

File No. 260672

Committee Item No. 13

Board Item No. 25

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee Date July 15, 2026

Board of Supervisors Meeting Date July 21, 2026

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Completed by: Brent Jalipa Date July 9, 2026

Completed by: Brent Jalipa Date July 16, 2026

1 [Real Property Lease - W.Y.L. Orion Properties, LLC - 125 Bayshore Boulevard - \$655,200
2 Initial Annual Base Rent]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Homelessness and Supportive Housing, to enter into a lease of real**
5 **property consisting of approximately 31,200 square feet, with buildings totaling**
6 **approximately 22,965 square feet located at 125 Bayshore Boulevard, with W.Y.L. Orion**
7 **Properties, LLC, a California limited liability company, as Landlord, for an initial term of**
8 **ten years, with two five-year options to extend thereafter, anticipated to commence on**
9 **July 1, 2026, for use by the Department of Homelessness and Supportive Housing for**
10 **emergency shelter purposes at an initial annual base rent of \$655,200 with 3% annual**
11 **increases; authorizing the Director of Property, on behalf of the Department of**
12 **Homelessness and Supportive Housing, to execute the Lease; affirming the Planning**
13 **Department's determination under the California Environmental Quality Act; adopting**
14 **the Planning Department's findings of consistency with the General Plan, and the eight**
15 **priority policies of the Planning Code, Section 101.1; and authorizing the Director of**
16 **Property to enter into amendments or modifications to the Lease that do not materially**
17 **increase the obligations or liabilities to the City and are necessary to effectuate the**
18 **purposes of the Lease or this Resolution.**

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

24 WHEREAS, With the adoption of Resolution No. 319-18 in October 2018, the Board of
25 Supervisors declared a shelter crisis and affirmed San Francisco's commitment to combatting

1 homelessness and creating or augmenting a continuum of shelter and service options for
2 those experiencing homelessness; and

3 WHEREAS, The City is committed to offering a variety of shelter services focused on
4 connecting people living unsheltered in our community to housing; and

5 WHEREAS, According to the 2024 Point-in-Time Count, there were 4,354 people
6 experiencing unsheltered homelessness in San Francisco, 23% of which were in District 10;
7 and

8 WHEREAS, On January 30, 2018, the Board of Supervisors adopted Resolution No.
9 023-18, approving a lease for the parcel of approximately 31,200 square feet at 125 Bayshore
10 Boulevard, with W.Y.L. Orion Properties, LLC, from approximately April 1, 2018, to no later
11 than September 30, 2023, for use by HSH for emergency shelter purposes, and this lease has
12 been in holdover at an annual rent of \$655,000 and has not increased since; and

13 WHEREAS, HSH opened the Bayshore Navigation Center at 125 Bayshore Boulevard
14 in 2018 that serves up to 128 adults experiencing homelessness; and

15 WHEREAS, The Planning Department, through General Plan Referral letter dated
16 January 10, 2018, ("Planning Letter"), which is on file with the Clerk of the Board of
17 Supervisors under File No. 171288, has verified that a City lease of 125 Bayshore Boulevard
18 would be consistent with the City's General Plan, and the eight priority policies under Planning
19 Code, Section 101.1, and categorically exempt from Environmental Review; and

20 WHEREAS, The Real Estate Division ("RED") in consultation with HSH and the Office
21 of the City Attorney, negotiated a proposed new lease for an initial term of ten years,
22 commencing upon the approval of the Board of Supervisors, Mayor and executed by the
23 Director of Property; and
24
25

1 WHEREAS, The Director of Property has determined that the base rent is at or below
2 fair market value for similar properties and is less per square foot than the requirement for an
3 appraisal under Chapter 23; and

4 WHEREAS, On March 9, 2026, pursuant to California Government Code, Section
5 65660, the Planning Department determined that the use of the property as a temporary, low-
6 barrier homeless shelter meets the definition of a low-barrier navigation center, and is
7 therefore not a project for purposes of the California Environmental Quality Act (California
8 Public Resources Code, Sections 21000 et seq.); and said determination is on file with the
9 Clerk of the Board of Supervisors in File No. 260672 and is incorporated herein by reference;
10 now, therefore, be it

11 RESOLVED, In accordance with the recommendation of the Director of Property,
12 Executive Director of HSH, or their designees, and the City Attorney, the Director of Property
13 on behalf of the City, as Tenant, is hereby authorized to take all actions necessary to execute
14 the Lease at 125 Bayshore Boulevard in San Francisco, at a base rent of \$655,200 for the
15 initial year, with an annual base rent escalation of 3%, for an initial ten-year term, plus two
16 five-year options to extend at 95% of fair market value; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the lease of
18 125 Bayshore Boulevard is consistent with the City's General Plan and Eight Priority Policies
19 of Planning Code Section 101.1 and hereby incorporates such findings by reference as
20 though fully set forth in this Resolution; and, be it

21 FURTHER RESOLVED, That the Board of Supervisors hereby affirms the Planning
22 Department's determination under the California Environmental Quality Act, and adopts the
23 Planning Department's findings as its own; and, be it

24 FURTHER RESOLVED, That in accordance with the recommendation of the Executive
25 Director of HSH and the Director of Property, or their designees, the Board of Supervisors

1 approves the Lease and authorizes the Director of Property to take all actions necessary to
2 enter into and perform the City's obligations under the Lease; and, be it

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

9 FURTHER RESOLVED, The Board of Supervisors approves the lease in substantially
10 the form in the Board File and authorizes the Director of Property to enter into any additions,
11 amendments, or other modifications to the Lease (including, without limitation, the exhibits to
12 the Lease) that the Director of Property determines are in the best interest of the City, do not
13 materially decrease the benefits to the City, do not materially increase the obligations or
14 liabilities of the City, or are necessary or advisable to effectuate the purposes of the Lease or
15 this Resolution, and are in compliance with all applicable laws; and, be it

16 FURTHER RESOLVED, That within thirty (30) days of the execution of the Lease by all
17 parties, the Director of Property shall provide a copy of the executed Lease to the Clerk of the
18 Board for the Board's file.

1 Recommended:

2
3 /s/ Emily Cohen for
4 Shireen McSpadden
5 Homelessness and Supportive Housing
6 Executive Director

7 Recommended:

8 /s/ Sarah R. Oerth
9 Sarah R. Oerth Real Estate Division
10 Director of Property
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Item 13
File 26-0672

Department: Real Estate Division (RED),
Department of Homelessness and Supportive Housing (HSH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property, on behalf of the Department of Homelessness and Supportive Housing (HSH), to execute a lease with W.Y.L. Orion Properties, LLC, as landlord, for approximately 31,200 square feet, with buildings totaling approximately 22,965 square feet, located at 125 Bayshore Boulevard, for a ten-year term with two five-year extension options. The initial annual base rent would be \$655,200 with three percent annual escalation.

Key Points

- In 2018, the Board of Supervisors approved a lease between the City, as tenant, and W.Y.L. Orion Properties, LLC, as landlord, for a former warehouse site at 125 Bayshore Boulevard for use as a Navigation Center. Following expiration of the lease in September 2023, HSH continued occupancy under a holdover arrangement while evaluating potential expansion of the facility. HSH elected to retain the existing premises and negotiate a new lease. The site would continue operating as a Navigation Center throughout the proposed lease term and currently has capacity for 128 beds. The facility served approximately 569 unduplicated clients in FY 2025-26.
- The proposed lease would provide approximately 31,200 square feet of site area, including approximately 22,965 rentable square feet of building area, at an initial annual rent of \$655,200 (\$21 per square foot) with annual rent escalations of three percent. The Real Estate Division (RED) determined that the proposed rent is at or below fair market value based on a May 2026 survey of comparable properties.

Fiscal Impact

- Over the initial ten-year term, total rent is estimated at \$7.5 million, including annual rent escalations of three percent. If either extension option is exercised, rent would be adjusted to fair market value at that time.
- Lease costs would be funded by the General Fund.

