) who will within ten (10) days after their selection determine which of the first two appraisal reports specified a value closest to the actual fair market value. The determination of the Neutral Appraiser (the "**Final Determination**") will be limited solely to the issue of deciding which of the value determinations of the first two appraisal reports is closest to the actual fair market value.

(iv) The Final Determination will be conclusive, final and binding on the parties as to the prevailing market rate used to establish the Base Rent for the Extended Term. Neither of the first two (2) appraisers nor the Neutral Appraiser will have any power to modify any of the provisions of this Lease and must base their decision on the definitions, standards, assumptions, instructions, and other provisions contained in this Lease. Subject to the provisions of this Section, the parties will cooperate to provide all appropriate information to the appraisers and the Neutral Appraiser.

(v) Following the Final Determination, the City's Director of Property will seek any required approval of City's exercise of the Extension Option by the date that is sixty (60) days after the Final Determination, but in no event later than one hundred eighty (180) days before the Expiration Date of the initial Term. If the Director of Property does not obtain any required approvals by that date, then the City's exercise of the Extension Option will be automatically revoked and will be of no further force or effect, and the Lease will expire on the then-current Expiration Date. In such event, City will reimburse Landlord for all out-of-pocket costs incurred in connection retaining its appraiser and the Neutral Appraiser within thirty (30) days of demand.

(vi) All real estate appraisers must be "MAI" designated members of the Appraisal Institute with not less than ten (10) years' experience appraising leases of commercial properties similar to the Premises in the Reference Area. A "**Neutral Appraiser**" is a real estate appraiser meeting all the foregoing requirements who (1) has not worked with either Landlord or City on this Property or otherwise or (2) who has not worked with Landlord on this lease or otherwise and who has not worked with City on this Lease or this Property, but is qualified as an approved vendor by the City. Landlord and City will pay the cost of the appraiser it selects. The Neutral Appraiser selected by the first two appraisers shall be qualified under clause (2) of the definition above, and Landlord and City will each pay one-half of the cost of the Neutral Appraiser, unless Landlord requires that the Neutral Appraiser be qualified under clause (1) of the definition above, in which event Landlord will pay for the cost of the Neutral Appraiser (subject to reimbursement pursuant to subsection (v)).

#### 4.4 Additional Charges

City will pay to Landlord any charges or other amounts required under this Lease as additional rent, including the charges for Real Estate Taxes Landlord's Insurance and the costs of Additional Services ("**Additional Charges**"), as provided below. All Additional Charges are payable to Landlord

at the place where the Base Rent is payable following demand by Landlord, together with the payment of Base Rent, and Landlord will have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges, and other amounts due to Landlord under this Lease by City, are sometimes collectively referred to "Rent."

#### 4.5 Additional Services

City may request that Landlord arrange or provide additional services for the Premises, which Landlord may arrange or provide in its reasonable discretion. If Landlord elects to provide the requested additional services, then City will pay Landlord as Additional Charges the cost of those services plus an administrative fee equal to three percent (3%) of the total charges for such additional services. Landlord will not contract for or provide any services without City's prior written approval of the total or estimated cost of such additional services. City will pay for the cost of recurring additional services and the administrative fee, together with Base Rent within thirty (30) days following Landlord's invoice therefor; provided, however, that City may elect to provide any deposit or other security where the cost of the service will be over Ten Thousand Dollars (\$10,000). Landlord's proposal for and City's written consent to any such additional services will be binding on the parties, and amounts due will be considered Rent for all purposes under this Lease. Wherever possible, additional terms for the additional services will be memorialized in a written agreement signed by Landlord and delivered to City.

*[For its property management services, City shall pay Landlord a property management fee in the amount of ██████████) per month as an Additional Charge.]*

#### 4.6 Reimbursement of Real Estate Taxes, Landlord's Insurance, Additional Charges

##### (a) Definitions.

(i) "Real Estate Taxes" means all taxes, assessments, and charges levied on or with respect to the Building and Property or Landlord's interest in the Property, on Landlord with respect to the Property, on the act of entering into this Lease, on the use or occupancy of the Property or any part thereof, with respect to services or utilities consumed in the use, occupancy or operation of the Property, on any improvements, fixtures and equipment and other personal property of Landlord located in the Property and used in connection with the operation of the Property, or on or measured by the rent payable under this Lease or in connection with the business of renting space in the Property, including, without limitation, gross receipts tax or excise tax levied with respect to the receipt of such rent. Real Estate Taxes include all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services, service payments in lieu of taxes that are now or later levied or assessed against Landlord by the federal, state, or local government, district or public corporation, and will also include any other tax, fee, or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Notwithstanding the foregoing, Real Estate Taxes expressly do not include: (1) franchise, transfer, inheritance, gross receipts or capital stock taxes, or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of those taxes are levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest, or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes, (3) any personal property taxes payable by City or by any other

tenant or occupant of the Building, or (4) any Commercial Rent Tax for Childcare and Early Education (Prop. C) (gross receipts received from leases to government entities are exempt from this tax).

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

(b) Calculation of Real Estate Taxes. The calculation of Real Estate Taxes will be made in accordance with sound real estate accounting principles. The amount of Real Estate Taxes in any Tax Year will be calculated without taking into account any decreases in real estate taxes obtained in connection with any Proposition 8 reduction in Real Estate Taxes, and, therefore, the Real Estate Taxes Tax Year may be greater than those actually incurred by Landlord, but nonetheless will be the Real Estate Taxes due under this Lease; provided that (i) any costs and expenses incurred by Landlord in securing any Proposition 8 reduction will not be included in Real Estate Taxes for purposes of this Lease, and (ii) tax refunds under Proposition 8 will not be deducted from Real Estate Taxes or refunded to Tenant, but will be Landlord’s sole property.

(c) Payment of Real Estate Taxes. For periods from and after the Commencement Date, with reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord will furnish City with a statement (“Landlord’s Tax Statement”) setting forth the actual amount of Real Property Taxes for the Tax Year and copy of the tax bill. City will pay Landlord, as Additional Charges, the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord’s Tax Statement and tax bill. The parties acknowledge that any Real Estate Taxes may be modified from time to time by subsequent adjustment or retroactive application of Real Estate Taxes by the taxing authority, in which event Landlord will promptly advise Tenant and Tenant will pay any amounts due.

(d) Payment of Landlord’s Required Insurance. For periods from and after the Commencement Date, with reasonable promptness not to exceed thirty (30) days after Landlord has received bills for the premiums for the insurance coverage required by Landlord to be carried under Section 17.2 below, (“Landlord’s Insurance”), Landlord will furnish City with a statement (“Landlord’s Insurance Statement”) setting forth the actual amount of those insurance premiums for that period and copy of the insurance bill. City will pay Landlord, as Additional Charges (whether or not this Lease has terminated) the actual amount of those insurance premiums within thirty (30) days after the receipt of Landlord’s Insurance Statement and insurance bill.

(e) Survival. Tenant’s obligations to pay Additional Charges applicable during the Term of this Lease will survive the expiration or termination of this Lease.

(f) Monthly Payment for Additional Services. Notwithstanding anything in this Lease to the contrary, Landlord may (at Landlord’s option) deliver to Tenant notice of Landlord’s estimate of the cost of any Additional Services with a recurring payment for any calendar year. In such event, Landlord will pay costs of such Additional Services from the amounts paid by Tenant, and provide Tenant with evidence of the actual amount paid by Landlord. Where Landlord so elects, within one hundred fifty (150) days after the close of each calendar year of the Lease Term, Landlord will deliver to Tenant a statement (the “Reconciliation Statement”) of the cost of such Additional Services payable under this Lease by Tenant for such year. If the annual statement shows that Tenant’s payments of for such Additional Services for such calendar year made pursuant to this Paragraph exceeded



Tenant's obligations for the calendar year, Landlord will credit the excess to the next succeeding installments of estimated cost of the Additional Services. If the annual statement shows that Tenant's payments of the estimated cost of the Additional Services for such calendar year were less than Tenant's obligation for the calendar year, Tenant will pay the deficiency to Landlord within thirty (30) days after delivery of such statement. Upon written request by Tenant for additional detail with respect to any Reconciliation Statement, Landlord will cooperate to provide Tenant additional details as Tenant may reasonably request. Tenant will continue to pay estimated amounts provided by Landlord each month until such time as Landlord provides a revised estimate or withdraws its election to proceed under this Section 4.6(f).

#### 4.7 Audits

City will have the right, upon not less than five (5) business days' notice to Landlord, to audit the books and records related to Real Estate Taxes, Landlord's Insurance, Additional Services, or any other amount that City is obligated to pay to Landlord under this Lease. If the audit discloses any discrepancies that would result in a reduction of such amounts, and Landlord agrees with City's determination, then Landlord will within thirty (30) days thereafter refund to City the amount of any overpayment by City (or at City's option, credit such amount against Base Rent next due). If Landlord disagrees with the results of City's review and the parties cannot otherwise agree, then Landlord's and Tenant's auditor will together select a Neutral Auditor to conduct a review of such books and records, and the determination reached by such neutral auditor will be final and conclusive. If the amounts paid by City to Landlord (i) exceed the amounts to which Landlord is entitled under this Lease, then Landlord will within thirty (30) days refund or credit such amount to City as set forth above, or (ii) are less than the amounts to which Landlord is entitled under this Lease, then Tenant will pay the deficiency as Additional Charges within thirty (30) days of the final determination. City will pay the cost of its audit, provided that if any such audit discloses any discrepancies that result in a reduction of five percent (5%) or more for any year, then Landlord will pay the actual costs of the audit. Each party will be responsible for its own review costs. A "Neutral Auditor" is a qualified real estate auditor of similar qualifications as City's and Landlord's auditors who (1) has not worked with either Landlord or City on this Property or otherwise or (2) who has not worked with Landlord on this lease or otherwise and who has not worked with City on this Lease or this Property, but is qualified as an approved vendor by this City. The Neutral Auditor selected by the Landlord's and City's auditors will be qualified under clause (2) of the definition above, and Landlord and City will each pay one-half of the cost of the Neutral Auditor, or where so required by Landlord, shall be qualified under clause (1) of the definition above, and Landlord will pay for the cost of the Neutral Auditor (except as otherwise provided in this Section).

#### 4.8 Records

Landlord will maintain at a location in San Francisco in a safe, complete, and organized manner all of its records related to this Lease, Real Estate Taxes, Additional Services, and any other charges paid by City under this Lease, for at least three (3) years after the Expiration Date or earlier termination of the Term. Landlord will maintain the records on a current basis and in sufficient detail to facilitate adequate review and audit. All books and records will be available for inspection, copying, and audit by City and its representatives, at City's expense, subject to the provisions of Section 4.7 (Audits). *[Notwithstanding anything herein to the contrary, if Tenant does not notify Landlord in writing of any objection to any Charges within one hundred eighty (180) days after receipt of an invoice therefor, then City shall be deemed to have waived any such objection and shall have no right to review pursuant to Sections 4.7 and 4.8.]*

#### **4.9 Payments by City**

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

#### **4.10 Landlord's Compliance with City Business and Tax and Regulations Code**

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

### **5. USE**

#### **5.1 Permitted Use**

City may use the Premises for any and all uses specified in the Basic Lease Information.

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

City will observe Landlord's rules and regulations for the Building attached to this Lease as Exhibit F; provided however, that if the rules and regulations conflict with any provision of this Lease, the body of this Lease, the body of this Lease will govern. Landlord may make reasonable changes to the rules and regulations from time to time so long as any changes to the rules and regulations may not materially interfere with Tenant's lawful use of the Premises or impose any additional fees or charges on Tenant or any subtenant, or purport to materially change any provision of this Lease. Landlord must provide any proposed changes to City at least thirty (30) days before Landlord's intended implementation date to confirm that such changes conform to this Lease. If City determines in its reasonable discretion that the proposed rule changes do not comply with this Lease, then City will notify Landlord together with the basis for City's determination and such proposed change will be null and void.

#### **5.3 Interference with Access**

Landlord will provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access to the Premises to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of it; provided, however, that Landlord may, after consultation with the City's Administrator

(or reasonably endeavoring to consult with the Administrator, with reasonableness based on the urgency of the situation), interrupt City's access to the Premises in the event of an immediate threat of the Premises being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease, then Landlord will immediately undertake all necessary steps to correct such condition. In the event such condition impairs City's ability to carry on its business in the Premises for in excess of three (3) consecutive business days, and City does not use all or a portion of the Premises during such time, the Rent payable hereunder will be abated based on the extent to which Landlord's default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord continues for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City will have the right, without limiting any of its other rights under this Lease to terminate this Lease on written notice to Landlord made within five (5) days thereafter, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and takes appropriate action to restore such use. Nothing in this Section will limit the parties' rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction).

## **6. LEASEHOLD IMPROVEMENTS**

### **6.1 Construction of Leasehold Improvements**

Landlord will perform the work and make the installations in the Premises as provided in the Work Letter. All work and installations performed under the Work Letter are referred to as the "Leasehold Improvement Work" and the "Leasehold Improvements."

### **6.2 Installation of Telecommunications and Other Equipment**

The Leasehold Improvement Work will include construction of server room(s), including power supply, reasonably necessary for the City's telecommunications, data, and computer facilities and equipment, as provided for in Approved Construction Drawings (as defined in the Work Letter). The Leasehold Improvement Work will not include the installation of the City's telecommunications, data, and computer cabling, facilities, and equipment. City is responsible for installing the City's cabling, facilities, and equipment, at City's cost. Landlord will furnish access to City and its consultants and contractors to the main communications service serving each the floor and all other parts of the Building where access is needed for proper installation of the cabling, facilities, and equipment, including wiring. City will have the right to enter the Building at reasonable times during construction of the Leasehold Improvements in order to install the cabling, facilities, and equipment, provided (a) such entry will be by City's Department of Public Works, Department of Technology, or other employees and/or licensed and insured professionals, City's insurance will be in effect during such early entry, and Section 10 will apply during such early entry, (b) City's entry may not materially interfere with Landlord's completion of Leasehold Improvement Work, and any material interference will be a Tenant Delay (as defined in the Work Letter), and (c) City will be solely responsible for any loss to its cabling, facilities, and equipment, including wiring unless caused by Landlord's or its Agents' negligence or misconduct. City and Landlord will reasonably cooperate and use their good faith efforts to coordinate any all activities to allow the Leasehold Improvements and the installation of the cabling, facilities, and equipment to be completed in a timely and cost-effective manner, subject to clauses (a) through (c) above. At the expiration or earlier termination of this Lease, City shall remove all telecommunications, data and computer cabling, facilities and equipment, and repair any damages

related thereto, unless Landlord otherwise notifies Tenant in writing at least thirty (30) days in advance of any expiration or termination date.

### 6.3 Construction of Improvements that Disturb or Remove Exterior Paint

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

## 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 free-standing or non-structural partitions, furnishings, equipment, or decorative improvements that do not affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises do not constitute Alterations requiring Landlord's consent (collectively, "Cosmetic Work"), but City will provide Landlord notice of any Cosmetic Work at least five (5) business days in advance. Any Alterations permitted under this Section 7 will be made at City's cost in compliance with applicable Laws (as defined in Section 10.1 (Landlord's Compliance with Laws)). 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 Cosmetic Work. Landlord will receive an administrative fee

equal to five percent (5%) of the hard costs of any Alterations (other than Cosmetic Work) that Landlord performs for City at City's request. For Alterations performed by City, Landlord will receive an administrative fee equal to three percent (3%) of the hard costs of any Alterations (other than Cosmetic Work) that affect the Building Systems or structural integrity of the Building or otherwise material impact Landlord's obligations under Section 8.1 (Landlord's Repairs). *[City will not be required to remove any Alterations on the expiration or sooner termination of this Lease unless City requests Landlord's instruction at the time it seeks permission for Alterations and Landlord notifies City in writing at the time Landlord approves the Alterations that they must be removed prior to the Expiration Date. City is not required to remove any Alterations or 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, except as otherwise instructed by Landlord with respect to Alterations. City may not remove Landlord's property without Landlord's prior written approval.

## 7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Premises by or for City and that can be removed without structural or material nonstructural damage to the Premises (collectively, "**City's Personal Property**") are and will remain City's property. Upon request by City, Landlord may (but will not be obligated to) assist City by facilitating the ordering and installation of City's Personal Property, and City will reimburse Landlord for all fees, costs, and expenses plus a three percent (3%) Landlord oversight fee 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. Although Landlord may facilitate ordering and installation of City's Personal Property, all items will remain City's Personal Property and not be considered Leasehold Improvements or constitute any component of the Leasehold Improvements. At any time during the Term, City may remove any of City's Personal Property, and City will repair any damage to the Premises resulting from that removal to a condition consistent with the surrounding areas. On the expiration or earlier termination of this Lease, City will remove the 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. Landlord recognizes the rights of any supplier, lessor, or lender (collectively, a "**Supplier**") who has an interest in any items of City's Personal Property to enter the Premises and remove such City's Personal Property during the Term upon at least two (2) business days' prior notice to Landlord, subject to such Supplier entering into a commercially reasonable access agreement with Landlord providing for indemnification of Landlord, insurance, authorization, restoration and other reasonable terms. City hereby agrees that Landlord may allow any Supplier access upon such written demand, without verification as to whether removal is appropriate, and Landlord will not be liable for any error or removal of City's Personal Property. Upon City's reasonable request, Landlord will execute and deliver a commercially reasonable document required by any Supplier in connection with the installation in the Premises of any items of City's Personal Property, under which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment supplier, lessor, or lender agrees that it (i) will remove the Property from the Premises

within fourteen (14) days following the Expiration Date (and if it does not remove City's Personal Property within that time the Supplier will have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property, and (iii) such other commercially reasonable terms as are required by Landlord, in a form reasonably acceptable to Landlord.

#### 7.4 Alteration by Landlord

Following completion of Leasehold Improvements, Landlord will use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions, or improvements to the Building, provided Landlord will not be required to incur extraordinary costs (such as overtime charges) in connection therewith.

### 8. REPAIRS AND MAINTENANCE

#### 8.1 Landlord's Repairs

(a) Throughout the Term, Landlord will be responsible for major repairs and replacements of major capital items related to (i) the exterior and structural elements of the Building (e.g., the roof, foundation, and bearing and exterior walls), and (ii) the base building systems (e.g., heating, ventilating, air conditioning ("HVAC"), elevator(s), fire-life safety systems, other plumbing, mechanical, and electrical systems) serving the Premises (collectively, the "Building Systems"); provided, however, where (1) the major repair or replacement is due to the negligence or misconduct of City's Agents and Invitees (and any subtenants' Agents and Invitees), or the construction of any Alterations or Cosmetic Work, or (2) the major repairs or replacements are due to City's failure to perform or cause to be performed routine maintenance as provided under Section 8.2(b), or City is otherwise in default of its repair and maintenance obligations under this Lease, then Landlord will repair or replace same at City's sole cost *[(plus a three percent (3%) administrative fee)]*. For avoidance of doubt, supplemental HVAC units for City's data rooms or other specific requirements are not Building Systems and are solely City's responsibility. As used in this Section 8, "major repair" means that the repair is more than a minor or routine repair, and is in the nature of a capital expenditure. Minor and routine matters shall be undertaken by City at City's sole cost. By way of example only, the Building's base building HVAC is a Building System for which Landlord is responsible, while HVAC system adjustments (such as balancing and distribution) is Tenant's responsibility; the Building's main electrical panels are a Building System, while the electrical distribution and fixtures are Tenant's responsibility; the elevator's gear systems, cabling, door operation, and other functionality are each a major repair, while damage to the interior of the elevator cabs must be repaired by Tenant; and the base Building plumbing is a Building System for which Landlord is responsible, while the plumbing distribution and fixtures are Tenant's responsibility (each subject to clauses (1) and (2) above with respect to Landlord's obligations). Landlord has no obligation to maintain, repair or replace any Building operating systems other than base Building Systems (such as CCTV, computer/communications systems or cabling, etc.), any Tenant Alterations or Leasehold Improvements, or any City's Personal Property unless caused by Landlord's or Landlord's Agent's negligence or willful misconduct. City's repairs obligations are addressed in Section 8.2 below.

(b) Landlord will, at Landlord's cost, promptly repair any plate glass and framing, exterior doors and door frames.

## 8.2 City's Repairs

(a) Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations under Section 8.1, 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 damage by casualty or condemnation (which is addressed in Sections 12 and 13) and ordinary wear and tear. City will make any all necessary and routine maintenance and non-major repairs *[and replacements]* of Building Systems including maintaining the service contracts and periodic inspections as required under Section 8.2(b). City will make the repairs and maintenance required under this Section 8.2(a): (i) at City's cost, (ii) by licensed (if required) and insured contractors or mechanics selected by City; (ii) in compliance with all applicable Laws, including any applicable contracting requirements under City's Charter and Administrative Code, and consistent with the Building's designation as a Historical Building. 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.

(b) City, at City's cost, will: (i) obtain and keep in full force and effect maintenance and service contracts for the HVAC system, elevator(s), and fire protection/sprinkler systems, providing for at least commercially standard periods of inspection, cleaning, maintenance and testing visits from licensed and insured professionals (at least in a manner consistent with manufacturer's warranties); (ii) obtain commercially standard periods of inspection, maintenance, cleaning and testing certifications or permits for the backflow prevention valves for both fire and water supply, the boiler and the hot water heater serving the Premises; and (iii) maintain records of its performance of its obligations under this Section 8.2(b) for at least three (3) years and make those records (as well as the service contracts) available to Landlord for inspection and copying promptly following Landlord's request. For HVAC units, the service contract must include any servicing, maintenance, repairs, and replacements of filters, belts or other minor items determined to be necessary or appropriate as a result of such inspections and tests, or by the manufacturer's warranty, service manual or technical bulletins, or otherwise required to ensure proper and efficient operation, including emergency work (to the extent that any emergency work constitutes a major repair, it will be performed at Landlord's cost). For avoidance of doubt, City's responsibility for service and maintenance will not include any replacement of any of the Building Systems, except as expressly provided in Section 8.1(a).

(c) Notwithstanding Section 8.1 (Landlord's Repairs), City will use good faith efforts to regularly remove any graffiti on the exterior of the Premises, maintain exterior signage, and wash all windows periodically in keeping with other City properties.

(d) City, at its expense, will (i) use Mold Prevention Practices and monitor the Premises for the presence of mold and any other conditions that reasonably can be expected to cause or result from mold or fungus, including observed or suspected instances of water damage, condensation, seepage, leaks, or any other water penetration (from any source, internal or external), mold growth, mildew, and complaints of respiratory ailments or eye irritation by City's Agents and Invitees (collectively, "**Mold Conditions**"); and (ii) promptly notify Landlord if it observes, suspects, has reason to believe that any Mold Condition exists at the Premises. "**Mold Prevention Practices**" means good housekeeping practices, ventilation and moisture control within the Premises (particularly in kitchen areas, janitorial closets, bathrooms, in and around water fountains and other plumbing

facilities and fixtures, break rooms, in and around outside walls, and in and around HVAC systems and associated drains) for the prevention of mold.

### **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 or the Building, from mechanics' and material suppliers' liens. City will give Landlord at least five (5) business days' prior written notice of commencement of any repair or construction by City on the Premises. City will obtain and deliver to Landlord upon request, written, unconditional waivers of mechanics' and materialmen's liens against the Premises and the Building for all work, labor and services performed and materials furnished after the work is complete for all mechanics and materialmen performing work with a value in excess of \$5,000. City will have the right to legally contest any lien. City will Indemnify Landlord from and against any Claims resulting from City's action to challenge a lien resulting from any Alterations or other work performed by or for City at the Premises during the Term.

## **9. UTILITIES AND SYSTEM DISRUPTION**

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

Landlord will cause the following utilities to be available to the Building: electricity, water, sewer, and telephone. City will be responsible for contracting directly with each utility provider for water, sewage, electrical power, rubbish removal, phone, internet and other services and will pay each utility service provider directly *[for furnishing such utility or service to the Premises]*.

### **9.2 Janitorial and Security Services**

City will provide at its cost janitorial and pest control service, as deemed necessary by City in order to maintain the Premises in a clean and safe condition. City will provide for regular refuse removal and, as needed, pest control. City will have the right to install its own security system (which may be a card-key system), subject to Landlord's approval of the plans and specifications, which approval will not be unreasonably withheld, conditioned, or delayed. City will ensure that Landlord has keys and codes needed to access the Building in the event of an emergency or as otherwise allowed under this Lease; if City fails to provide the keys and codes, then in an emergency Landlord may access the Building by any means reasonably necessary and City will be responsible for any and all repair costs related to Landlord's emergency entry. City acknowledges that City is solely responsible for any safety and security devices, and in no event will Landlord be responsible for theft or other criminal acts, or the safety of persons or property from criminal activity. City expressly assumes the risk that any safety device, service, or program may not be effective or may malfunction or be circumvented.

### **9.3 Disruption in Utilities or Building Systems**

In the event of any failure, stoppage, or interruption of any utilities or services to be furnished by Landlord under this Lease, Landlord will immediately notify City of such failure, stoppage, or interruption where Landlord has advance information, diligently attempt to restore service as promptly as possible and will keep City apprised of its efforts. Landlord will not have any liability to City for such failure, interruption or stoppage except to the extent caused by Landlord or its Agents. If Landlord is unable supply any of the Building's utility services for which Landlord is responsible (collectively,



"Essential Services") and that inability of Landlord impairs City's ability to carry on its business in the Premises for a period of five (5) or more consecutive business days, then the Rent will be abated based on the extent that the lack of the Essential Services impairs City's ability to 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 commercially reasonable efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services results from Landlord's or its Agent's negligence or willful misconduct, and continues for any reason for thirty (30) days, and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord within fifteen (15) days, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and diligently pursues restoration within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

## 10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

(a) Subject to subsection (b) below, Landlord represents and warrants to City, and covenants with City, as follows, to Landlord's actual knowledge: (i) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building entrances, restrooms and elevators are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "**Disabilities Laws**"); (ii) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "**Seismic Safety Laws**"); (iii) the Building and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (collectively, "**Life Safety Laws**"); (iv) the Building and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (v) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building, or the Building Systems that would materially adversely affect City's intended use of the Premises. Subject to subsection (b) below, Landlord will at all times during the Term maintain, at its cost, the Property, Building, and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "**Laws**"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws; provided that Tenant will be responsible for any violation due to the negligence or misconduct of Tenant and its Agents and Invitees. If the above representations and warranties is determined to have been inaccurate as of the Commencement Date, then, promptly

following Landlord's actual knowledge of such inaccuracy, Landlord will commence and pursue diligently until completion all work required to cause the Building to be in compliance with Laws, at Landlord's sole cost. Notwithstanding the foregoing, where a Building violation or lack of compliance is related to or arises in connection with any City Alterations or installations of City Personal Property, City will pay Landlord for the cost of repairs immediately upon demand, plus a three percent (3%) administrative fee.

(b) The parties acknowledge and agree that the State Historical Building Code will allow greater flexibility (such that feasibility and other concerns will take precedence over Laws applicable to non-historic properties, such as the Green Building Code and Disabilities Laws (as defined below)). Accordingly, to the extent that (i) Landlord is required under the State Historical Building Code, or (ii) Landlord elects, but is not required to, comply with a standard under the State Historical Building Code as an alternative to compliance with other Laws and City has approved Landlord's election to comply with the State Historical Building Code (including, but not limited to City's approval of the plans, specifications, and drawings under the Work Letter), that "compliance with Laws" will be interpreted to mean "compliance with Laws to the extent applicable in light of the Building's historic status designation and intended use." By way of example, the parties agree that Building will not be subject to review by the Mayor's Office on Disability, and that compliance with approvals of the Authority Having Jurisdiction ("AHJ") with respect to emergency shelters or homelessness will satisfy Landlord's obligations under this Section 10.1.