Policy Consideration

- The proposed lease represents a significant shift from the original lease approved in 2018, which provided for an initial six-month term and five one-year extension options. In contrast, the proposed lease would authorize occupancy through 2046 if both five-year extension options are exercised. According to RED and HSH, the longer lease term reflects the successful operation of the Bayshore Navigation Center, the City's ongoing need for emergency shelter capacity, and the opportunity to secure favorable rental rates in a competitive industrial real estate market.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter 9.118(c) states that any lease, modification, amendment, or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

Navigation Centers provide unsheltered San Franciscans room and board while case managers work to connect them to income, public benefits, health services, shelter, and housing. In January 2018, the Board of Supervisors approved a lease between the City, as tenant, and W.Y.L. Orion Properties, LLC, as landlord, for a former warehouse site at 125 Bayshore Boulevard for use by the Department of Homelessness and Supportive Housing (HSH) for a new Navigation Center. The lease had an initial six-month term plus five one-year annual renewals, thereafter, commencing from approximately January 30, 2018 to no later than September 30, 2023 and an annual rent of \$489,000 with three percent annual increases (File 17-1288). In October 2018, HSH opened the 128-bed Bayshore Navigation Center. According to HSH, the lease was put on holdover on June 1, 2024 after expiration of the lease in September 2023 with annual rent of \$655,200. The lease remained on holdover while HSH evaluated a potential expansion of the facility.¹ Following review of the site, HSH elected to retain the existing premises and negotiate a new lease.

HSH states that the Bayshore Navigation Center served approximately 569 unduplicated clients during FY 2025-26. The facility continues to operate at a capacity of 128 beds and provides shelter, case management, housing navigation, and supportive services. Consequently, this proposed lease at 125 Bayshore Boulevard is now being considered by the Board of Supervisors for approval to continue use of the premises as a Navigation Center.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property, on behalf of HSH, to execute a lease with W.Y.L. Orion Properties, LLC, as landlord, for approximately 31,200 square feet, with buildings totaling approximately 22,965 square feet, located at 125 Bayshore Boulevard, for a ten-year term with two five-year extension options. The initial annual base rent would be \$655,200 with three percent annual escalation.

The proposed resolution would also (1) find that the lease is consistent with the City's General Plan and the eight priority policies of Planning Code, Section 101.1(b) and (2) authorize the Director of Property to make further amendments to the lease so long as they do not increase

¹ Upon expiration of the lease, the City had not yet determined the long-term use of the Navigation Center. To maintain operations while evaluating future needs, the City continued occupancy under a holdover arrangement. The Real Estate Division (RED) negotiated a reduced holdover rent of 116 percent of the prior rental rate, rather than the 125 percent rate permitted under the lease (per Section 22.13 of the 2018 lease). According to RED, the landlord cooperated throughout the holdover period, providing the City flexibility to assess long-term operational requirements. In early 2025, HSH began evaluating a potential expansion into the adjacent warehouse as part of the Mayor's initiative to add 1,500 shelter beds; that option remains under consideration.

the City's liabilities. The lease term would commence upon Board of Supervisors' and Mayor's approval of the resolution.

Exhibit 1 below summarizes the terms and conditions of the lease provisions.

Exhibit 1. Summary of Proposed Lease

	Proposed Lease
Premises	22,965 rentable square feet (12,965 rentable square feet of warehouse space and 10,000 square feet of office space) on 125 Bayshore Boulevard. Buildings are located on approximately 31,200 square feet of land.
Initial Annual Base Rent	\$655,200 (\$21 per square foot)
Rent Escalation	3% annually Rent resets to market rate at each lease term extension
Utilities and Services	City is responsible for contracting directly with service and utility providers and paying for separately metered utilities and services, including janitorial, refuse removal, pest control and security services.
Term	10 years from the commencement date.
Options to extend	Two five-year options to extend
Maintenance	Landlord responsible for building exterior and structure and most building systems. City responsible for maintaining interior elements. HVAC repairs: • Years 1 – 3: Landlord responsible • Years 4 -6: Landlord and City share cost 50/50 • Remaining lease: City responsible
Option to Purchase	Lease provides City's right of first refusal if the Landlord decides to sell the property
Tenant Improvements	No tenant improvements are currently planned. Tenant improvements are subject to mutual agreement and Board approval, with the City reimbursing approved costs, including any approved costs exceeding the guaranteed maximum price. The Landlord may perform future tenant improvements if requested by the City. The Landlord will initially front construction costs, and the City will reimburse approved costs. The Landlord will receive an additional 5 percent fee for construction administration/management.

Source: Proposed Lease Agreement

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

Site Usage

As previously mentioned, the Bayshore Navigation Center at 125 Bayshore Boulevard would continue to operate as a Navigation Center throughout the proposed lease term. The facility currently has capacity for 128 beds and can serve up to 128 adults experiencing homelessness at any given time. HSH does not currently anticipate changes to the facility's use under the proposed

lease but notes that future operational changes, including potential changes to bed capacity, remain subject to further analysis.

Base Rent Determination

RED determined the proposed annual rent of \$655,200 (\$21.00 per square foot) is at or below fair market rent based on a survey of comparable leases conducted in May 2026. According to RED, the rent per square foot is calculated using the approximately 31,200 square feet of site area, rather than the approximately 22,965 rentable square feet of building area (as was done for the prior lease), because HSH is occupying the entire footprint of the parcel, and not solely the buildings. An appraisal was not required under Administrative Code Section 23.27 because the proposed rent is less than \$45 per square foot. The base rent will be escalated by three percent annually.

Tenant Improvements

Under the proposed lease, the landlord may perform future tenant improvements if requested by the City. The landlord will initially front construction costs, and the City will reimburse approved costs. The landlord will receive an additional five percent fee for construction administration/management. According to RED, a five percent fee is consistent with market rates for a project of this size. Tenant improvements are subject to mutual agreement and Board approval, and the City would reimburse approved tenant improvement costs, including any approved costs exceeding the guaranteed maximum price.

According to HSH, no City-funded tenant improvements are currently planned; however, RED included this provision to preserve the City's ability to undertake future tenant improvements if needed.

Utilities and Services

Under the proposed lease, the City is responsible for contracting directly with service and utility providers and paying for separately metered utilities and services, including janitorial, refuse removal, pest control and security services. According to HSH, these costs are budgeted through the contract with Five Keys Schools and Programs (Five Keys), which operates the Bayshore Navigation Center.² According to the contract's Appendix B, utilities (which include electricity, water, gas, phone, and refuse services) are budgeted at \$250,000 annually in FY 2026-27 and FY 2027-28. The total cost of the Five Keys grant to operate the site is \$4.8 million in FY 2026-27, which is funded by the General Fund and a State grant.

Repairs and Maintenance

Under the proposed lease, the landlord is responsible for all HVAC repair, maintenance, and replacement costs during Years 1 through 3. During Years 4 through 6, the landlord and City would share HVAC costs equally, with the City reimbursing the landlord for 50 percent of

² According to FY 2024-25 program monitoring results for the Bayshore Navigation Center, Five Keys met most program and operational requirements but fell short of HSH's targets for Coordinated Entry assessments and service referrals. Five Keys submitted a corrective action plan to address the findings and strengthen service plan oversight, which HSH accepted and subsequently closed the monitoring review.

approved costs. Beginning in Year 7 and continuing through the remainder of the lease term and any extension terms, the City would assume responsibility for all HVAC repair, maintenance, and replacement costs. The landlord would remain responsible for maintaining and repairing the building's structural and exterior components, including the roof, foundation, bearing walls, and exterior walls.

First Right of Offer to Purchase

The proposed lease includes a First Right of Offer to Purchase allowing the City to purchase the property during the lease term. If the landlord elects to sell or transfer the property to an unrelated third party, the landlord must first offer the property to the City at the proposed sale price. The City would have 30 days to either accept the proposed price or submit a counteroffer. If the parties agree on a purchase price, they would enter into a purchase and sale agreement, subject to approval by the Board of Supervisors. According to RED, the City currently has no plans to exercise this right.

FISCAL IMPACT

As shown in Exhibit 2 below, over the initial 10-year term, HSH would pay \$7,511,134 in total rent, which includes the three percent annual rent escalation. If an option to extend the term is exercised, the rent for the extended term would be set at fair market rent at that time.

Exhibit 2. Total Rent by Year Under Proposed HSH Lease

Lease Year	Annual Rent	Annual Rent per Square Foot
Year 1	\$655,200	\$21.00
Year 2	674,856	\$21.63
Year 3	695,102	\$22.28
Year 4	715,955	\$22.95
Year 5	737,433	\$23.64
Year 6	759,556	\$24.34
Year 7	782,343	\$25.08
Year 8	805,813	\$25.83
Year 9	829,988	\$26.60
Year 10	854,887	\$27.40
Total	\$7,511,134	

Source: Proposed Lease Agreement

The proposed lease would establish an initial annual rent of \$655,200 (\$21.00 per square foot), with annual rent escalation of three percent. The initial rent is equal to the current rent paid under the holdover lease.