(c) 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 any failure of the Property, Building, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any material misrepresentation by Landlord under this Section, provided this Indemnity will not extend to any Claim to the extent caused by Tenant's negligence, willful misconduct, or breach of this Lease.

(d) As used in this Lease, "to the actual knowledge of Landlord" and "to the best of Landlord's knowledge," and phrases of similar import, mean to the actual knowledge of Craig Young.

## 10.2 City's Compliance with Laws; Indemnity

City will not do or permit anything to be done in or about the Building that will conflict with any Laws now in force or which may hereafter be enacted, and will perform all work to the Premises required to effect such compliance, except (a) for work that is a Landlord obligation under this Lease (in which case Landlord must perform the work) and (b) 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 or Cosmetic Work to the Premises made by City under Section 7 (Alterations) or due to City's public agency use (as opposed to a private entity user, assuming retail and office uses), and such 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 (Premises Condition). Without limiting Section 16.1 (City's Indemnity), City will Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided

in this Section.

### 10.3 City's Compliance with Insurance Requirements

City will not conduct any use in or about the 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) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease 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 and 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 or Landlord, 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 City's request, Landlord will cause any Encumbrancer to enter into a subordination, nondisturbance, and attornment agreement ("SNDA") with City in a form reasonably acceptable to City and the Encumbrancer evidencing the subordination or superiority of this Lease. Additionally, City will, at Landlord's request, execute an SNDA within thirty (30) days following such request in a form reasonably acceptable to City and the Encumbrancer. City's covenant under this subsection (a) to subordinate this Lease to any Encumbrance executed after the Effective Date is conditioned upon each such senior instrument containing the commitments specified in subsection (b) below.

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

SNDA evidencing the foregoing non-disturbance provisions together with the priority or subordination of this Lease with respect to any such Encumbrance.

(c) City agrees that any mortgage holder or beneficiary under a deed of trust will not be (i) bound by or required to credit City with any prepayment of the Base Rent or Additional Charges more than thirty (30) days in advance or any sums deposited with any prior landlord under the Lease (including Landlord) unless that sum is actually received by such transferee; (ii) bound by any amendment, modification, or termination of this Lease not contemplated under the Lease and made without the consent of the Encumbrancer; (iii) liable for any breach, act, or omission of any prior landlord under the Lease (including Landlord) or any damages arising therefrom (but will be obligated to cure landlord defaults that are continuing after the date the lender takes possession); (iv) subject to any offsets or defenses which City might have against any prior landlord (including Landlord), (v) liable for payment of any damages, fees, or penalties payable by any landlord under the Lease (including Landlord) to City, or (vi) bound by any obligation of Landlord that may appear in this Lease to pay any sum of money to City.

## 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"). In such event, this Lease will remain in full force and effect, except that City will be entitled to an abatement of Rent while such repairs are being made, unless the casualty is caused by the intentional misconduct of Tenant or its Agents and Invitees. Such abatement in Rent will be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs 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 or Invitees.

(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 reason of fire, 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), or where Landlord's lender refuses to release such proceeds, then Landlord may terminate this Lease by written notice to City within thirty (30) days after the date Landlord receives written notice that the damage is not covered by insurance or that its

lender will retain the proceeds. Landlord's termination notice must include reasonable written evidence of the denial of insurance coverage or lender demands. If Landlord does not elect to terminate this Lease, then this Lease will remain in full force and effect, and subsections (a) and (b) will apply.

(d) If during the last year of the Term there is substantial damage that Landlord would be required to repair under this Section 12, then Landlord or City may, at the respective option of each, terminate this Lease as of the date of such notice by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage; provided, however, the parties may terminate this Lease only if it would take more than thirty (30) days to repair such 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 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 13 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 and adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure the condition, and (iii) City elects to terminate upon thirty (30) days written notice to Landlord.

(b) If a partial Taking of a substantial portion of the Building occurs, 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 and 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 (30<sup>th</sup>) day after the written notice is given or the Date of Taking.

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

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

### **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 full force and 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

(a) Except as provided in this Section below, City may not directly or indirectly 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 sublet all or any portion of the Premises (collectively, an “assignment”), without Landlord’s prior written consent in each instance, which will not be unreasonably withheld, conditioned, or delayed. City will have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission, or agency of the City and County of San Francisco for uses permitted under this Lease.

(b) Landlord will have no obligation to consent to any assignment: (i) that releases City, (ii) if the assignee or transferee is not credit worthy, as reasonably determined by Landlord, or (iii) Landlord’s lender or mortgagee fails to consent (where such consent is required) despite Landlord’s commercially reasonable efforts to obtain the consent.

(c) If City desires to assign, sublet, or transfer all or part of this Lease or the Premises, then in connection with City’s request to Landlord for Landlord’s consent thereto, City will give notice to Landlord in writing (“**Tenant’s Request Notice**”) containing: (i) the identity of the proposed assignee, subtenant or other party and a description of its business; (ii) the terms of the proposed assignment, subletting, or other transaction (including a copy of the proposed assignment, sublease or other document); (iii) the anticipated commencement date of the proposed assignment, subletting, or other transaction (the “**proposed sublease commencement date**”); (iv) the area proposed to be assigned, sublet, or otherwise encumbered; (v) evidence of financial responsibility of such proposed assignee, subtenant, or other party (unless City remains financially liable for City’s obligations under this Lease notwithstanding any such assignment, transfer, or sublet); (vi) a certification executed by City and such party stating whether or not any premium or other consideration is being paid for the assignment, sublease, or other transaction; and (vii) such other factual information as Landlord may reasonably request.

(d) Landlord will have thirty (30) days following receipt of Tenant’s Request Notice in which to approve or reject the proposed assignment, sublease, or other transaction. Any net profits received by City from any sublease (after deducting all actual and reasonable out of pocket City costs in connection with the proposed sublease, including marketing costs, attorneys’ fees, brokers fees, and transaction costs) will be divided 75% to Landlord and 25% to City. Landlord will have the right to review City’s nonprivileged records relating to costs in order to confirm any net profit.

(e) No assignment or right of occupancy of the Premises under this Lease may be effectuated by operation of law without the prior written consent of Landlord. Any attempted assignment or transfer of this Lease or all or any of City’s rights under this Lease or City’s leasehold estate, or any sublet or permission to use or occupy the Premises or any part thereof not in accordance with this Section, will be void and of no force or effect. Landlord’s collection or acceptance of rent from any assignee or subtenant will not be construed either as waiving or releasing City from any of its liabilities or obligations under this Lease as a principal or as relieving City or any assignee or subtenant from the obligation of obtaining Landlord’s prior written consent to any subsequent

assignment or subletting. As security for this Lease, City assigns to Landlord the rent due from any assignee or subtenant of City. During any period that there exists an Event of Default under this Lease, City authorizes each assignee or subtenant to pay the rent directly to Landlord upon receipt of notice from Landlord specifying same. Landlord's collection of the rent will not be construed as an acceptance of such assignee or subtenant as a tenant.

(f) City will pay to Landlord its reasonable, out-of-pocket, third party expenses (including reasonable attorneys' fees and accounting costs) incurred by Landlord in connection with City's request for Landlord to give its consent to any assignment, subletting, or other transfer, and Landlord's receipt of that sum will be a condition to Landlord providing such consent. Any sublease, assignment, or mortgage will, at Landlord's option, be effected on forms reasonably approved by Landlord. City will deliver to Landlord a fully executed copy of each agreement evidencing a sublease, assignment, or other transfer within ten (10) days after execution.

(g) All restrictions and obligations imposed pursuant to this Lease on City will be deemed to extend (as applicable) to any subtenant, assignee, licensee, concessionaire, or transferee, and City will cause that person to comply with such restrictions and obligations. Any assignee will be deemed to have assumed obligations as if such assignee had originally executed this Lease. Subject to any written agreement with Landlord at the time of entering into a sublease, each sublease is subject to the condition that if the Lease is terminated or Landlord succeeds to City's interest in the Premises by voluntary surrender or otherwise, at Landlord's option the subtenant will be bound to Landlord for the balance of the term of such sublease and will attorn to and recognize Landlord as its landlord under the then executory terms of such sublease.

(h) Notwithstanding the foregoing,

(i) Landlord acknowledges that City intends to sublease a portion of the Premises to Goodwill Industries of San Francisco, San Mateo & Marin Counties, Inc. ("Goodwill"). Landlord approves of Goodwill as a subtenant, subject to the following: (1) the Goodwill sublease must be subject to the terms and conditions of this Lease; (2) Goodwill must maintain the insurance required under this Lease, and may not self-insure without Landlord's prior written consent; and (3) City will provide Landlord a copy of the Goodwill sublease and City will cause Goodwill to execute a written consent to sublease with Landlord and City in the form attached as Exhibit E. Provided the requirements in the preceding sentence are satisfied, subsections (a), (b), (c), (d), (e), and (f) above are not applicable to the Goodwill sublease or Landlord's approval of the Goodwill sublease.

(ii) Landlord acknowledges that City may hire a property manager, program manager, or services providers related to City's use of the Premises, and such services contracts are not and will not be deemed to be an assignment, sublease, or other transfer of the Lease or City's leasehold.

(iii) *[City may sublease all or any portion of the Premises to any person or entity providing services to vulnerable or needy populations which may involve but is not limited to, temporary shelter, housing, supportive services, job training, agency outreach, navigation of available public services, or health care, so long as such services are permitted by applicable Laws, upon receipt of Landlord's prior written consent (not to be unreasonable withheld, conditioned or delayed) and subject to the following: (1) the sublease must be subject to the terms and conditions of this Lease; (2) the subtenant must maintain the insurance required under this Lease, and may not self-insure without Landlord's prior written consent, which be granted or withheld in Landlord's sole discretion;*



*(3) City will provide Landlord a copy of the sublease and City will cause the subtenant to execute a written consent to sublease with Landlord and City in the form attached as Exhibit E at least ten (10) days before the commencement date set forth in the sublease; (4) the rent payable under the sublease does not result in any net profit to City; and (5) the sublease premises is less than 51% of the Premises. Provided the requirements in the preceding sentence are satisfied, subsections (a), (b), (c), (d), (e), and (f) above are not applicable to such sublease. ]*

## **15. DEFAULT; REMEDIES**

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

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

(a) Subject to Section 4.9 (Payments), 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 abandons the Premises (within the meaning and under the requirements of California Civil Code section 1951.3).

(c) City fails to maintain and provide evidence of insurance, estoppel certificates, a signed SNDA or other documents within the time provided in this Lease.

(d) City fails to perform any other of its covenants or obligations under this Lease (not involving the payment of Rent) and fails 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 30-day period and diligently prosecutes the cure to completion (provided that where City's failure creates a dangerous condition or exposes Landlord to penalties due to violations of Laws, City will effect a cure within the time limit reasonably set forth by Landlord in its notice).

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

On the occurrence 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 but not limited to the right to terminate City's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that City proves could be reasonably avoided, as computed under subsection (b) of Section 1951.2.

(b) The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover

Rent as it becomes due, for so long as Landlord does not terminate City's right to possession, if City has the right to sublet or assign, subject only to reasonable limitations.

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

(d) Landlord may cure an Event of Default that creates a dangerous condition or exposes Landlord to penalties due to violations of Laws at City's expense, it being understood that such performance will not waive or cure the Event of Default. If Landlord pays any sum or incurs any expense in curing the Event of Default, City will reimburse Landlord upon demand for the amount of such payment or expense. Any amount due Landlord under this subsection will constitute Rent. The provisions contained in this section will be in addition to, and will not prevent the enforcement of, any claim Landlord may have against tenant for anticipatory breach of this Lease (including, without limitation, the right of injunction and the right to invoke any remedy allowed at law or in equity as if reentry, summary proceedings and other remedies were not provided for herein). Nothing in this Section will be construed to affect or prejudice Landlord's right to prove, and claim in full, unpaid rent accrued prior to termination of this Lease.

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

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

If Landlord fails to perform any of its obligations under this Lease following ten (10) days written notice, then (without limiting any of City's other cure rights under this Lease) City may, where such default materially interferes with City's ability to use the Premises, at its sole option, cure such default so as to allow City to use the Premises, at Landlord's reasonable expense, only if such default continues after ten (10) days from the date City gives the notice to Landlord and clearly states in that notice in bold, all caps lettering, that City intends to perform such cure if Landlord fails to do so.

However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period will be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Where City is aware of and has been provided notice information for a mortgagee or holder of a deed of trust, City will simultaneously notify such entity of any Landlord default and of City's intention to perform the cure. Landlord will reimburse Tenant for its out-of-pocket, reasonable, and necessary costs within thirty (30) days of delivery of an invoice accompanied by proof of payment. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then the Base Rent and any other charges hereunder will be abated to the extent that such default interferes with City's ability to carry on its business at the Premises. City's rights under this Section will not limit any of its other rights and remedies 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 without limitation reasonable attorneys' fees (collectively, "**Claims**"), incurred as a result of (a) City's use of the Premises, or (b) any material default by City in the performance of any of its obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents in, on, or about the Premises or the Property; provided, however, City 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 16, 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. Landlord will cooperate with City and will have the right to actively participate in the defense of any Claim at its sole cost. City's obligations under this Section will survive the termination of the Lease for a period of three (3) years.

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

Landlord will Indemnify City and its Agents against any and all Claims incurred as a result of (a) any material 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 16.2, 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 for a period of three (3) years. To the extent that insurance would have paid for the defense and any settlement had the City purchased insurance (rather than self-

insuring), Landlord's Indemnification obligations will be subject to City's payment up to the amount that would have been available from such insurance.

## **17. INSURANCE**

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

Landlord acknowledges that City maintains a program of self-insurance and agrees that City will not be required to carry any insurance with respect to this Lease. City's self-insurance program will cover the following items (as if City had purchased a standard insurance policy from an independent insurance provider licensed to do business in California):

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

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

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

(d) Umbrella policy with limits of not less than Ten Million Dollars (\$10,000,000).

City assumes the risk of damage to any of City's Personal Property, except for damage caused by the gross negligence of Landlord or its Agents or covered by insurance purchased by Landlord. The amounts set forth above will increase upon written notice from Landlord no more frequently than once every five (5) years based on levels of insurance maintained by similarly-situated tenants.

### **17.2 Landlord's Insurance**

(a) At all times during the Term, Landlord will keep the Building and all improvements (including Leasehold Improvements) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage (including earthquake sprinkler leakage) and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including debris removal and demolition). Upon City's request, Landlord will provide to City a certificate of insurance issued by the insurance carrier, evidencing the required insurance. Landlord will provide at least thirty (30) days' prior written notice to City of any cancellation or reduction of coverage or other modification of Landlord's required insurance coverage. 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, 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 Two Million Dollars (\$2,000,000) each occurrence combined single limit for bodily injury and property

damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, 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.

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

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

### **17.3 Waiver of Subrogation**

Notwithstanding anything to the contrary in this Lease, each party waives any right of recovery against the other party and their Agents, for any loss or damage relating to the Building or the Premises (including the Leasehold Improvements and Tenant's Personal Property) or any operations or contents in the Building, whether or not the loss is caused by City's fault or negligence, to the extent the loss or damage is covered by Landlord insurance that is required under this Lease or any excess coverage otherwise held by Landlord or its Agents, or that is carried or deemed to be carried by City. Each party will obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises, but a party's failure to do so will not affect the above waiver.

### **17.4 Liability of Landlord**

(a) Neither Landlord nor Landlord's Agents will be liable to City and its Agents for any damage, injury, loss, or claim to City's Personal Property or lost income based on or arising out of the following (except as expressly set forth in this Lease to the contrary, and except to the extent caused by Landlord's or its Agent's gross negligence or intentional acts): repair to any portion of the Premises; interruption in the use of the Premises (except as otherwise provided in this Lease) or any equipment therein; any accident or damage resulting from any use or operation by City or any other person or entity of elevators or heating, cooling, electrical, sewage, or plumbing equipment or apparatus; termination of this Lease by reason of damage to the Premises under Section 12; any fire, robbery, theft, vandalism, mysterious disappearance, or any other casualty; actions of any other person or entity; failure or inability to furnish any service specified in this Lease (except as otherwise provided in this Lease); and leakage in any part of the Premises from water, rain, ice, flooding, or snow that may leak into, or flow from, any part of the Premises, or from drains, pipes or plumbing fixtures in the Premises (except to the extent due to Landlord's negligent failure to maintain the Building as required by this Lease). If any condition exists that may be the basis of a claim of constructive eviction, then City will give Landlord written notice thereof and a reasonable opportunity to correct such condition, and in the interim City will not be entitled to a rent abatement (except as otherwise allowed under this Lease). Any person receiving an article delivered for City will be acting as City's agent for such purpose and not as Landlord's agent. For purposes of this Section 17.4, the term "Premises" will be deemed to include the land. Notwithstanding the foregoing provisions of this Section 17.4, Landlord will not be released from liability to City for any physical injury to any natural person caused by the

negligence or willful misconduct of Landlord or its Agents to the extent such damage is not covered by insurance either carried by City (or would have been carried had City not self-insured) or such person or required by this Lease to be carried by City.

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

(c) No landlord hereunder will be liable for any obligation or liability based on or arising out of any event or condition occurring during the period that such landlord was not the owner of the building or a landlord's interest therein; provided, however, that any successor landlord will be liable for continuing events and conditions. Within five (5) days after request, City will attorn to any transferee landlord and execute, acknowledge and deliver a document confirming such attornment provided such transferee assumes the obligations of Landlord hereunder which accrue from and after the date of the transfer.

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

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

## 18. ACCESS BY LANDLORD

Landlord reserves for itself and any of its designated Agents the right to enter the 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 twelve (12) 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 and further provided that City's use of the Premises will not be unreasonably interfered with.

## 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. Prior to 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 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. If City fails to remove its furniture, furnishings, equipment, City's Personal Property and designated Alterations within ten (10) days the expiration or sooner termination of this Lease as required under this Section, the same will, at Landlord's option be deemed abandoned; provided, however, that Landlord will have the right at City's expense to remove from the Premises any or all such items and City will pay to Landlord all actual and reasonable costs incurred by Landlord in effectuating such removal and restoration plus a three percent (3%) administrative fee.

## 21. HAZARDOUS MATERIALS

### 21.1 Definitions

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

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

**"Hazardous Material"** means any material that, because of its quantity, concentration, or physical or chemical characteristics, is deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the Superfund law), as amended (42 U.S.C. section 9601 et seq.), or under California Health & Safety Code section 25316; any "hazardous waste" listed under

California Health & Safety Code section 25140; any asbestos and asbestos containing materials whether or not those materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas, or natural gas liquids.

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

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

Landlord represents and warrants to City that, to Landlord’s actual knowledge, the following statements will be 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 do not contain any lead-based paints in violation of any Laws; (e) there is and has been no Release of any Hazardous Material in the Building or in, on, under, or about the Property; and (f) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under, or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City’s obligations under this Section below, Landlord will maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety, and welfare of City’s employees or City’s use, occupancy, or enjoyment of the Premises for their intended purposes, except to the extent caused by Tenant and its Agents and Invitees.

### **21.3 Landlord’s Environmental Indemnity**

Without limiting Landlord’s Indemnity in Section 16.2 (Landlord’s Indemnity), Landlord will Indemnify City and its Agents against any and all Claims arising during or after the Term as a result of any breach of any of Landlord’s representations, warranties, or covenants in the preceding Section and any Release of Hazardous Materials at the Property caused by Landlord or its Agents.

### **21.4 City’s Covenants**

Neither City nor its Agents or Invitees 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. CITY'S OPTION TO PURCHASE; NOTICE OF INTENT TO SELL

### 22.1 [Intentionally omitted]

### 22.2 Option to Purchase

(a) Landlord grants to City an exclusive and irrevocable option to purchase the Property (the "**Purchase Option**") at any time after the Effective Date for the price and on the terms and conditions set forth in this Section 22.2(a). City may exercise the Purchase Option at any time during the Term sufficient to allow Closing to occur by August 1, 2022 (the "**Option Term**") by giving Landlord at least two-hundred seventy (270) days' prior written notice (the "**Option Notice**") of City's intended date of Closing (defined below). City's purchase of the Property under the Purchase Option is subject to approval by City, at its sole discretion, of an appraisal (if required by City), the title to the Property, and any environmental and other investigations of the Property that City may deem appropriate, and approval by City's Board of Supervisors and Mayor, at their respective sole discretion, and adoption of a resolution authorizing the purchase and ordinance appropriating all necessary funds in accordance with all applicable laws (including CEQA) (collectively, the "**Resolution and Approvals**"), all of which conditions must be satisfied or waived by City within one hundred twenty (120) days after City's Option Notice (the "**Contingency Removal Date**"), as provided in the PSA. The parties will enter into a purchase and sale agreement in the form attached as Exhibit G (the "**PSA**") within thirty (30) days following the date of the Option Notice. This Purchase Option is a one-time option granted to City, and time is of the essence with respect to City's rights and obligations under this Section 22.

(b) The total purchase price for the Property will be Twenty-Nine Million Dollars (\$29,000,000) (the "**Purchase Price**").

(c) Where the Purchase Option is terminated due to City's inability to obtain the Resolution and Approvals, City will pay Landlord within thirty (30) days of demand for all actual out-of-pocket costs, expenses, and fees Landlord incurred in connection with this Section 22.2, and all fees owed to the Title Company.

(d) If the Purchase Option or City's acquisition is terminated for any reason, then this Lease will continue in full force and effect except for this Section 22.2(a), which will be deemed terminated.

(e) This Section **Error! Reference source not found.** is personal to City and the Purchase Option may not be exercised by any subtenant, assignee, or transferee. This Purchase Option may only be exercised one time by City.

### 22.3 Notice of Intent to Sell

(a) If City has not exercised its Option to Purchase before the expiration of the Option Term, then if Landlord determines, in its sole and absolute discretion, to solicit third party

purchase offers for the purchase and sale of the Property, Landlord will inform City thirty (30) days before publicly advertising the Property for sale, whether directly from ownership or through any sales agent or broker. City may, during that 30-day period, deliver an offer to purchase the Property (the "City Offer") to Landlord, which must contain the key terms of City's offer, including without limitation price, timing, contingencies and other terms as City may deem appropriate. Landlord will provide written notice of acceptance or rejection to City within fifteen (15) days after receipt of the City Offer, in Landlord's sole discretion; where Landlord fails to timely respond, it will be deemed a rejection of the City Offer. Upon rejection, deemed rejection, or expiration of the 15-day period without any City Offer being delivered by City, Landlord may market the Property for sale.

(b) If Landlord accepts the City Offer, then the parties will enter into a PSA within thirty (30) days following Landlord's acceptance, modified to incorporate the terms of the City Offer and as set forth in this subsection (b). The City Offer and the PSA will require that City obtain the Resolution and Approvals, which must occur within ninety (90) days after the date of Landlord's acceptance of the City Offer. When City obtains the Resolution and Approvals, and subject to the terms of the fully-executed PSA, City will be obligated to purchase from Landlord and Landlord will be obligated to sell and convey to City the Property for the purchase price and on the terms and conditions set forth in the PSA.

(c) Landlord's obligation to notify City of its intent to sell the Property under this Section is personal to City and may not be exercised by any subtenant, assignee, or transferee. If City does not timely respond to Landlord's notice of its intent to sell the Property, then this Section 22.3 will be of no further force or effect with respect to any efforts to sell the Property that are commenced within one hundred eighty (180) days of Landlord's rejection notice (or deemed rejection), or City's failure to timely deliver a City Offer. If Landlord withdraws the Property from a "for sale" status after such 180-day period expires, and later determines again to list it for sale to the general public, Landlord will provide City a subsequent notice to City pursuant to this Section 22.3. Nothing in this Section will prevent Landlord from advertising and soliciting back-up offers during negotiation of the PSA, and Landlord's obligation to provide the notice of intent to sell will be binding on Landlord's successors and assigns, including, without limitation, transfers to affiliated entities.

## **23. CITY PROVISIONS**

### **23.1 MacBride Principles - Northern Ireland**

The provisions of San Francisco Administrative Code §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. City will make commercially reasonable

efforts to keep Landlord apprised of the annual budget process and any matters that are likely to prevent appropriation and certification. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent and any other payments required under this Lease are not appropriated, then City will immediately notify Landlord and either Landlord or City may terminate this Lease, without penalty, liability or expense of any kind to City as a result of such early termination (but the City will be liable for all amounts due prior to such termination), and such termination to be effective as of the last date on which sufficient funds are appropriated. City will use reasonable efforts to give Landlord reasonable advance notice of such termination. In the event of any subleasing, assignment or transfer, unless Landlord agrees otherwise in an SNDA, City's termination will terminate such transferee's right to occupy the Premises, and City will be liable for any and all Claims related to City's failure to surrender the Premises in accordance with this Lease, including without limitation any such transferee's failure to vacate as of City's termination date if required to do so as described above.

### **23.3 Prevailing Wages and Working Conditions**

Any undefined, initially-capitalized term used in this Section 23.3 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 at Landlord's cost with City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements, but City will reimburse Landlord for Landlord's actual out-of-pocket costs in cooperating with City in such action or proceeding if the action or proceeding is related to Alterations performed by City.

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

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

(a) Covenant Not to Discriminate. In the performance of this Lease, Landlord will not to discriminate against any employee of Landlord, any City employee working with Landlord, any applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or

organizations on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of those protected classes, or in retaliation for opposition to discrimination against those classes.

(b) Subcontracts. Landlord will include in all subcontracts relating to the 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 Tropical Hardwood and Virgin Redwood Ban**

(a) Except as expressly permitted by San Francisco Environment Code sections 802(b) and 803(b), neither Landlord nor any of its contractors may provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease that are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. City will not select such items in connection with its review and approval of Leasehold Improvements.

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

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

### **23.6 Bicycle Parking Facilities**

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

### **23.7 Intentionally Omitted**

### **23.8 Sunshine Ordinance**

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

### **23.9 Conflicts of Interest**

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

### **23.10 Notification of Prohibition on Contributions**

By executing this Lease, Landlord acknowledges its obligations under section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who leases, or seeks to lease, to or from any department of the City any land or building from making any campaign contribution to (a) a City elected official if the lease must be approved by that official, (b) a candidate for that City elective office, or (c) a committee controlled by that elected official or a candidate for that office, at any time from the submission of a proposal for the lease until the later of either the termination of negotiations for the lease or twelve (12) months after the date the City approves the lease. Landlord

acknowledges that the foregoing restriction applies only if the lease or a combination or series of leases or other contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars (\$100,000) or more. Landlord further acknowledges that (i) the prohibition on contributions applies to each prospective party to the lease; any person with an ownership interest of more than 10 percent (10%) in Landlord; any subcontractor listed in the lease; and any committee that is sponsored or controlled by Landlord; and (ii) within thirty (30) days of the submission of a proposal for the Lease, the City department with whom Landlord is leasing is obligated to submit to the Ethics Commission the parties to the lease and any subcontractor. Additionally, Landlord certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

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

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

## **24. GENERALLY APPLICABLE PROVISIONS**

### **24.1 Notices**

Except as otherwise specifically provided in this Lease, any notice given under this Lease must be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or USPS 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. Any notice under this Lease will be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made or refused by a nationally recognized, third-party courier service that records delivery (or refusal to accept delivery). For convenience of the parties, copies of notices may also be given by email to the email address(es) set forth in the Basic Lease Information or such other addresses as may be provided from time to time; however, 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 the party against whom the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach will affect or alter this Lease, and each and every term, covenant, and condition of this Lease will continue in full force and effect with respect to any other then-existing or subsequent breach. Whenever this Lease requires or permits City's consent or approval, the Director of Property, or his or her designee, will be authorized to provide the consent or approval, except as otherwise provided by applicable Law, including the Charter of the City and County of San Francisco. City will promptly inform Landlord of any consent or approval that requires additional action on the part of City. City's agreement to any amendments or modifications to this Lease (including the exhibits) may be made on the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the 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. Landlord is a limited liability company and each person executing this Lease on behalf of Landlord, by his or her 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 [*including homeless persons City cannot accommodate on a particular day or days*]. 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.