Lease costs would be paid from the City's General Fund, subject to Board of Supervisors' appropriation approval in HSH's annual budget.

POLICY CONSIDERATION**Long-Term Commitment to Navigation Center Operations**

The duration of the proposed lease differs significantly from the original lease approved in 2018. The original lease provided for an initial term of six months with five one-year extension options, reflecting the City's historical use of Navigation Centers as interim shelter facilities. The proposed lease provides for a ten-year term with two additional five-year extension options, potentially allowing occupancy through 2046. According to RED and HSH, the longer lease term reflects the successful operation of the Bayshore Navigation Center, allows the City to secure favorable rental rates in a competitive industrial real estate market and provides for the City's ongoing need for emergency shelter capacity. As previously mentioned, HSH intends to continue operating the Bayshore Navigation Center at 125 Bayshore Boulevard throughout the proposed lease term.

HSH currently oversees the following eight Navigation Centers, which have a combined 1,111 temporary and emergency beds³: 1925 Evans Avenue (Bayview SAFE), 600 25th Street (Central Waterfront), 700 Hyde Street (Lower Polk TAY), 555 Beale Street (Embarcadero SAFE), 680 Bryant Street (Taimon Booton), 74 6th Street (Baldwin), 224 S Van Ness Avenue (Division Circle), and 125 Bayshore Boulevard (Bayshore). The City currently has a total of 2,799 adult shelter beds.⁴

RECOMMENDATION

Approve the proposed resolution.

³ Data source is HSH's shelter and crisis intervention inventory dashboard, as of July 6, 2026.

⁴ Data source is HSH's shelter and crisis intervention inventory dashboard, as of July 6, 2026.

INDUSTRIAL LEASE

between

W.Y.L. Orion Properties, LLC,
a California limited liability company,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
125 Bayshore Boulevard
San Francisco, California

May 14, 2026

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LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A — Site Plans of Premises and Exclusive Outdoor Area

INDUSTRIAL LEASE

THIS INDUSTRIAL LEASE (this “Lease”), dated for reference purposes only as of May 14, 2026, is by and between W.Y.L. ORION PROPERTIES, LLC, a California limited liability company (“Landlord”), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City” or “Tenant”).

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the “Basic Lease Information”). Each item below 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:	May 14, 2026
Landlord:	W.Y.L. Orion Properties, LLC, a California limited liability company
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Buildings (<u>Section 2.1</u>):	The buildings located on the property commonly known as 125 Bayshore Boulevard, San Francisco, California, Assessor’s Parcel Number Block 5559, Lots 002 and 019.
Property (<u>Section 2.1</u>):	The Buildings, the parcel of land upon which the Buildings are located consisting of approximately 31,200 square feet of land, and all other improvements on or appurtenances to such land.
Premises (<u>Section 2.1</u>):	The Buildings, comprised of approximately 12,965 rentable square feet of warehouse space and 10,000 square feet of office space, as more particularly described and shown on <u>Exhibit A</u> attached hereto.
Term (<u>Section 3</u>):	Ten (10) years, commencing on the Commencement Date, which shall be the latter of (a) approval by the Board of Supervisors and the Mayor and (b) the execution of this Lease by the Director of Property. Expiring on the Expiration Date, which shall be the last day of the month in which the tenth (10th) anniversary of the Commencement Date occurs.
Estimated Commencement Date:	The estimated Commencement Date shall be July 1, 2026.

Extension Option(s) (Section 3.3):

Two (2) additional term(s) of 5 years each, exercisable by City by notice to Landlord given not less than 180 days in advance.

Base Rent (<u>Section 4.1</u>):b	Annual Rent PSF		Annual Rent
	Year 1	\$21.00	\$ 655,200.00
	Year 2	\$21.63	\$ 674,856.00
	Year 3	\$22.28	\$ 695,101.68
	Year 4	\$22.95	\$ 715. 954.73
	Year 5	\$23.64	\$ 737,433.37
	Year 6	\$24.34	\$ 759,556.37
	Year 7	\$25.08	\$ 782.343.06
	Year 8	\$25.83	\$ 805,813.36
	Year 9	\$26.60	\$ 829,987.76
	Year 10	\$27.40	\$ 854,887.39

Base Rent Adjustment; Adjustment Dates (Section 4.2):

On each Anniversary of the Commencement Date or if the Commencement Date was not on the first day of the month, the first day of the month following the anniversary of the Commencement Date

Expenses and Payments (Section 4.8):

The Property is currently serviced by electricity, telephone, water, sewer and natural gas connections to the Buildings, which shall be provided in good working order upon the Commencement Date. City shall be responsible for contracting with, and paying for, each service provider directly.

Permitted Use (Section 5.1):

“**Permitted Use**” shall be: temporary shelter to people currently experiencing homelessness, public programs, general office and any other purposes consistent with existing zoning.

Leasehold Improvements (Section 6)

Landlord shall provide City the Leasehold Improvements pursuant to Section 6 below, The scope, timing, and cost of such Leasehold Improvements shall be determined and mutually agreed upon by the Parties and approved by the San Francisco Board of Supervisors by resolution, acting in its sole and absolute discretion, prior to Landlord’s execution of any construction agreement and commencement of the work. Any agreed upon costs for the Leasehold Improvements will be

paid by the City to the Landlord on a reimbursement basis.

City will reimburse Landlord for costs in excess of the not to exceed amount stipulated in the Guaranteed Maximum Price construction agreement between the Landlord and their General Contractor set forth in the Basic Lease Information to the extent previously approved by City, the Board of Supervisors and the Mayor, in their sole and absolute discretion, by resolution.

Repairs and Maintenance (Section 8):

Landlord to maintain Building Systems as set forth in Section 8.1 and to perform certain HVAC repairs as set forth in Section 8.2. City to perform certain repairs and maintenance, as provided under Sections 8.2, 8.3, and Section 9.1.

Utilities and Services (Section 9):

Landlord to furnish utilities to the Premises. City is responsible for contracting with service and utility providers at the Premises. City shall pay for its direct and separately metered utilities and services, including janitorial, refuse removal, pest control and, at City's election, security.

Notice Address of Landlord (Section 24.1):

James Lew
595 Newhall Ave
San Francisco, CA 94124

With a copy to:

Santino DeRose
466 Green Street, Suite #203
San Francisco, CA 94133

Landlord's Key Contact:

James Lew

Landlord Contact Telephone No.:

415-559-2246

Tenant's Notice Address (Section 24.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property
Re: 125 Bayshore

with a copy to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate & Finance Team

Re: 125 Bayshore
Fax No.: (415) 554-4757

Tenant's Key Contact:	Melvin Mendaros
Tenant Contact Telephone No.:	415-554-9887
Tenant's Alternate Contact:	Jeff Suess
Alternate Contact Telephone No.:	415-554-9873
Brokers (<u>Section 24.8</u>):	For Landlord: Maven Commercial, Inc.

First Right of Offer to Purchase (Section 22.1): If Landlord decides to sell or transfer the Property to an unrelated third party, as described below, during the Term of this Lease, Landlord shall first offer the Property to the City at the purchase price the Landlord would offer the Property to third parties in accordance with the provisions of Section 22.1 below.

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 buildings identified in the Basic Lease Information (the "**Building(s)**") and shown on the floor plan(s) attached as **Exhibit A** (the "**Premises**"). The Premises contain the rentable area of the Building(s) specified in the Basic Lease Information. The Building(s), the land on which the Building(s) are located, and all other improvements on or appurtenances to the land are referred to collectively as the "**Property**."

2.2 Condition of the Premises on Delivery

The parties acknowledge that City is currently in possession of the Property, and Landlord makes no warranties other than as may be otherwise set forth in this Lease.

2.3 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.

Landlord discloses (i) Landlord has not been issued a disability access inspection certificate as described in California Civil Code ("**CC**") Section 55.53(e), (ii) pursuant to CC Section 1938, that Landlord has not ordered, performed, or caused to be performed, a Certified Access Specialist ("**CASp**") inspection of the Premises (sometimes referred to as "premises" or "subject premises" for the herein disclosures), and (iii) Landlord makes the following statutory disclosure per CC Section 1938 (the required "**CASp Disclosure**"):

"A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related

accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

If City elects to obtain an inspection, City shall make arrangements for the time and manner of the CASp inspection, and City shall bear the cost of the CASp inspection fee, and Landlord shall be responsible for the cost of any repairs necessary to correct violations of construction-related accessibility standards.