#### **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. If any other broker or finder perfects a claim for a commission or finder's fee based on any contact, dealings, or communication, the party through whom the broker or finder makes his claim will be responsible for the commission or fee and will indemnify the other party from any and all Claims incurred by the indemnified party. The provisions of this Section will survive any termination of this Lease.

#### **24.9 Severability**

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

#### **24.10 Governing Law**

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



#### **24.11 Entire Agreement; Incorporation of Exhibits**

The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease by this reference) are the final expression of their agreement with respect to the lease of the 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 Attorneys' Fees**

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

#### **24.13 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 one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term, and such tenancy will otherwise be on the terms and conditions of this Lease. If City holds over without Landlord's consent, the rent payable by City during such holding over will be one hundred fifty percent (150%) 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 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 10-day period so long as City complies with Section 20 no later than the last day of such 10-day period; if City remains in possession of the Premises beyond that 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. Notwithstanding any other provision of this Lease, Landlord's acceptance of any holdover fee if City holds over without Landlord's consent will not in any manner adversely affect Landlord's other rights and remedies, including Landlord's right to evict Tenant and to recover all damages. In no event will any nonconsensual holdover be deemed a

permitted extension or renewal of the Term. City will be liable for any all Claims incurred by Landlord in connection with City's nonconsensual holding over.

#### **24.14 Cumulative Remedies**

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

#### **24.15 Time of Essence**

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

#### **24.16 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 under this Lease, 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.

#### **24.17 Signs**

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

#### **24.18 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 claiming by and through Landlord or on account of any action, inaction, or agreement of Landlord or its Agents. Nothing in this Section limits Landlord's rights and remedies following an Event of Default.

#### **24.19 Bankruptcy**

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

#### **24.20 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. On such transfer, 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, and (b) Landlord has delivered to City an express written assumption by the transferee of all of Landlord's obligations under this Lease.

#### **24.21 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.

#### **24.22 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.

#### **24.23 Effective Date**

This Lease will become effective on the date that: (a) City's Mayor and Board of Supervisors, at their sole and absolute discretion, adopt a resolution or enact an ordinance approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by Landlord and City (the "Effective Date"). City will promptly advise Landlord upon the occurrence of subclause (a) above. Where the Effective Date does not occur by March 31, 2020, Landlord may terminate this Lease upon written notice to City given at any time prior to City's notice that subsections (a) and (b) are satisfied.

#### **24.24 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.

#### 24.25 Memorandum of Lease

On the Effective Date, Landlord and City will execute the memorandum of lease in the form attached as Exhibit D (the “**Memorandum of Lease**”), and Landlord will cause the Memorandum of Lease to be recorded in the Official Records of the City and County of San Francisco within five (5) business days after execution. Upon termination of the Purchase Option, City will execute in recordable form such documents as reasonably requested by Landlord to establish that the Property is no longer subject to the Purchase Option.

#### 24.26 Cooperative Drafting

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

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS CITY’S BOARD OF SUPERVISORS HAS DULY ADOPTED A RESOLUTION 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 ON FOLLOWING PAGE]*

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

LANDLORD:

TC II 888 POST, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
CRAIG M. YOUNG  
Managing Member

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
ANDRICO Q. PENICK  
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_  
Eileen K. Chauvet  
Deputy City Attorney

**EXHIBIT A**

**FLOOR PLANS**

CONSISTING OF \_\_\_\_\_ PAGES

**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 TC II 888 POST, LLC, a Delaware limited liability company (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises located at 888 Post Street.

Dear Mr. Penick:

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

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

Very truly yours,

TC II 888 POST, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted and Agreed:

By: \_\_\_\_\_  
Andrico Q. Penick  
Director of Property

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

EXHIBIT C

**WORK LETTER**

*888 Post Street, San Francisco*



**EXHIBIT D**

**FORM OF MEMORANDUM OF LEASE**

RECORDING REQUESTED BY, AND  
WHEN RECORDED, MAIL TO:

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

Exempt from recording fees under Government  
Code Section 27383.

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

888 Post Street  
Block 0300, Lot 009

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

**MEMORANDUM OF LEASE**

This Memorandum of Lease ("**Memorandum**"), dated for reference purposes as of \_\_\_\_\_, 20\_\_, is by and between TC II 888 POST, LLC, a Delaware limited liability company ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**").

**Recitals**

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

A. Landlord and City desire to execute this Memorandum to provide constructive notice of the Lease and the Purchase Option to all third parties. Reference is made to the Lease itself for a complete and definitive statement of the rights and obligations of Landlord and City thereunder.

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

1. Term. Under the terms of the Lease, Landlord leased the Property to City for a term commencing on the date Landlord delivers possession of the Property to City as set forth in the Lease. The Term of the Lease will expire on the date that is twenty (20) years after the Commencement

Date (as defined in the Lease), subject to one option to extend the term for an additional ten (10) years (subject to the terms and conditions of the Lease), unless earlier terminated in accordance with the terms of the Lease.

2. Lease Terms. Landlord leases the Property to City on the terms and conditions of the Lease, which are incorporated into this Memorandum by reference as if they were fully set forth in this Memorandum; the rights and obligations of Landlord and City are contained in the Lease. This Memorandum does not and will not be deemed to modify, alter, or amend the Lease in any way. If any conflict exists between the terms of the Lease and this Memorandum, the terms of the Lease will govern. Except as otherwise defined in this Memorandum, capitalized terms have the meanings given them in the Lease.

3. Purchase Option. Any transfer of title to the Property pursuant to the Purchase Option must occur on or prior to August 1, 2022, after which time such Purchase Option is of no further force and effect.

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

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

LANDLORD:

TC II 888 POST, LLC, a Delaware limited liability company

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

CRAIG M. YOUNG, Managing Member

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation,

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

ANDRICO Q. PENICK  
Director of Property

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

State of California )  
 ) ss  
County of \_\_\_\_\_ )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

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

State of California )  
 ) ss  
County of \_\_\_\_\_ )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**EXHIBIT A  
TO MEMORANDUM OF LEASE**

**Legal Description of Property**

**EXHIBIT E**

**FORM OF SUBLEASE CONSENT**

[See Attached]

## LANDLORD'S CONSENT TO SUBLEASE ("Consent")

TC II 888 POST, LLC, a Delaware limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Tenant") are parties to that certain lease, dated \_\_\_\_\_ (the "Master Lease"), pursuant to which Tenant presently leases from Landlord approximately \_\_\_\_\_ rentable square feet of space (the "Master Premises") located in the building located at \_\_\_\_\_ (the "Building"). Landlord hereby consents to the subleasing of [a portion of – all of] the Master Premises by Tenant, as [sublandlord][sublessor], to \_\_\_\_\_, a \_\_\_\_\_ ("Subtenant"), as [subtenant] [sublessee], such subleased premises (the "Subleased Premises") being described in the [sublease agreement], dated \_\_\_\_\_ (the "Sublease"), by and between Tenant and Subtenant, subject to the following (capitalized terms not defined herein shall have the meanings set forth in the Master Lease):

1. Notwithstanding anything to the contrary set forth in the Sublease, any amendment to the Sublease or any other agreement now existing or hereafter entered into between Tenant and Subtenant, and in order to induce Landlord to execute this Consent (i) Subtenant shall not have the direct right to enforce the Master Lease against Landlord, (ii) Subtenant shall not have the right to proceed against Landlord in Tenant's name with respect to any matter arising under the Master Lease, and (iii) if any provision of the Sublease, any amendment to the Sublease or of any other agreement now existing or hereafter entered into between Tenant and Subtenant conflicts with this Paragraph, then the provisions of this Paragraph shall control and govern the parties for all purposes and such conflicting provision shall be null and void for all purposes, and should Subtenant at any time assert any such right against Landlord, at Landlord's option Landlord's consent to the Sublease shall thereupon be deemed immediately withdrawn, void and of no force or effect, and such assertion shall constitute a default by Tenant under the Master Lease. As between Landlord and Tenant, if any provision of this Consent conflicts with the Master Lease, then the Master Lease will control.

2. Notwithstanding anything to the contrary set forth in the Sublease, occupancy of the Subleased Premises by Subtenant is in all respects subject to the Master Lease, and Landlord hereby informs Tenant and Subtenant that Landlord requires strict compliance by Tenant and Subtenant with all terms and conditions of the Master Lease. Subtenant hereby agrees to comply with all of the provisions, covenants, and conditions set forth in the Master Lease which are applicable to the Subleased Premises, to be jointly and severally liable with Tenant for performance of the same and for the payment of rent pertaining to the Subleased Premises in the amount set forth in the Sublease, and Landlord may enforce all of the foregoing obligations directly against Subtenant. Neither the Sublease nor this Consent shall release or discharge Tenant from any liability under the Master Lease and Tenant shall remain liable and responsible for the full performance and observance of all of the provisions, covenants, and conditions set forth in the Master Lease on the part of Tenant to be performed and observed. The breach or violation of any provision of the Master Lease by Subtenant shall constitute a default by Tenant in fulfilling such provision and any breach of the Master Lease by either Tenant or Subtenant shall entitle Landlord to all the rights and remedies provided in the Master Lease in the event of a breach, and any other available remedy, against both Tenant and Subtenant.

3. This Consent shall not be construed as approval or consent to any provision(s) of the Sublease which may conflict with or be interpreted to restrict Landlord's rights or Tenant's obligations under the Master Lease, or to expand upon Tenant's rights or Landlord's obligations under the Master Lease, and Landlord shall not be bound or estopped in any way by the provisions of the Sublease. This Consent shall not create in Subtenant, as a third party beneficiary or otherwise, any rights except as

specifically set forth herein. All communications with Landlord will be recognized by Landlord only if made by Tenant, not by Subtenant.

4. Subtenant's continued tenancy in the Subleased Premises shall be conditioned upon all provisions of the Master Lease being observed by Tenant and Subtenant. Notwithstanding anything to the contrary set forth in the Sublease, upon the expiration or earlier termination of the term of the Master Lease (whether pursuant to a termination right expressly granted to Landlord or Tenant in the Master Lease or pursuant to an agreement between Landlord and Tenant entered into after the date of the Sublease), or upon the surrender of the Master Premises by Tenant to Landlord, the Sublease shall terminate as of the effective date (the "**Termination Date**") of such expiration, termination, or surrender, Landlord shall not have any liability to Subtenant, and Subtenant shall vacate the Subleased Premises on or before the Termination Date, or, at Landlord's option, and notwithstanding anything to the contrary contained in the Sublease, Tenant's interest under the Sublease shall be deemed assigned to Landlord, the Sublease shall continue as a direct lease between Landlord and Subtenant, and Subtenant shall attorn to Landlord, as more particularly set forth in Paragraph 14 of the Master Lease; provided, however, that in no event shall Landlord (i) be liable for any default by Tenant under the Sublease or for any other accrued obligation of Tenant under the Sublease, (ii) be liable for any security deposit, letter of credit or other security made by Subtenant under the Sublease except to the extent that such security shall have actually be transferred by Tenant to Landlord, (iii) be subject to any offsets, claims or counterclaims that shall have accrued in favor of Subtenant against Tenant, (iv) be bound by any payment or rent or additional rent that Subtenant may have paid for more than one (1) month in advance, or (v) be bound by any amendment or modification of the Sublease made without Landlord's prior written consent. In no event shall the foregoing be construed to grant to Tenant any right to terminate the Master Lease or relieve Tenant from any liability to Subtenant for any termination of the Sublease in violation of the terms thereof.

5. Subtenant will not be permitted to make any greater use of the Subleased Premises than permitted under the Master Lease.

6. Tenant shall indemnify, defend and hold Landlord harmless from and against any loss, cost, or expense, including attorneys' fees or costs, which arise by virtue of the Sublease or Subtenant's occupancy of the Subleased Premises.

7. Landlord shall charge Tenant, and Tenant shall pay to Landlord, all actual costs incurred by Landlord in connection with Subtenant's move into, improvement of, and occupancy of the Subleased Premises.

8. Intentionally Omitted

9. Intentionally Omitted

10. Intentionally Omitted

11. Notwithstanding anything to the contrary in the Sublease, the provisions of Paragraph 7 of the Master Lease regarding the alterations or improvements to the Master Premises shall apply to any alterations or improvements made to the Subleased Premises. This Consent shall not serve as Landlord's approval of any alterations or improvements proposed in the Sublease. Landlord will approve or disapprove any proposed alterations or improvements in accordance with the provisions of said Paragraph 7.



12. Tenant shall pay to Landlord Landlord's reasonable, out-of-pocket, third party expenses within thirty (30) days after Landlord's demand. Tenant's failure to pay any of the foregoing fees and costs when due pursuant to the foregoing shall constitute a default under the Master Lease.