3. TERM

3.1 Term of Lease

The Parties acknowledge that City currently occupies the Premises as a holdover tenant pursuant to that certain Industrial Lease, by and between City and Landlord, dated February 12, 2012 (the “**Original Lease**”). This Lease shall supersede and replace the Original Lease, as of the Commencement Date. The parties hereto acknowledge and agree that up until the Commencement Date of this Lease, the Original Lease was in full force and effect, has continued in full force and effect without interruption since the date City initially took occupancy of the Property under the Original Lease and that City currently occupies the Property pursuant to the terms thereof. In addition, notwithstanding to the contrary contained in the Original Lease, effective as of the Lease Commencement Date the Original Lease shall be terminated (“**Original Lease Termination Date**”) and of no further force or effect, and Landlord and City’s rights and obligations with respect to the Premises arising or accruing thereafter shall be as set forth in this Lease; provided, however, that Landlord and City shall remain liable under the terms of the Original Lease with respect to their respective obligations which specifically survive the term of the Original Lease, including, without limitation, those set forth at Sections 19, 20.6, and 22.8 of the Original Lease with regard to the City’s obligations. The Premises are leased for a term (the “**Term**”) commencing on the latter of (a) the date that the Lease has been approved by the Board of Supervisors and the Mayor in their absolute and sole discretion and (b) the date the Lease has been executed by the Director of Property. Landlord has delivered and City has accepted the Premises in the condition required under this Lease with the exception that the Leasehold Improvements (as defined below) will be completed by Landlord and confirmed by City under Section 6.1 (Landlord’s Obligation to Construct Improvements) only if and when the City elects to proceed with such work. The timing, scope and schedule for commencement and completion of the Leasehold Improvements shall be determined and mutually agreed upon by the Parties at that time; provided that Landlord has complied with Section 6.1(b). The Term will end on the expiration date specified in the Basic Lease Information, or the date that this Lease is earlier terminated under the provisions of this Lease, unless City extends the Term pursuant to Section 3.3 (Extension Option(s), 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**.”

3.3 Extension Option(s)

Landlord grants City the right to extend the Term (the “**Extension Option(s)**”) for the additional term(s) specified in the Basic Lease Information (the “**Extended Term(s)**”). The Extended Term(s) will be on all of the terms and conditions contained in this Lease. City may exercise an Extension Option, if at all, by giving written notice (the “**Extension Notice**”) to Landlord no later than one hundred eighty (180) days before expiration of the Term to be extended; provided, however, if there is an uncured Event of Default on the date City gives an Extension Notice, then Landlord may reject City’s Extension Notice if City fails to cure the Event of Default within ten (10) days after Landlord’s written demand for City to cure the Event of Default. If City extends the Term as provided in this Section, then the word “Term” will mean and include any Extended Term(s).

4. RENT

4.1 Base Rent

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

4.2 Adjustments in Base Rent

On each date specified in the Basic Lease Information for the adjustment of Base Rent (an “**Adjustment Date**”), the Base Rent payable under Section 4.1 (Base Rent) will be adjusted in accordance with the Base Rent schedule set forth in the Basic Lease Information.

4.3 Determination of Base Rent for the Extended Term

(a) At the commencement of any Extended Term, the Base Rent will be adjusted to equal the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location, and quality to the Building (“**Comparable Space**”) situated in or in close proximity to the Bayview area of San Francisco (“**Reference Area**”). As used in this Section, “**prevailing market rate**” means the base rent for Comparable Space, taking into account (i) any additional rent and all other payments and escalations payable under this Lease, and (ii) floor location and size of the premises covered by leases of the Comparable Space (iii) the duration of Extended Term under this Lease and the term of the leases for Comparable Space, (iv) free rent and any other tenant concessions given under the leases for Comparable Space, and (v) tenant improvement allowances and other allowances given under the leases for Comparable Space.

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

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

(ii) If within that thirty (30)-day period Landlord and City cannot agree on the prevailing market rate, then each will select one appraiser to determine the prevailing market rate. Within thirty (30) days after the expiration of the thirty (30)-day consultation period, each party will cause its appraiser 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 thirty (30)-day period, then the prevailing market rate determined in that appraisal report will be used to establish the Base Rent for the Extended Term. If both appraisal reports are submitted within the thirty (30)-day period, and if the prevailing market rates determined in the two appraisal reports differ by less than ten percent (10%) of the higher of the two, then the average of the two will be the prevailing market rate. If the prevailing market rates in the two appraisal reports differ by more than ten percent (10%) of the higher of the two, then the two appraisers will immediately select a third appraiser. Within ten (10) days after selection, the third appraiser will determine which of the first two appraisal reports specified a value closest to the actual fair market value, which will be the prevailing market rate. The determination of the third appraiser will be final and binding on the parties.

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

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

4.4 Additional Charges

City will pay to Landlord any charges or other amounts required under this Lease as additional rent (“**Additional Charges**”). All Additional Charges are payable to Landlord at the place where the Base Rent is payable. The Base Rent and Additional Charges are sometimes collectively referred to “**Rent**.”

4.5 Payments by City

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

4.6 Landlord’s Compliance with City Business and Tax Regulations Code

Landlord acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority,

any payment City is required to make to Landlord under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

4.7 Additional Services

City may request that Landlord provide or arrange for additional services for the Premises, which Landlord may provide or arrange in its reasonable discretion. If Landlord elects to provide the requested additional services and City has approved the cost and scope of those services in advance, then City will pay Landlord as Additional Charges the cost of those services plus a five percent (5%) administrative fee. Landlord may not contract for or provide any services (and City will not be obligated to pay for such services) without City's prior written approval of the cost of the additional services (which may be the known costs, or an hourly rate and maximum number of hours, or a cost estimate with a not-to-exceed maximum amount) in writing before Landlord incurs any costs. City will pay for the cost of the additional services and the administrative fee within thirty (30) days after receipt of an invoice; provided, however, that City may elect to provide any deposit or other prepayment that City determines is appropriate given the nature of the requested services. Any additional terms for the additional services will be memorialized by a written agreement, which, upon execution by Landlord and City, will be considered a part of this Lease.

4.8 Expenses and Payments

City shall be responsible for utility expenses, janitorial expenses, expenses for graffiti removal as described in Section 8.3 of this Lease at its cost, for the maintenance of all fixtures, and equipment within the Premises. City shall directly remit payment to the providers of services that City selects to perform those services, subject to Landlord's reasonable approval.

City shall remit Rent payments to Landlord in the amounts indicated in Section 1, under the terms and conditions in Section 4 and otherwise as applicable by any other provision of this Lease. During the Term and any extension thereof, Landlord shall be responsible for the repair and maintenance of the Building(s), except as specified in Section 8.1 including, including, without limitation, payment of taxes, and property insurance.

5. USE

5.1 Permitted Use

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

5.2 Observance of Rules and Regulations

City will observe the rules and regulations for the Building(s), if any, attached to this Lease as **Exhibit B** (the "**Rules and Regulations**"), but the provisions of this Lease will govern over any applicable Rules and Regulations. Landlord may make reasonable changes to the Rules and Regulations, but all changes must be applicable to all other tenants of the Buildings, if any, and the changes may not **(a)** reduce Landlord's obligations under the Lease, **(b)** conflict with the provisions of this Lease, **(c)** materially increase City's burdens or obligations, **(d)** impose a charge on City for services that this Lease expressly states are to be provided to City at no charge, or **(e)**

materially adversely affect any permitted use of the Premises. The changes permitted under this Section will be binding on City within a reasonable implementation period after delivery of Landlord's written notice of the changes to City. Landlord will administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other tenants of the Buildings, if any, to comply with them. Landlord will notify City of any waiver of or special dispensation under the Rules and Regulations granted by Landlord to any other tenant in the Buildings and on request, City will be entitled to the same waiver or special dispensation.

5.3 Interference with Access

Landlord will provide to City uninterrupted access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, including during any power outages affecting the Premises or any portion of the Building; but Landlord may, after consultation with City's Administrator, interrupt City's access to the Premises or the Building if there is an immediate threat that will render the Premises, the Common Areas, or any other portion of the Building unsafe for human occupancy. If City's use of any of the Premises or access to the Premises is interrupted because the Premises, the Common Areas, or any other portion of the Building is unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease after being notified in writing by City, or for any other reason other than an Event of Default, then Landlord will immediately undertake all necessary steps to correct the condition. If the condition continues for three (3) business days and impairs City's ability to carry on its business in the Premises, then the Rent will be abated based on the extent to which the condition interferes with City's ability to normally and safely carry on its business at the Premises. If the condition continues for thirty (30) days or more after City's use is interrupted or impaired then, without limiting any of its other rights under this Lease, City may terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days after the date City's use was interrupted or impaired, and City's full use is actually restored within that sixty (60)-day period. Nothing in this Section will limit City's rights with respect to any disruption due to casualty under Section 12 (Damage and Destruction).

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord shall obtain no fewer than three (3) bids from duly licensed contractors in good standing with the California State Licensing Board for the Leasehold Improvement Work (as defined below) shall select its general contractor, with approval of the City. Landlord, through its general contractor, will perform the work, and make the installations in the Premises as provided in the Construction Documents (as defined in this Section below) approved by City at City's cost and expense on a reimbursement basis as set forth in Section 6.1(d) below in the amount stipulated in the Landlord's construction agreement, which amount shall be first approved by City and approved by the San Francisco Board of Supervisors by resolution, acting in its sole and absolute discretion, and not exceed the Gross Maximum Price established by the general contractor as mutually agreed between the City and Landlord. The construction, work, and installations are referred to as the "**Leasehold Improvement Work**" and "**Leasehold Improvements.**" Landlord shall commence the Leasehold Improvement Work on a date determined by City in its sole and absolute discretion. City shall provide Landlord with no fewer than sixty (60) days' written notice of City's desire for Landlord to commence the Leasehold Improvement Work (the "**Leasehold Improvement Work Notice**"), which shall contain the date of commencement for the Leasehold Improvement Work.

Landlord acknowledges and agrees that the cost for the Leasehold Improvements must be first approved by the Board of Supervisors, acting in its sole and absolute discretion, prior to executing a construction agreement or performing the Leasehold Improvement Work.

(a) Plans and Specifications

(i) Landlord will cause its architect or space planner reasonably approved by City to prepare and submit to City for its approval an architectural plan, in accordance with the program requirements of City, and in form and detail sufficient for purposes of contractor pricing.

(ii) Upon receipt of the Leasehold Improvement Work Notice, based on the approved Scope of Work and any adjustments authorized by City, Landlord will cause final plans, specifications, and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements of this Lease. Landlord will submit a copy of the final plans, specifications, and working drawings to City within sixty (60) days after receipt of the Leasehold Improvement Notice. The final working drawings and specifications will be subject to City's approval, which approval may not be unreasonably withheld or delayed. If City disapproves the final working drawings and specifications, or any portion of them, then City will promptly notify Landlord of its disapproval and the revisions that City reasonably requires in order for Landlord to obtain City's approval. As soon as reasonably possible, but in no event later than fifteen (15) days after City's notice of disapproval and request for revisions, Landlord will submit to City updated final plans, specifications, and working drawings incorporating the revisions required by City. The revised plans, specifications, and working drawings will be subject to City's approval, which may not be unreasonably withheld or delayed. The final plans, specifications, and working drawings for the Leasehold Improvements approved by City are referred to as the "**Construction Documents.**"

(b) Permits

Landlord will secure and pay for any building permits and other permits and approvals, government fees, licenses, and inspections necessary for the proper performance and completion of the Leasehold Improvement Work shown on the Construction Documents. Promptly after City's approval of the Construction Documents, Landlord will apply for any permits, approvals, or licenses necessary to complete the Leasehold Improvement Work and will provide copies to City promptly following receipt. Landlord will be responsible for arranging for all inspections required by City's Department of Building Inspection.

(c) Construction

Immediately after approval of the Construction Documents and Landlord's receipt of all necessary permits and approvals, Landlord will commence construction and cause the Leasehold Improvements to be completed in a good and professional manner subject to City's acceptance and in accordance with sound building practices. Landlord will comply with and give notices required by all Laws (defined in Section 10.1 (Landlord's Compliance with Laws; Premises Condition; Indemnity), related to construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements must comply with all applicable disabled access laws, including the most stringent requirements of the Americans with Disabilities Act of 1990, California Code of Regulations Title 24 (or its successor) and City's requirements for program accessibility. Landlord will pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.3 (Prevailing Wages and Working Conditions), and may not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.5 (Tropical Hardwood and Virgin Redwood Ban).

(d) Payment for Work;

(i) Leasehold Improvement Work. Subject to Paragraph 6.1 above, and in addition to any other Project-related costs to be borne by Landlord under this Lease, Landlord shall pay the upfront cost of constructing and installing the Leasehold Improvements, together with all associated and customary construction-related costs, including, without limitation, permit and inspection fees, costs for architectural drawings and structural and civil engineering costs, required fencing and other site-security measures, and any and all other fees, charges, or costs customarily incurred in connection with construction and installation of the Leasehold Improvements and required or approved by the applicable governmental authorities (“**Project Costs**”), as follows:

(A) City’s Approval of Costs. The costs of the Leasehold Improvement Work must be set forth in a detailed construction budget and project schedule prepared by Landlord and Contractor and approved by City. The approved construction budget must show all costs to be paid by Landlord and reimbursed by City in line items and cost categories. Within five (5) days of City’s approval of the Construction Documents, Landlord will provide City with an initial construction budget and schedule for its approval. If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved construction budget, Landlord must immediately submit to City for its approval a revised construction budget and schedule and identify to City changes in line items and the reasons for the changes. If further changes are required, then Landlord will seek City’s approval, following the same procedures. Furthermore, City will reimburse Landlord for costs in excess of the not to exceed amount stipulated in the Guaranteed Maximum Price construction agreement between the Landlord and their General Contractor set forth in the Basic Lease Information to the extent previously approved by City, the Board of Supervisors and the Mayor, in their sole and absolute discretion, by resolution. City may approve or disapprove any construction budget or revisions in its reasonable judgment. City will not unreasonably delay its approval or disapproval to the Construction Documents, Construction Budget, and Construction Schedule. The most recently approved construction budget will supersede all previously approved budgets and schedules.

(B) Required Documentation of Costs. In seeking reimbursement from City for the Leasehold Improvements, Landlord will provide City with copies of (i) all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, (ii) receipts and satisfactory evidence of Landlord’s payment of the invoices, including unconditional lien waivers, or if the invoices have not been paid, conditional lien waivers; all lien waivers must meet the requirements of California Civil Code Section 8124 and be in the form prescribed by California Civil Code Sections 8132, 8134, 8136, and 8138, as applicable, and be executed by each subcontractor and material supplier, and (iii) any additional supporting documentation substantiating the Contractor’s right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

(C) Reimbursement to Landlord for Payment of Project Costs. City shall remit payment only for those City-Approved Project Costs actually incurred by Landlord by either (i) issuing a joint check payable to Landlord and the applicable contractor, or (ii) through such other mutually agreed-upon payment mechanism. The City and Landlord shall cooperate in good faith to implement reasonable procedures to properly document and effectuate such payments, including requirements for the timely submission of invoices and all supporting documentation.

The City shall endeavor to make progress payments for any undisputed City-Approved Project Costs within fifteen (15) business days, and in no event later than forty-five (45) calendar days, following its receipt of a written payment request and all required documentation from the Landlord. In addition to each Progress Payment amount, City shall pay to Landlord an amount of five percent (5%) of each Progress Payment (which five percent (5%) shall not be inclusive this

particular fee), for review, supervision, administration and management fees, overhead or other general expenses of Landlord,. City shall do so promptly following the Landlord's submission and City's receipt and approval of written invoices thereof and of any other required documentation in accordance with this Section 6.1.

(e) Construction Schedule; Substantial Completion

(i) Landlord will keep City apprised on a regular basis of the status of plan preparation, permit issuance, and the progress of construction. Landlord will provide City with written monthly status updates of permit approval and the progress of construction, including estimated times for receipt of permits and completion of construction. From time to time during the design and construction of the Leasehold Improvements, after reasonable advance oral or written notice to Landlord, City may enter the Premises at reasonable times to inspect the Premises, and City will use reasonable efforts not to materially interfere with the construction. Landlord or its representative may accompany City during any inspection. When construction progress permits, but not less than fifteen (15) days before completion, Landlord will notify City of the approximate date that the Leasehold Improvement Work will be substantially completed in accordance with the Construction Documents. Landlord will revise the notice of the approximate substantial completion date as appropriate from time to time and will immediately notify City when the Leasehold Improvement Work is substantially completed and the Premises are ready for occupancy by City. On a mutually agreeable date as soon as practicable after Landlord's notice to City that the Leasehold Improvements have been substantially completed, City and its authorized representatives will accompany Landlord or its architect on an inspection of the Premises.