13. Notwithstanding anything to the contrary in the Sublease, this Consent does not extend to, and expressly excludes, consent to (a) any portion of the term of the Sublease that extends beyond the present term of the Master Lease, (b) any renewal or extension of the term of the Sublease or (c) any right to purchase the Premises or receive notice of a proposed sale or transfer. Any of (a), (b) or (c) shall be conditioned upon Landlord's express prior written consent thereto at the appropriate time as if for a new subleasing. In addition to any other conditions of such consent that Landlord may be entitled to impose, the following shall be conditions of such consent:

(i) that Tenant shall have validly exercised any renewal, extension or expansion option contained in the Master Lease, the exercise of which is necessary to then make available to Subtenant the relevant portion of the term of the Sublease or the relevant sublease renewal, extension or expansion; and

(ii) that if any such renewal, extension or other option contained in the Master Lease calls for a revision of rent thereunder by agreement of Landlord and Tenant or by a determination of fair market rental value, then in addition to any other provision in the Master Lease setting a minimum amount below which such revised rent shall not be established, such revised rent, on a pro rata per square foot basis, shall not be lower than the rent to be paid from time to time by Subtenant, on a pro rata per square foot basis, during the relevant portion of the sublease term.

14. In consideration of Landlord's consent to the Sublease, Subtenant agrees that Landlord and the holders of any superior interests (e.g., lenders, mortgagees, ground lessors and the like), shall not be liable to Subtenant, and Subtenant hereby waives all claims against such parties, for any loss, injury or other damage to person or property in or about the Subleased Premises or the Building or Project from any cause whatsoever, including without limitation, water leakage of any character from the roof, walls, basement or other portion of the Subleased Premises or the Building or Project, or gas, fire, explosion, electricity, or any malfunction within the Subleased Premises or the Building or Project, or acts of other tenants of the Building or Project, provided, however, that the foregoing waiver shall be inapplicable to any loss, injury or damage resulting directly from Landlord's gross negligence or willful misconduct, and Subtenant further agrees that such parties shall in no event be liable for any consequential or remote damages or lost profits or loss of business. Subtenant acknowledges that from time to time throughout the term of the Sublease, construction work may be performed in and about the Building and the Project by Landlord, contractors of Landlord, or other tenants or their contractors, and that such construction work may result in noise and disruption to Subtenant's business. In addition to and without limiting the foregoing waiver or any other provision of the Sublease or this Consent, Subtenant agrees that Landlord shall not be liable for, and Subtenant expressly waives and releases Landlord, its lender, and their respective officers, members, employees, agents, contractors and representatives (collectively, with Landlord, "**Indemnitees**") from any claims, liability, damages, costs or expenses, including without limitation, any and all consequential damages or interruption or loss of business, income or profits, or claims of constructive eviction, arising or alleged to be arising as a result of any such construction activity. Subtenant shall hold the Indemnitees harmless from and indemnify all such parties against any claims, liability, damages, costs or expenses, including reasonable attorneys' fees and costs incurred in defending against the same, to the extent arising from the acts or omissions of Subtenant, Subtenant's employees, agents, contractors, licensees, subtenants, customers, guests or invitees in or about the Building or Project, or any accident, injury or damage, howsoever

and by whomsoever caused, to any person or property, occurring in or about the Subleased Premises; except for such claims, liability, damages, costs or expenses to the extent they are caused directly by the gross negligence or willful acts or omissions of Landlord or its authorized representatives. In case any action or proceeding be brought against any of the Indemnitees by reason of any such claim or liability, Subtenant, upon notice from Landlord, covenants to resist and defend at Subtenant's sole expense such action or proceeding by counsel reasonably satisfactory to Landlord. The provisions of this Paragraph shall survive the termination of the Master Lease with respect to any injury, illness, death or damage occurring prior to such termination. Subtenant shall cause Landlord and all the other Indemnitees and any other parties designated by Landlord to be named as additional insureds on the policy of commercial general liability insurance which Subtenant is required to carry pursuant to Paragraph 17 of the Master Lease (which Paragraph 17 shall be deemed incorporated into the Sublease notwithstanding anything to the contrary contained in the Sublease, except that in no event shall any provisions permitting self-insurance apply to Subtenant), and shall provide Landlord with such policy or a certificate thereof upon commencement of the term of the Sublease and shall provide Landlord with a renewal policy or certificate at least thirty (30) days prior to the expiration dates of expiring policies. Subtenant may not self-insure without Landlord prior written consent, in Landlord's sole and absolute discretion.

Tenant and Subtenant jointly and severally agree to indemnify, defend and hold Landlord harmless from and against any loss, cost, expense, damage or liability, including reasonable attorneys' fees, incurred as a result of a claim by any person or entity (i) that it is entitled to a commission, finder's fee or like payment in connection with the Sublease or (ii) relating to or arising out of the Sublease or any related agreements or dealings.

15. Landlord and Tenant acknowledge that Paragraph 14 of the Master Lease provides for Landlord to receive certain portions of the consideration paid by a subtenant for a subletting of the Master Premises or any portion thereof, subject to the terms stated in said Paragraph, but that after application of such terms to the transaction described in the Sublease, the parties agree that no amounts will accrue to Landlord pursuant to said Paragraph 14 by reason of the Sublease.

16. The foregoing Consent shall apply only to the subject subletting and shall not be deemed to be consent to any other subletting nor to any sub subletting under the Sublease, nor shall this Consent be construed to release Tenant from any of its obligations under the Master Lease. Notwithstanding anything to the contrary in the Sublease, in no event shall Subtenant assign the Sublease or further sublet the Subleased Premises without the prior written consent of Landlord, which consent may be withheld by Landlord in its sole and absolute discretion.

17. If Subtenant is a corporation, partnership, trust, association or other entity, Subtenant and each person executing this Consent on behalf of Subtenant, hereby covenants and warrants that (a) Subtenant is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Subtenant has and is duly qualified to do business in the State in which the Building is located, (c) Subtenant has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Consent and to perform all Subtenant's obligations under this Consent, and (d) each person (and all of the persons if more than one signs) signing this Consent on behalf of Subtenant is duly and validly authorized to do so. If Tenant is a corporation, partnership, trust, association or other entity, Tenant and each person executing this Consent on behalf of Tenant, hereby covenants and warrants that (a) Tenant is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Tenant has and is duly qualified to do business in the State in which the Building is located, (c) Tenant has full corporate, partnership, trust, association or other appropriate

power and authority to enter into this Consent and to perform all Tenant's obligations under this Consent, and (d) each person (and all of the persons if more than one signs) signing this Consent on behalf of Tenant is duly and validly authorized to do so.

18. Each of Landlord, Tenant and Subtenant hereby represents and warrants to the other parties that, to the representing party's knowledge, as of the date of this Consent, neither the representing party nor any individual, entity, or organization holding any (or, if a publicly traded entity, a significant) ownership or controlling interest in the representing party, nor any officer or director of such entity, is an individual, entity, or organization with whom any United States law, regulation, or executive order prohibits U.S. companies and individuals from dealing, including, without limitation, names appearing on the U.S. Department of Treasury's Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List. If the foregoing representation by a representing party is presently or later becomes untrue, the representing party shall be in material breach of the Master Lease. If the breaching party is Tenant or Subtenant, the breaching party (plus Tenant, if Subtenant is the breaching party) shall indemnify and hold harmless Landlord from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, attorneys' fees and costs) incurred by Landlord arising from or relating to such breach of the foregoing representation, which indemnity obligation shall survive the expiration or earlier termination of this Lease.

19. This Consent may be signed in two or more counterparts which, together, shall constitute one document.

This Consent is conditioned upon the signed acceptance by Tenant and Subtenant of the terms and conditions set forth herein.

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

(LANDLORD SIGNATURE BLOCK)

ACCEPTANCE BY TENANT AND BY SUBTENANT

Tenant

Subtenant

(SIGNATURE BLOCK)

(SIGNATURE BLOCK)

By \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

## EXHIBIT F

### **RULES AND REGULATIONS**

These Rules and Regulations form a part of the Lease to which they are attached. In the event of a conflict, the Lease will control. These rules are subject to modification pursuant to the Lease.

1. The sidewalks, halls, passages, exits, entrances, elevators and stairways may not be obstructed by Tenant or its employees, contractors, invitees, customers, guests, agents, or representatives (collectively, "Tenant Parties") in a manner that prevents safe ingress and egress. Debris or personal property may not be stored outside the Building (unless in designated trash areas, if any). Trash may not be allowed to accumulate outside the Building due to any actions of Tenant Parties. No Tenant Parties may go on the roof of the Building without Landlord's prior written consent (except to the extent required to perform Tenant's obligations under the Lease).

3. Tenant may not alter any lock or install any new or additional locks or any bolts on any interior or exterior door of the Premises without providing Landlord with copies of the keys, so long as providing the keys to any interior door does not violate any Laws or policies related to Tenant's use of the Premises.

4. The toilet rooms, toilets, urinals, wash bowls and other apparatus may not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever may be thrown in them. The expense of any breakage, stoppage, or damage resulting from the violation of this rule will be borne by Tenant.

5. Tenant will not overload the floor of the Premises.

6. In no event shall Tenant keep, use, or permit to be used in the Premises or the Building any guns, firearms, explosive devices, or ammunition. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline, or inflammable or combustible fluid or material, or use any space heaters in the Premises unless allowed by all Laws and insurance requirements.

7. Tenant shall be responsible for insuring that the doors of the Building are closed and securely locked before leaving the Building unoccupied and must observe strict care and caution that all water faucets or water apparatus are entirely shut off before Tenant or Tenant's employees leave the Building unoccupied.

8. Tenant will not knowingly allow Tenant Parties to bring dangerous, vicious, or aggressive dogs in or about the Building, and will take reasonable precautions in an effort to ensure that no persons are attacked by dogs belonging to Tenant Parties in or about the Property.

**EXHIBIT G**

**FORM OF PURCHASE AND SALE AGREEMENT**

BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

January 30, 2020

File No. 200043

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, Ste. 400  
San Francisco, CA 94103

Dear Ms. Gibson:


On January 14, 2020, Mayor London Breed introduced the following legislation:

**File No. 200043**

**Resolution approving and authorizing the Director of Property, on behalf of the Department of Homelessness and Supportive Housing, to lease real property located at 888 Post Street, for an initial term of 20 years, from TC II 888 Post, LLC, at a base rent of \$1,500,000 per year, increasing at 3% per year, including one option to extend the Lease for a period of ten years; authorizing the City's contribution of up to \$5,000,000 towards the cost of Landlord Work; authorizing the Director of Property, under certain conditions, to negotiate and enter into future subleases, including with Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc. as a subtenant; authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the Lease and this Resolution, as defined herein, including allowing the City to increase its contribution towards the cost of the Landlord Work, subject to future appropriation of funds, as defined herein; finding the proposed transaction is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and adopting findings under the California Environmental Quality Act.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

  
By: Linda Wong, Assistant Clerk  
Budget and Finance Committee

Attachment

c: Joy Navarrete, Environmental Planning  
Don Lewis, Environmental Planning



# SAN FRANCISCO PLANNING DEPARTMENT

## General Plan Referral

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

Reception:  
415.558.6378

Fax:  
415.558.6409

Planning  
Information:  
415.558.6377

Date: February 11, 2020  
Case No. 2020-001801GPR  
888 Post Street Lease

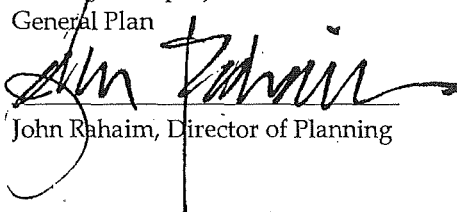
Block/Lot No: 0300/009

Project Sponsors: Josh Keene  
San Francisco Real Estate Department  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102

Applicant: Same as Above

Staff Contact: Vladimir Vallejo -- (415) 575-6811  
Vladimir.Vallejo@sfgov.org

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

Recommended By:   
John Rahaim, Director of Planning

### PROJECT DESCRIPTION

On January 31, 2020, the Planning Department (herein "the Department") received a request from the City and County of San Francisco Real Estate Division to consider leasing 888 Post Street (Block 0300 Lot 009) for 20 years with the option to purchase for the purpose of providing a navigation center/shelter for transitional aged youth between the ages of 18-24. The site is currently a vacant building. Please note that in order to use this property for its intended use, a conditional use permit will be required.

### ENVIRONMENTAL REVIEW

The project was determined to be categorically exempt under CEQA Guidelines Section 15332 on 2/11/2020 (Planning Case No. 2019-023636ENV).

### GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

As described below, the Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in-conformity with the following Objectives and Policies of the General Plan:

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

**Housing Element**

**OBJECTIVE 1**

**IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.**

**POLICY 1.8**

**Promote mixed use development, and include housing, particularly permanently affordable housing, in new commercial, institutional or other single use development projects.**

*The proposed lease of property would allow for the future potential to construct a homeless navigation center.*

**POLICY 1.10**

**Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.**

*The proposed property is located in an area accessible by transit and near bicycle facilities*

**Eight Priority Policies Findings**

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.  
*The proposed lease will not negatively affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses.*
2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.  
*The proposed lease would not displace any existing housing and would provide transitional homeless housing to serve an unmet need in the City.*
3. That the City's supply of affordable housing be preserved and enhanced.  
*The proposed property transfer will increase the stock of temporary affordable housing in the City.*
4. That commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking.  
*The proposed property lease will not result in commuter traffic impeding Muni's transit service, overburdening the streets or altering current neighborhood parking. The proposed affordable housing project will include no parking and will be transit accessible.*



5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.  
*The proposed property lease would not affect the existing economic base in this area. The current use of the site is a vacant building. Proposed uses include a homeless shelter that would*
6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.  
*The proposed property lease would not affect the City's preparedness to protect against injury and loss of life in an earthquake.*
7. That landmarks and historic buildings be preserved.  
*The proposed property lease will not affect landmarks or historic buildings.*
8. That our parks and open space and their access to sunlight and vistas be protected from development.  
*The proposed property lease will not affect City parks or open spaces, or their access to sunlight and vistas.*

**RECOMMENDATION:**

**Finding the Project, on balance, in-conformity with the General Plan**





# SAN FRANCISCO PLANNING DEPARTMENT

## CEQA Categorical Exemption Determination

### PROPERTY INFORMATION/PROJECT DESCRIPTION

<b>Project Address</b>		<b>Block/Lot(s)</b>
888 POST ST		0300009
<b>Case No.</b>		<b>Permit No.</b>
2019-023636ENV		2019-1223-0310
<input checked="" type="checkbox"/> <b>Addition/ Alteration</b>	<input type="checkbox"/> <b>Demolition (requires HRE for Category B Building)</b>	<input type="checkbox"/> <b>New Construction</b>
<p><b>Project description for Planning Department approval.</b></p> <p>The project site is located at the northeast corner of Hyde and Post streets in the Downtown/Civic Center neighborhood. The project site is occupied by a 48-foot-tall, three-story, commercial building (constructed in 1919) that is approximately 31,968 square feet in size. The existing building is currently vacant. Former uses of the building included retail at the ground-floor, professional office space at the second floor, and automobile storage for approximately 35 vehicles at the third floor. The project sponsor proposes a change of use of the existing building to an institutional use operated by Goodwill and a navigation center operated by the San Francisco Department of Homelessness and Supportive Housing (HSH). Goodwill would occupy the ground floor and would use the space for a donation center and job training facility. The job training facility would be opened from 9 a.m. to 5 p.m. on Monday to Thursday, and from 9 a.m. to 1 p.m. on Friday. The training facility would also be open one Wednesday a month until 7 p.m. The donation facility would be open from 8:30 a.m. to 5 p.m., 7 days a week. HSH would occupy the second and third floors and would operate a navigation center for homeless youth in transition. The navigation center would include 76 shelter beds and various on-site support services. The navigation center</p> <p>FULL PROJECT DESCRIPTION ATTACHED</p>		

### STEP 1: EXEMPTION CLASS

<b>The project has been determined to be categorically exempt under the California Environmental Quality Act (CEQA).</b>	
<input type="checkbox"/>	<b>Class 1 - Existing Facilities.</b> Interior and exterior alterations; additions under 10,000 sq. ft.
<input type="checkbox"/>	<b>Class 3 - New Construction.</b> Up to three new single-family residences or six dwelling units in one building; commercial/office structures; utility extensions; change of use under 10,000 sq. ft. if principally permitted or with a CU.
<input checked="" type="checkbox"/>	<p><b>Class 32 - In-Fill Development.</b> New Construction of seven or more units or additions greater than 10,000 sq. ft. and meets the conditions described below:</p> <p>(a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations.</p> <p>(b) The proposed development occurs within city limits on a project site of no more than 5 acres substantially surrounded by urban uses.</p> <p>(c) The project site has no value as habitat for endangered rare or threatened species.</p> <p>(d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality.</p> <p>(e) The site can be adequately served by all required utilities and public services.</p> <p><b>FOR ENVIRONMENTAL PLANNING USE ONLY</b></p>
<input type="checkbox"/>	<b>Class _____</b>

**STEP 2: CEQA IMPACTS**

**TO BE COMPLETED BY PROJECT PLANNER**

<input type="checkbox"/>	<p><b>Air Quality:</b> Would the project add new sensitive receptors (specifically, schools, day care facilities, hospitals, residential dwellings, and senior-care facilities within an Air Pollution Exposure Zone? Does the project have the potential to emit substantial pollutant concentrations (e.g., backup diesel generators, heavy industry, diesel trucks, etc.)? (refer to EP_ArcMap &gt; CEQA Catex Determination Layers &gt; Air Pollution Exposure Zone)</p>
<input checked="" type="checkbox"/>	<p><b>Hazardous Materials:</b> If the project site is located on the Maher map or is suspected of containing hazardous materials (based on a previous use such as gas station, auto repair, dry cleaners, or heavy manufacturing, or a site with underground storage tanks): Would the project involve 50 cubic yards or more of soil disturbance - or a change of use from industrial to residential?</p> <p><i>if the applicant presents documentation of enrollment in the San Francisco Department of Public Health (DPH) Maher program, a DPH waiver from the Maher program, or other documentation from Environmental Planning staff that hazardous material effects would be less than significant (refer to EP_ArcMap &gt; Maher layer).</i></p>
<input checked="" type="checkbox"/>	<p><b>Transportation:</b> Does the project involve a child care facility or school with 30 or more students, or a location 1,500 sq. ft. or greater? Does the project have the potential to adversely affect transit, pedestrian and/or bicycle safety (hazards) or the adequacy of nearby transit, pedestrian and/or bicycle facilities?</p>
<input type="checkbox"/>	<p><b>Archeological Resources:</b> Would the project result in soil disturbance/modification greater than two (2) feet below grade in an archeological sensitive area or eight (8) feet in a non -archeological sensitive area? If yes, archeo review is required (refer to EP_ArcMap &gt; CEQA Catex Determination Layers &gt; Archeological Sensitive Area)</p>
<input type="checkbox"/>	<p><b>Subdivision/Lot Line Adjustment:</b> Does the project site involve a subdivision or lot line adjustment on a lot with a slope average of 20% or more? (refer to EP_ArcMap &gt; CEQA Catex Determination Layers &gt; Topography). If yes, Environmental Planning must issue the exemption.</p>
<input type="checkbox"/>	<p><b>Slope = or &gt; 25%:</b> Does the project involve any of the following: (1) square footage expansion greater than 500 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap &gt; CEQA Catex Determination Layers &gt; Topography) <b>If box is checked, a geotechnical report is required and Environmental Planning must issue the exemption.</b></p>
<input type="checkbox"/>	<p><b>Seismic: Landslide Zone:</b> Does the project involve any of the following: (1) square footage expansion greater than 500 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap &gt; CEQA Catex Determination Layers &gt; Seismic Hazard Zones) <b>If box is checked, a geotechnical report is required and Environmental Planning must issue the exemption.</b></p>
<input type="checkbox"/>	<p><b>Seismic: Liquefaction Zone:</b> Does the project involve any of the following: (1) square footage expansion greater than 500 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap &gt; CEQA Catex Determination Layers &gt; Seismic Hazard Zones) <b>If box is checked, a geotechnical report will likely be required and Environmental Planning must issue the exemption.</b></p>
<p><b>Comments and Planner Signature (optional):</b> Don Lewis</p> <p>PLEASE SEE ATTACHED</p>	

### STEP 3: PROPERTY STATUS - HISTORIC RESOURCE

TO BE COMPLETED BY PROJECT PLANNER

PROPERTY IS ONE OF THE FOLLOWING: (refer to Property Information Map)	
<input checked="" type="checkbox"/>	Category A: Known Historical Resource. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	Category B: Potential Historical Resource (over 45 years of age). <b>GO TO STEP 4.</b>
<input type="checkbox"/>	Category C: Not a Historical Resource or Not Age Eligible (under 45 years of age). <b>GO TO STEP 6.</b>

### STEP 4: PROPOSED WORK CHECKLIST

TO BE COMPLETED BY PROJECT PLANNER

Check all that apply to the project.	
<input type="checkbox"/>	1. <b>Change of use and new construction.</b> Tenant improvements not included.
<input type="checkbox"/>	2. <b>Regular maintenance or repair</b> to correct or repair deterioration, decay, or damage to building.
<input type="checkbox"/>	3. <b>Window replacement</b> that meets the Department's <i>Window Replacement Standards</i> . Does not include storefront window alterations.
<input type="checkbox"/>	4. <b>Garage work.</b> A new opening that meets the <i>Guidelines for Adding Garages and Curb Cuts</i> , and/or replacement of a garage door in an existing opening that meets the Residential Design Guidelines.
<input type="checkbox"/>	5. <b>Deck, terrace construction, or fences</b> not visible from any immediately adjacent public right-of-way.
<input type="checkbox"/>	6. <b>Mechanical equipment installation</b> that is not visible from any immediately adjacent public right-of-way.
<input type="checkbox"/>	7. <b>Dormer installation</b> that meets the requirements for exemption from public notification under <i>Zoning Administrator Bulletin No. 3: Dormer Windows</i> .
<input type="checkbox"/>	8. <b>Addition(s)</b> that are not visible from any immediately adjacent public right-of-way for 150 feet in each direction; does not extend vertically beyond the floor level of the top story of the structure or is only a single story in height; does not have a footprint that is more than 50% larger than that of the original building; and does not cause the removal of architectural significant roofing features.
<b>Note: Project Planner must check box below before proceeding.</b>	
<input type="checkbox"/>	Project is not listed. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	Project <b>does not conform</b> to the scopes of work. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	Project involves <b>four or more</b> work descriptions. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	Project involves <b>less than four</b> work descriptions. <b>GO TO STEP 6.</b>

### STEP 5: CEQA IMPACTS - ADVANCED HISTORICAL REVIEW

TO BE COMPLETED BY PROJECT PLANNER

Check all that apply to the project.	
<input type="checkbox"/>	1. Project involves a <b>known historical resource (CEQA Category A)</b> as determined by Step 3 and conforms entirely to proposed work checklist in Step 4.
<input type="checkbox"/>	2. <b>Interior alterations to publicly accessible spaces.</b>
<input type="checkbox"/>	3. <b>Window replacement</b> of original/historic windows that are not "in-kind" but are consistent with existing historic character.
<input type="checkbox"/>	4. <b>Façade/storefront alterations</b> that do not remove, alter, or obscure character-defining features.
<input type="checkbox"/>	5. <b>Raising the building</b> in a manner that does not remove, alter, or obscure character-defining features.
<input type="checkbox"/>	6. <b>Restoration</b> based upon documented evidence of a building's historic condition, such as historic photographs, plans, physical evidence, or similar buildings.

<input type="checkbox"/>	7. <b>Addition(s)</b> , including mechanical equipment that are minimally visible from a public right-of-way and meet the <i>Secretary of the Interior's Standards for Rehabilitation</i> .
<input type="checkbox"/>	8. <b>Other work consistent</b> with the <i>Secretary of the Interior Standards for the Treatment of Historic Properties</i> (specify or add comments):
<input checked="" type="checkbox"/>	9. <b>Other work</b> that would not materially impair a historic district (specify or add comments):  Subject property previously determined ineligible for the National Register Lower Nob Hill Apartment Hotel District. Proposed alterations to a non-contributing property will not materially impact the historic district. Alterations are primarily limited to reconfiguring of door and window openings, and minimally visible storefront openings. <i>(Requires approval by Senior Preservation Planner/Preservation Coordinator)</i>
<input type="checkbox"/>	10. <b>Reclassification of property status.</b> <i>(Requires approval by Senior Preservation Planner/Preservation</i> <input type="checkbox"/> Reclassify to Category A a. Per HRER or PTR dated b. Other (specify): <input type="checkbox"/> Reclassify to Category C <i>(attach HRER or PTR)</i>
<b>Note: If ANY box in STEP 5 above is checked, a Preservation Planner MUST sign below.</b>	
<input checked="" type="checkbox"/>	<b>Project can proceed with categorical exemption review.</b> The project has been reviewed by the Preservation Planner and can proceed with categorical exemption review. <b>GO TO STEP 6.</b>
Comments (optional):	
Preservation Planner Signature: Elizabeth Gordon Jonckheer	

**STEP 6: CATEGORICAL EXEMPTION DETERMINATION**  
TO BE COMPLETED BY PROJECT PLANNER

<input checked="" type="checkbox"/>	<b>No further environmental review is required. The project is categorically exempt under CEQA. There are no unusual circumstances that would result in a reasonable possibility of a significant effect.</b>	
	<b>Project Approval Action:</b> Planning Commission Hearing	<b>Signature:</b> Don Lewis
	If Discretionary Review before the Planning Commission is requested, the Discretionary Review hearing is the Approval Action for the project.	02/11/2020
	Once signed or stamped and dated, this document constitutes a categorical exemption pursuant to CEQA Guidelines and Chapter 31 of the Administrative Code. In accordance with Chapter 31 of the San Francisco Administrative Code, an appeal of an exemption determination can only be filed within 30 days of the project receiving the approval action. Please note that other approval actions may be required for the project. Please contact the assigned planner for these approvals.	

## Full Project Description

The project site is located at the northeast corner of Hyde and Post streets in the Downtown/Civic Center neighborhood. The project site is occupied by a 48-foot-tall, three-story, commercial building (constructed in 1919) that is approximately 31,968 square feet in size. The existing building is currently vacant. Former uses of the building included retail at the ground-floor, professional office space at the second floor, and automobile storage for approximately 35 vehicles at the third floor.

The project sponsor proposes a change of use of the existing building to an institutional use operated by Goodwill and a navigation center operated by the San Francisco Department of Homelessness and Supportive Housing (HSH). Goodwill would occupy the ground floor and would use the space for a donation center and job training facility. The job training facility would be opened from 9 a.m. to 5 p.m. on Monday to Thursday, and from 9 a.m. to 1 p.m. on Friday. The training facility would also be open one Wednesday a month until 7 p.m. The donation facility would be open from 8:30 a.m. to 5 p.m., 7 days a week. HSH would occupy the second and third floors and would operate a navigation center for homeless youth in transition. The navigation center would include 76 shelter beds and various on-site support services. The navigation center would include an open-air lounge at the third floor.

The project would renovate the entire building and would be seismically strengthened; building expansion is not proposed. The proposed façade alterations are primarily limited to reconfiguring door and window openings, and storefront openings. The project proposes to retain the two existing off-street loading spaces; no off-street parking is proposed. Entrance to the navigation center would be from Hyde Street on a reconstructed mezzanine between the ground floor and second floor. Goodwill's proposed drop-off operations would use the existing ground-floor drive aisle that has access from both Post and Hyde streets. The existing approximately 15-foot-wide curb cut at the northern side of the building on Hyde Street would be removed and standard sidewalk and curb dimensions restored.