(ii) The Leasehold Improvement Work will be deemed to be “**substantially completed**” for purposes of this Lease when the Leasehold Improvements have been sufficiently completed in accordance with the approved Construction Documents so that City can occupy the Premises and conduct its business for its intended uses and City, through its Director of Property, has approved the Leasehold Improvements. At its option, City may approve the Leasehold Improvements even though there may remain incomplete minor details that would not interfere with City's use. Landlord will promptly and diligently cause all incomplete details to be completed. Within thirty (30) days after acceptance of the Premises or as soon after acceptance as practicable, City may present to Landlord a written punchlist of any items that have not been finished in accordance with the Construction Documents. Within thirty (30) days after the delivery of the punchlist, Landlord will promptly complete all defective or incomplete items identified in the punchlist. City's failure to include any item on the punchlist will not alter Landlord's obligation under this Lease to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, or constitute a waiver of any latent defects.

(iii) No approval by City or any of its Agents of the Scope of Work, Construction Documents, or completion of the Leasehold Improvement Work for purposes of this Lease will be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing in this Lease will limit Landlord's obligations to obtain all necessary or required approvals.

(f) Warranty Enforcement and Service Requests.

All warranties and guaranties made by, or received from, any third party agent, contractor, subcontractor, manufacturer, materialman or supplier in connection with the design, construction, installation, or furnishing of any building, building component, structure, system, fixture, machinery, equipment, or material forming part of the Leasehold Improvements (collectively, the “Warranties”) shall be for the benefit of both Landlord and Tenant during the applicable warranty periods. Tenant shall have the right to notify Landlord in writing of any defect, deficiency, or failure covered by a Warranty, and Landlord shall promptly submit and pursue such warranty

claims or service requests with the applicable agent, contractor, subcontractor, manufacturer, materialman or supplier on Tenant's behalf. Landlord shall reasonably cooperate with Tenant to enforce all Warranties, including facilitating inspections, repairs, and corrective work, at no cost to Tenant, except to the extent the defect is caused by Tenant or Tenant's agents.

If Landlord fails to timely pursue a warranty claim within 10 days' receipt of Tenant's written notice, Tenant may, upon prior written notice to Landlord, directly pursue such warranty claim in Landlord's name, and Landlord shall reasonably cooperate in connection therewith. Notwithstanding anything to the contrary contained herein, nothing in this Section shall be deemed to expand or modify Landlord's obligations under this Lease with respect to the repair, maintenance, replacement, or condition of the Premises or any Leasehold Improvements, or to require Landlord to expend its own funds in connection with the enforcement of any Warranty. Landlord makes no representation or warranty as to the scope, validity, enforceability, or outcome of any Warranty claim, absent Landlord's negligence or willful misconduct in pursuing a warranty claim as required herein, and shall have no liability to Tenant if any Warranty claim is denied, limited, delayed, or not honored, or if the applicable third party is insolvent, unresponsive, or otherwise unable or unwilling to perform.

6.2 Construction of Improvements that Disturb or Remove Exterior Paint

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 the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents must give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint under San Francisco Building Code Chapter 34 does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under San Francisco Building Code Chapter 34. 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 will comply with the requirements of California Code of Regulations Title 17 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 San Francisco Building Code Chapter 34, demonstrates an absence of lead-based paint on the interior or exterior surfaces of the buildings. Under this Section, lead-based paint is "disturbed or removed" if the work or alteration involves any action that creates friction, pressure, heat, or a chemical reaction on 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.

6.3 Appointment of Representatives

City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("**Representative**"), and an alternate for such Representative ("**Alternate**"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to the Leasehold Improvement Work. Landlord and City shall not make any inquiries of or requests to, and shall not give any instructions or

authorizations to, any other employee or agent of the other party. The initial Representatives and Alternates shall be:

City: Representative – Joanne Park / office: (628) 652-7703

Alternate – Federico, Pelayo / office: (628) 652-8042

Landlord: Representative – Santino DeRose / cell: (415) 336-0151

Alternate – James Lew / cell: (415) 559-2246

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

6.4 Changes to Construction Plans; City Delay

(a) City Change Orders. If City inquires (orally or in writing) about any change, addition or alteration relating to the design or specifications of the Leasehold Improvement Work (a "**City Change Order**"), Landlord shall cause its Architect and Contractor to promptly notify City of (i) a good faith not to exceed change order cost estimate and (ii) any delay in the anticipated date of Substantial Completion that would result from the City Change Order. Within five (5) business days of receipt of such cost and delay estimates, if any, City shall notify Landlord in writing whether City approves the proposed City Change Order and an increase in the Construction budget (if required). If City timely approves the proposed City Change Order, then Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. City will be responsible for reimbursement of the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications for any City Change Order, as evidenced by invoices or other substantiation reasonably required by City. Landlord acknowledges that no one other than the Director of Property or its authorized Representative can request or approve a City Change Order.

(b) Unavoidable Delays. "**Unavoidable Delays**" means any delays by reason of acts of nature, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, epidemics, pandemics, and related governmental orders and requirements (and private sector responses to comply with those orders and requirements); protests; riots; demonstrations; or by any other reason without fault and beyond the reasonable control of the party obligated to perform. If an Unavoidable Delay occurs, the party affected by the Unavoidable Delay will give prompt written notice to the other of the event causing the Unavoidable Delay and the length of the projected delay in performance, and will continue to keep the other party regularly informed of the status of the Unavoidable Delay. Under no circumstances may the number of days of Unavoidable Delays asserted with respect to the Leasehold Improvement Work exceed a total of sixty (60) days.

(c) City Delay. Subject to any Unavoidable Delay, a delay by City in granting consent or approval beyond the time frames specifically set forth in this Section 6, which directly delays Landlord's performance, shall be deemed a tenant delay ("**City Delay**") which City Delay shall excuse Landlord's performance of any obligation for the same period as the City Delay and shall delay any termination right available to City under this Lease for the same period as the City Delay.

(d) Landlord Change Orders. If after City's approval of the Construction Documents, Landlord requests or is required by a third party or government agency to make any change, addition, or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("**Landlord Change Order**"), Landlord will provide City with proposed cost, plans and specifications for the change, addition, or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from the Landlord Change Order. Any Landlord Change Order will be subject to City's prior written approval, in accordance with Section 6.4 (i) above. No approval by City of any Landlord Change Order will relieve or modify Landlord's obligations to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, or limit any of City's rights or remedies under this Work Letter or under the Lease. Landlord will be solely responsible for the cost of the Landlord Change Order, including the costs of preparing the plans and specifications, and none of the costs for or related to any Landlord Change Order will be paid or deducted from the Allowance.

(e) Landlord Delays; Liquidated Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE LEASE, IF LANDLORD'S DELIVERY OF POSSESSION OF THE PREMISES TO CITY IS DELAYED BECAUSE OF LANDLORD'S FAILURE TO COMPLETE CONSTRUCTION OF THE LEASEHOLD IMPROVEMENTS BEFORE 6 MONTHS FROM ISSUANCE OF DEMOLITION BUILDING PERMIT (AS EXTENDED BY UNAVOIDABLE DELAYS AFFECTING LANDLORD OR ITS CONTRACTOR IN ACCORDANCE WITH SUBSECTION A ABOVE AND TENANT DELAYS), THEN LANDLORD WILL PAY TO CITY FIVE-HUNDRED DOLLARS (\$500.00) FOR EACH DAY OF DELAY, AS LIQUIDATED DAMAGES AND AS CITY'S SOLE AND EXCLUSIVE REMEDY EXCEPT FOR CITY'S TERMINATION RIGHTS AND RIGHT TO REIMBURSEMENT AS SET FORTH IN THIS LEASE. THE PARTIES HAVE AGREED THAT CITY'S ACTUAL DAMAGES IN THE EVENT OF DELAY WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THEY HAVE AGREED ON THE SUM SPECIFIED ABOVE, AFTER NEGOTIATION, AS THEIR REASONABLE ESTIMATE OF CITY'S DAMAGES CAUSED BY THE DELAY.

Initials: Landlord _____ City _____

7. ALTERATIONS

7.1 Alterations by City

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

7.2 Title to Improvements

Except for City's Personal Property (as defined in the next Section) and the Leasehold Improvements, all appurtenances, fixtures, improvements, equipment, additions, and other property permanently installed in the Premises as of the Commencement Date or during the Term will be and will remain Landlord's property. City may not remove Landlord's property without Landlord's written approval. Upon surrender of the Premises, all Alterations and any Leasehold Improvements constructed by Landlord or City under this Lease and the Original Lease shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at City's expense of any identified Alteration at the end of the Term pursuant to Section 7.1 or as otherwise agreed to in writing by Landlord and City. City shall repair any damage caused by the removal of such Alterations upon surrender of the Premises, normal wear and tear and casualty excepted.

7.3 City's Personal Property

(a) All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Premises by or for City and that can be removed without structural damage to the Premises (collectively, "**City's Personal Property**") are and will remain City's property. If City requests, Landlord may assist City by ordering and installing City's Personal Property and City will reimburse Landlord for all fees, costs, and expenses approved by City in advance within thirty (30) days after receipt of an invoice (and subject to an administrative fee as set forth in Section 6.1(f); provided, however, that City may elect to provide any deposit or other expense required at the time of ordering City's Personal Property. To the extent possible, any maintenance contract or warranty in connection with the purchase or lease of tangible personal property will be optional (namely, City may, but is not required to, purchase a maintenance contract or warranty). To the extent feasible, Landlord and any vendors of Landlord will separately itemize any shipping charges. Although Landlord may order and install City's Personal Property, all items will remain City's Personal Property and not be considered Leasehold Improvements or constitute any component of the Leasehold Improvements. With regard to any personal property purchased by Landlord on behalf of City or leased by City under this Lease, (a) Landlord represents that it is fully compliant with the California Sales and Use Tax Law and warrants to City that Landlord that it will fulfill its use tax obligations under that law with respect to the subject transaction; (b) Landlord will accept a Use Tax Direct Payment Exemption Certificate in lieu of any use tax payment if the City, in its sole discretion, elects to provide such Certificate to Landlord; (c) If the City pays use tax to Landlord, Landlord will remit the entire amount of the use tax payment to the state and provide the City with a receipt in accordance with the California Sales and Use Tax Law; and (d) Landlord will be liable to the City for all amounts of use tax paid to Landlord that Landlord fails to remit to the State. This obligations of Landlord under the foregoing sentence will survive and termination or expiration of the Lease.

(b) At any time during the Term, City may remove any of City's Personal Property, and City will repair any damage to the Premises resulting from that removal. On the expiration or earlier termination of this Lease, City will remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises). Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City ("**Secured Personal Property**"). Landlord recognizes the rights of any supplier, lessor, or lender who has an interest in any items of Secured Personal Property to enter the Premises and remove that Secured Personal Property at any time during the Term or within thirty (30) days after the Expiration Date. On City's reasonable request, Landlord will execute and deliver any document required by any supplier, lessor, or lender in connection with the installation of any items of Secured Personal Property in the Premises, under which Landlord waives any rights it may have or acquire with respect to the Secured Personal Property, so long as the supplier, equipment supplier, lessor, or lender agrees that it (i) will remove the Secured Personal Property from the

Premises within thirty (30) days after the Expiration Date (and if it does not remove the Secured Personal Property within that time the equipment supplier, lessor, or lender will have waived any rights it may have had to the Secured Personal Property), and (ii) will repair any damage caused by the removal of the Secured Personal Property.

7.4 Alteration by Landlord

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

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

At its cost, Landlord will repair and maintain the exterior and structural portions of the Building in good condition, including, the roof, foundation, and bearing and exterior walls, and, except as specified in Section 8.2 (HVAC Repairs) below, the HVAC, plumbing, electrical, fire protection, life safety, security, and other mechanical, electrical, and communications systems of the Building (collectively, the "**Building Systems**"). Provided, however, that subject to Section 8.2, Tenant shall be responsible for any annual or periodic certifications of any Building Systems required by any Laws. Without limiting the foregoing, Landlord will not permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property, or constitutes a nuisance.

8.2 HVAC Repairs

During the Term of this Lease, Landlord and City shall be responsible for the HVAC system as follows:

(a) Initial 3 Years: During the initial three (3) years of the Lease Term (e.g. years 1-3 of the Term) (commencing from the Commencement Date through the 36th full calendar month following the Commencement Date), the Landlord shall be solely responsible for all costs associated with HVAC repairs, replacement, and maintenance; this includes, but is not limited to, the expenses related to servicing, repairing, and replacing HVAC equipment as required to ensure its proper functioning.

(b) Subsequent 3 Years: Following the initial three (3) years of the Lease Term, and for the next three years (e.g. years 4-6 of the Term) both the Landlord and the City shall share the costs of HVAC repairs, replacement, and maintenance on an equal basis. Both parties shall contribute equally to expenses related to the repair, replacement, and upkeep of the HVAC system. Landlord shall oversee, coordinate, and initially pay for all such HVAC work required under this Section 8.2(b), and Tenant shall reimburse Landlord for Tenant's fifty percent (50%) share of such costs within sixty (60) days after receipt of Landlord's written invoice together with reasonable supporting documentation.

(c) Remainder of the Term: For the remaining duration of the Lease Term (*e.g. years 7 through expiration or earlier termination of the Term), City shall initiate, oversee, and be solely responsible for all HVAC repairs, maintenance, and replacement costs. The City shall bear all expenses associated with the repair, servicing, replacement, and any necessary upgrades to the HVAC system, as required to maintain its functionality and efficiency.

Upon receipt of any written request from City pursuant to Sections 8.2(a) and 8.2(b) above, Landlord shall provide a written response within twenty-four (24) hours. Such response shall include a specific action item or plan to address the issue. Landlord shall commence corrective action within forty-eight (48) hours following its initial response, unless Tenant agrees in writing to an alternative schedule.

Failure to comply with the foregoing shall constitute a material failure of Landlord's obligations under this Lease, subject to Tenant's rights and remedies as provided herein, including, without limitation, the right to perform such work and recover costs, pursue injunctive relief, or exercise any other remedies available at law or in equity.

8.3 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations under this Lease, City will repair and maintain at its cost all other portions of the Property and the interior portions of the Premises and will keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty or condemnation. City will make any required repairs and replacements to the interior of the Premises that Landlord specifies in writing and is agreed to by City **(a)** at City's cost, **(b)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(c)** so that the interior portions of the Premises will be at least substantially equal in quality, value, and utility to the original work or installation before the damage, **(d)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use, or occupation of the Building(s) or the Building Systems, and **(e)** in compliance with all applicable Laws, including any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term, promptly after City's reasonable notice, Landlord will provide City and its Agents with access to those portions of the Building(s) that are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City. City will provide exterior graffiti removal with reasonable frequency.

8.4 Liens

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

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord will furnish or cause to be furnished to the Premises, at its cost, the following utilities and services: electricity, water, sewer, natural gas, and telephone. City will be responsible for contracting with each utility provider for service and will pay each utility service provider directly.

9.2 Conservation

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

9.3 Disruption in Essential Utilities or Services

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

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Subject to City's obligation under Section 8.2 (HVAC Repairs) and Section 8.3 (City's Repairs), Landlord will at all times during the Term maintain, at its cost, the Property, Building(s), Common Areas, and the Building Systems in compliance with applicable present or future federal, state, local, and administrative laws, rules, regulations, orders, and requirements (collectively, "**Laws**"). Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: **(a)** the physical structure, roof, foundation and ventilation system are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990, California Code of Regulations Title 24, and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, "**Disabilities Laws**"); **(b)** the Building(s) are not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable Laws relating to seismic safety (collectively, "**Seismic Safety Laws**"); **(c)** the Building(s), the Common Areas, and Building Systems serving the Premises are now, and as of

the Commencement Date will be, in full compliance with all applicable Laws relating to fire and life safety (including the San Francisco High-Rise Sprinkler Ordinance) (collectively, “**Life Safety Laws**”); (d) the Building(s), the Common Areas, and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable Laws; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building(s), or the Building Systems that would materially adversely affect City’s intended use of the Premises. Without limiting Section 16.2 (Landlord’s Indemnity), Landlord will Indemnify City against any and all Claims (defined in Section 16.1 (City’s Indemnity) below) arising out of (i) any failure of the Property, Building(s), Common Areas, Building Systems (or any portion of any of them) to comply with applicable Laws; or (ii) any misrepresentation by Landlord under this Section.