## CEQA Impacts

**Hazardous Materials:** The project is subject to the Maher Ordinance (Article 22A of the Health Code), which is administered by the Department of Public Health. The project sponsor enrolled in the Maher Program on 12/18/2019.

**Traffic:** The department's transportation staff reviewed the proposed project and determined that additional transportation review is not required. The existing porte cochere on the project site would accommodate the estimated loading demand for the proposed project, and truck loading trips would occur outside of the p.m. peak hour. Additionally, there are no bicycle- or transit-only lanes directly adjacent to the project site's frontages. The project sponsor would coordinate the location and design of any on-street loading zones with the San Francisco Municipal Transportation Agency.

**Noise:** The project would use typical construction equipment that would be regulated by Article 29 of the Police Code (section 2907, Construction Equipment). No impact pile driving or nighttime construction is required. Construction vibration would not be anticipated to affect adjacent buildings. The proposed project would not generate sufficient vehicle trips to noticeably increase ambient noise levels, and the project's fixed noise sources, such as heating, ventilation, and air conditioning systems, would be subject to noise limits in Article 29 of the Police Code (section 2909, Noise Limits).

**Air Quality:** The proposed project's construction would be subject to the Dust Control Ordinance (Article 22B of the Health Code). The proposed land uses are below the Bay Area Air Quality Management District's construction and operational screening levels for requiring further quantitative criteria air pollutant analysis. The project site is not located within an air pollutant exposure zone.

**Water Quality:** The project's construction activities are required to comply with the Construction Site Runoff Ordinance (Public Works Code, article 2.4, section 146). The project would be required to implement best management practices to prevent construction site runoff. Stormwater and wastewater discharged from the project site during operations would flow to the City's combined sewer system and be treated to the standards in the City's National Pollution Discharge Elimination System permit.

**Natural Habitat:** The project site is entirely covered by the existing three-story commercial building and is located within a developed urban area. The project site has no significant riparian corridors, estuaries, marshes, wetlands, or any other potential wildlife habitat that might contain endangered, rare or threatened species. Thus, the project site has no value as habitat for rare, threatened, or endangered species.

**Public Notice:** A "Notification of Project Receiving Environmental Review" was mailed on January 27, 2020 to adjacent occupants and owners of buildings within 300 feet of the project site and the Downtown/Civic Center neighborhood group list. Two members of the public responded to this notice and expressed concerns related to the operation of the navigation center in the neighborhood. Concerns and issues raised by the public in response to this notice were taken into consideration and incorporated in the environmental review as appropriate for CEQA analysis.



**STEP 7: MODIFICATION OF A CEQA EXEMPT PROJECT**

**TO BE COMPLETED BY PROJECT PLANNER**

In accordance with Chapter 31 of the San Francisco Administrative Code, when a California Environmental Quality Act (CEQA) exempt project changes after the Approval Action and requires a subsequent approval, the Environmental Review Officer (or his or her designee) must determine whether the proposed change constitutes a substantial modification of that project. This checklist shall be used to determine whether the proposed changes to the approved project would constitute a "substantial modification" and, therefore, be subject to additional environmental review pursuant to CEQA.

**PROPERTY INFORMATION/PROJECT DESCRIPTION**

Project Address (If different than front page)		Block/Lot(s) (If different than front page)
888 POST ST		0300/009
Case No.	Previous Building Permit No.	New Building Permit No.
2019-023636PRJ	2019-1223-0310	
Plans Dated	Previous Approval Action	New Approval Action
	Planning Commission Hearing	
Modified Project Description:		

**DETERMINATION IF PROJECT CONSTITUTES SUBSTANTIAL MODIFICATION**

Compared to the approved project, would the modified project:	
<input type="checkbox"/>	Result in expansion of the building envelope, as defined in the Planning Code;
<input type="checkbox"/>	Result in the change of use that would require public notice under Planning Code Sections 311 or 312;
<input type="checkbox"/>	Result in demolition as defined under Planning Code Section 317 or 19005(f)?
<input type="checkbox"/>	Is any information being presented that was not known and could not have been known at the time of the original determination, that shows the originally approved project may no longer qualify for the exemption?
<b>If at least one of the above boxes is checked, further environmental review is required.</b>	

**DETERMINATION OF NO SUBSTANTIAL MODIFICATION**

<input type="checkbox"/>	The proposed modification would not result in any of the above changes.
If this box is checked, the proposed modifications are categorically exempt under CEQA, in accordance with prior project approval and no additional environmental review is required. This determination shall be posted on the Planning Department website and office and mailed to the applicant, City approving entities, and anyone requesting written notice. In accordance with Chapter 31, Sec 31.08j of the San Francisco Administrative Code, an appeal of this determination can be filed within 10 days of posting of this determination.	
Planner Name:	Date:



OFFICE OF THE MAYOR  
SAN FRANCISCO



LONDON N. BREED  
RECEIVED  
MAYOR  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2020 JAN 14 PM 4:43

*JB*

*SK*

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Sophia Kittler  
RE: Lease of Real Property - TC II 888 Post, LLC - 888 Post Street -  
Homelessness and Supportive Housing - \$1,500,000 per year in rent -  
\$5,000,000 Landlord Work  
DATE: Tuesday, January 14, 2020

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Resolution approving and authorizing the Director of Property, on behalf of the City's Department of Homelessness and Supportive Housing, to lease real property located at 888 Post Street, for an initial term of 20 years, from TC II 888 Post, LLC, at a base rent of \$1,500,000 per year, increasing at 3% per year, including one option to extend the Lease for a period of 10 years; authorizing the City's contribution of up to \$5,000,000 towards the cost of Landlord Work; authorizing the Director of Property, under certain conditions, to negotiate and enter into future subleases, including with Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc. as a Subtenant; authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the Lease and this resolution, including allowing the City to increase its contribution towards the cost of the Landlord Work, subject to future appropriation of funds, as defined herein; and finding the proposed transaction is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and adopting findings under the California Environmental Quality Act.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200  
SAN FRANCISCO, CALIFORNIA 94102-4681  
TELEPHONE: (415) 554-6141



**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 #:  
200043

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
Dylan Schneider	415.355.5208
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
HSB Homelessness and Supportive Housing	dylan.schneider@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR TC II 888 POST, LLC	TELEPHONE NUMBER 415-407-8467
STREET ADDRESS (including City, State and Zip Code) 564 Market Street, Suite 225; San Francisco, CA 94104	EMAIL cyoung@tidewatercap.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 200043
DESCRIPTION OF AMOUNT OF CONTRACT \$5M in capital contribution; 20-year lease at \$1.5M per year increasing at 3% per year.		
NATURE OF THE CONTRACT (Please describe) 20-year lease real property located at 888 Post Street.		

7. COMMENTS
(This section is currently blank.)

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	Young	Craig	Other Principal Officer
2	TC Fund II, LLC		Shareholder
3			
4			
5			
6			
7			
8			
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17			
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19			

**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 of contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
20			
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#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
41			
42			
43			
44			
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46			
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48			
49			
50			

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

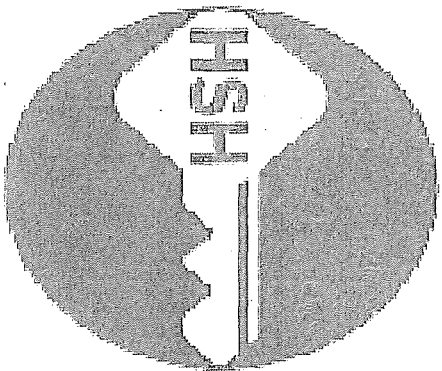
**10. VERIFICATION**

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

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

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





DEPARTMENT OF  
HOMELESSNESS AND  
SUPPORTIVE HOUSING

888 POST STREET

BUDGET & FINANCE COMMITTEE

FEBRUARY 12, 2020

## CHALLENGE

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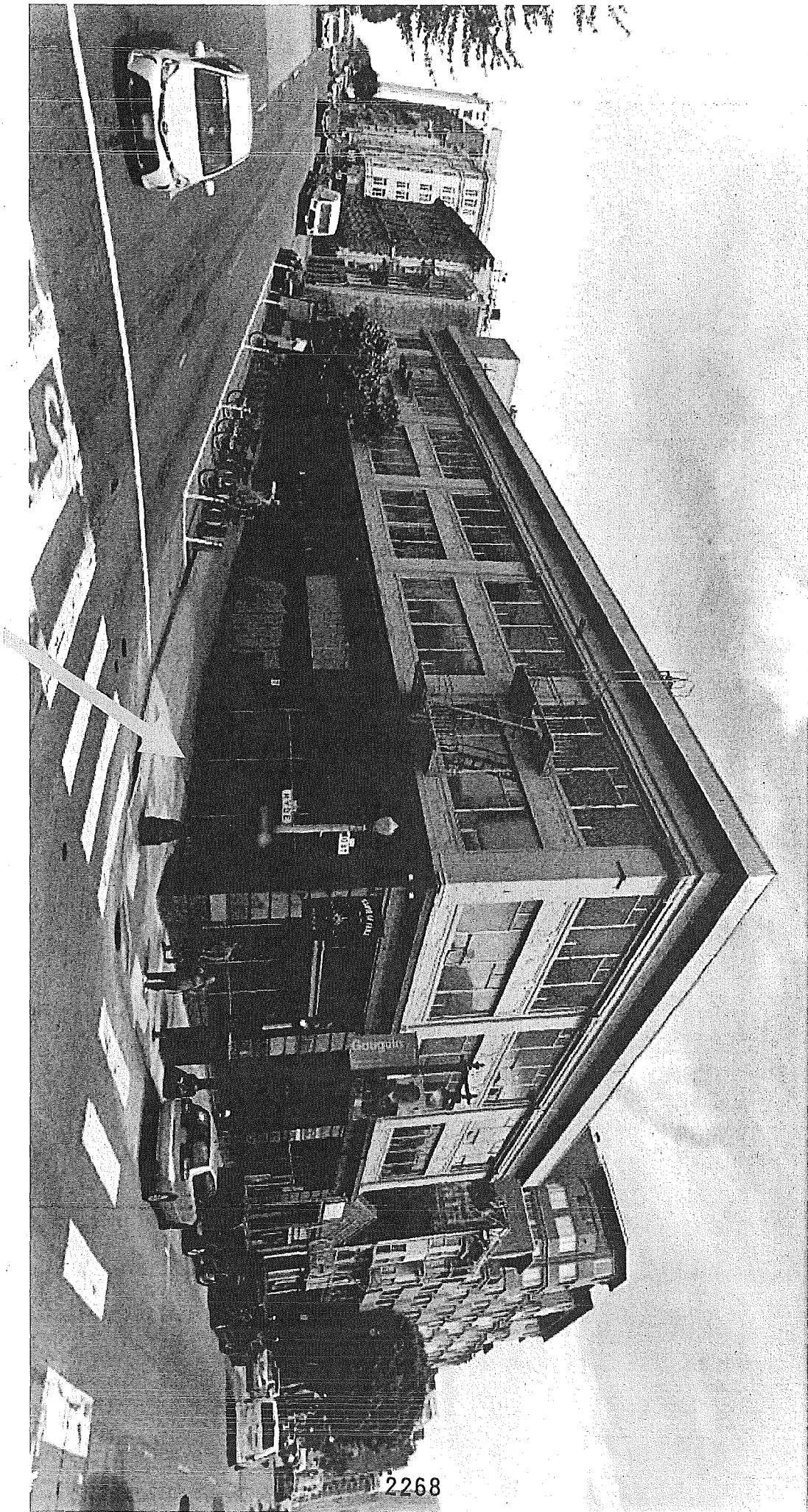
- ▶ San Francisco and The Bay Area are in the midst of a **housing affordability crisis**
- ▶ The unsheltered population has increased 19%
- ▶ Over 1,000 Transitional Aged Youth (ages 18-24) are experiencing homelessness in San Francisco,
- ▶ 83% of young people experiencing homelessness are unsheltered

- ▶ The proposed Navigation Center:
  - ▶ Dedicated space for young people (ages 18-24)
  - ▶ Non-profit provider who is familiar with the community
  - ▶ Approximately 75 beds
  - ▶ Low-threshold, high-service model
  
- ▶ Co-located with subtenants that provide complementary services
  - ▶ Goodwill Industries on ground floor

## HSH's Community Engagement Process Included:

- ▶ Two small neighborhood stakeholder meetings
- ▶ Mailed written notice and information posted on HSH website
- ▶ Two large community input forums
  - ▶ January 9, 2020
  - ▶ January 23, 2020
- ▶ Community commitments moving forwards

SITE OVERVIEW – 888 POST FROM THE CORNER OF POST AND HYDE STREETS



Goodwill vehicular entrance



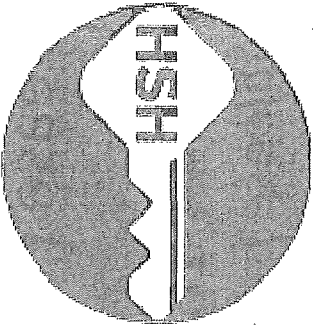
SITE OVERVIEW – 888 POST FROM HYDE STREET



Navigation Center pedestrian access

- ▶ The proposed Lease (33,980 sq. ft.):
  - ▶ 20-year term; \$44.16 per sq. ft./yr. (NNN) @ 3%/yr.  
*(Subtenants to sublease from City at same rate per sq. ft)*
  - ▶ City's capital cost contribution is capped at \$5M  
*(Landlord responsible for capital costs above that amount)*
- ▶ The Purchase Option:
  - ▶ Exercisable at any time from now until August 2022
  - ▶ **\$29M** – fixed
  - ▶ Not advantageous to buy until property has been delivered by Landlord after landlord costs contributed

THANK YOU



DEPARTMENT OF  
HOMELESSNESS AND  
SUPPORTIVE HOUSING