For purposes of this Section, any requirement that the Property, Building(s), Common Areas, or Building Systems comply with applicable Laws shall mean compliance with the Laws in effect at the time the respective improvement was constructed, and shall not be interpreted as requiring compliance with current Laws unless expressly required by applicable governmental authorities.

10.2 City’s Compliance with Laws; Indemnity

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

10.3 City’s Compliance with Insurance Requirements

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

11. SUBORDINATION

(a) Subject to subsection (b) below, this Lease is subject and subordinate at all times to the following (each an “**Encumbrance**”): (i) any reciprocal easement agreements, ground leases, or other underlying leases that may later be executed affecting Landlord’s interest

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

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

12. DAMAGE AND DESTRUCTION

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

(b) Within thirty (30) 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 within thirty (30) days after the date of Landlord's notice. The termination date will be the date specified in the termination notice, which date may be not less than thirty (30) or more than sixty (60) days after Landlord's notice. If either party elects to terminate this Lease, then the Rent will be reduced by a proportionate amount based on the extent to which the damage interferes with the normal conduct of City's

business in the Premises, and City will pay the reduced Rent up to the date of termination. Landlord will refund to City any Rent previously paid for any period after the date of termination.

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

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

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

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

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

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

13.5 Termination of Lease; Rent and Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

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

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

(a) After Landlord is qualified as an approved vendor as provided in Section 0 (Payments by City) above, City fails to make any timely payment of Rent and to cure the nonpayment within five (5) business days after receipt of written notice of nonpayment from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City will have twenty (20) days after written notice from Landlord to cure any nonpayment.

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

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease), at its sole option, City may cure the default at Landlord's expense if the default continues after ten (10) days after the date City gives notice to Landlord of City's intention to perform the cure. However, if a default occurs because of a cause beyond Landlord's control (excluding any financial inability to perform), and Landlord cannot with due diligence cure the default within the ten (10)-day period, then the ten (10)-day period will be extended if, promptly on receipt of City's notice, Landlord advises City of Landlord's intention to take all steps required to cure the default, and Landlord promptly commences the cure and diligently prosecutes the cure to completion. But if any default by Landlord continues for sixty (60) days and impairs City's ability to carry on its normal business in the Premises, then City may terminate this Lease on written notice to Landlord within thirty (30) days after the expiration of the sixty (60)-day period. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the ten (10)-day cure period provided above (as it may be extended as provided above), then, whether or not City elects to cure Landlord's default, the Rent will be abated based on the extent to which the default interferes with City's ability to carry on its normal business at the Premises. City's rights under this Section and under any other provisions of this Lease will not limit in any way any of its other rights and remedies under this Lease or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City will indemnify, defend, and hold harmless ("**Indemnify**") Landlord and its Agents from and against any and all claims, losses, damages, costs, and expenses, including reasonable attorneys' fees (collectively, "**Claims**"), incurred as a result of (a) City's use of the Premises, or (b) any Event of Default arising from City's failure to perform any of its material obligations under the 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, at its sole option, City may elect to defend the Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord will have the right, but not the obligation, to participate in the defense of the Claim at its sole cost. City's obligations under this Section will survive the termination of the Lease.

16.2 Landlord's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

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

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

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

(d) Landlord will maintain such umbrella policy and additional coverage as it reasonably determines necessary or as required by any Encumbrancer. The parties agree that the minimums set forth in this Section 17.2 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, Landlord waives any right of recovery against City for any loss or damage relating to the Building or the Premises 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. Landlord will obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises, but Landlord's failure to do so will not affect the above waiver.

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. Landlord may not interfere with City's use of the Premises.

19. ESTOPPEL CERTIFICATES

From time to time during the Term, by not less than thirty (30) days' prior written notice to the other party, either party may request the other party to execute, acknowledge, and deliver to the persons or entities designated by the other party a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), and (d) the date to which Rent has been paid.

20. SURRENDER OF PREMISES

On the expiration or sooner termination of this Lease, City will surrender the Premises to Landlord in good order and condition, excepting reasonable use and wear and damage by fire or other casualty or condemnation. Within thirty (30) days after the Expiration Date, City will remove from the Premises all of City's Personal Property and any Alterations City desires or is required to remove from the Premises under the provisions of Section 7.1 (Alterations by City).

City will repair or pay the cost of repairing any damage to the Premises or the Building resulting from that removal. If requested by Landlord, City shall be required to demolish or remove from the Premises any of the Leasehold Improvements constructed on the Property pursuant to this Lease or the Original Lease, subject to Section 6.1(k) of the Original lease, which Section 6.1(k) shall survive for purposes of this Section 20. City's obligations under this Section will survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

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

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

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that to the best of Landlord's knowledge, after due and diligent inquiry, the following statements are true and correct and will be true and correct as of the Commencement Date **(a)** the Property is not in violation of any Environmental Laws; **(b)** the Property is not now, and has not been, used for the manufacture, use, storage, discharge, deposit, transportation, or disposal of any Hazardous Material, except for the use of Hazardous Material in limited quantities as are customarily used in offices, which limited use is and has been in compliance with Environmental Laws; **(c)** the Property does not consist of any landfill or contain any underground storage tanks; **(d)** the Building does not contain any asbestos-containing materials or have building materials that contain any other Hazardous Material, and the Premises or the common areas of the Building do not contain any lead-based paints; **(e)** there is and has been no Release of any Hazardous Material in the Building or in, on, under, or about the Property; and **(f)** the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under, or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord will

maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety, and welfare of City's employees or City's use, occupancy, or enjoyment of the Premises for their intended purposes.

21.3 Landlord's Environmental Indemnity

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

21.4 City's Covenants

Neither City nor its Agents will cause any Hazardous Material to be brought on, kept, used, stored, generated, or disposed of in, on or about the Premises or the Property, or transported to or from the Premises or the Property, in violation of any Environmental Laws. City shall, at its sole cost and expense, at all times and in all respects comply with all applicable federal, state, local or regional laws, regulations ordinances or guidelines, "Hazardous Materials Laws" concerning the management, use, handling, generation, storage, transportation, presence, discharge or disposal of any Hazardous Material. City agrees not to use, treat, dispose, release, handle, store, generate or install any Hazardous Materials in or about the Premises and Property without Landlord's prior written consent, issued subject to Landlord's sole discretion; provided, however, that Landlord acknowledges and agrees that commercial cleaning supplies stored in reasonable quantities on the Premises shall not constitute "Hazardous Materials" under this Lease. Landlord may withdraw its consent to such activities or the presence of any Hazardous Materials at any time for any reason.

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. City's obligations under this Section 21.5 shall include, without limitation, , all costs of any required or necessary repair, cleanup or detoxification or decontamination of the Premises, to the extent caused by City to the extent.

22. SPECIAL PROVISIONS

22.1 First Right of Offer to Purchase

(a) If Landlord decides to sell or transfer the Property to an unrelated third party, as described below, during the Term of this Lease, Landlord shall first offer the Property to the City at the purchase price the Landlord would offer the Property to third parties. Such proposed purchase price shall be set forth in written notice ("**Sale Notification**") from Landlord to City and shall be subject to adjustment as provided below. City shall have thirty (30) days from the date of Sales Notification to submit to Landlord in writing (i) an offer to purchase the Property at the price specified in the Sales Notification and otherwise upon the other business terms contained herein or (ii) counter offer to purchase the Property for a lower price and otherwise upon the other

business terms contained herein (the “**Counter Offer**”). If Landlord elects to accept City’s Counter Offer, Landlord shall provide City with written notice of such election within fifteen (15) days of receipt of City’s Counter Offer, and if Landlord does not respond to City’s Counter Offer, such Counter Offer shall be deemed rejected.

(b) If City accepts the price set forth in the Sales Notification, or if Landlord accepts City’s Counter Offer, Landlord and City shall promptly enter into a purchase and sales agreement for the Property at the agreed upon price and on the terms and conditions specified in this Section 22.2. City’s acceptance or Counter Offer shall be subject to the following conditions precedent: (i) approval by the City’s Board of Supervisors and the Mayor, in their respective sole discretion given within seventy five (75) days of Landlord’s approval and execution of a purchase and sales agreement (the “Approval Deadline”), incorporating the terms herein, (ii) the title company being willing to issue an ALTA Title Insurance acceptable to City, and (iii) City’s successful issuance of debt to fund the purchase. If City’s Board of Supervisors fail to approve the purchase transaction by the Approval Deadline, City may withdraw its acceptance or Counter Offer by written notice to Landlord and City fails to do so, the acceptance or Counter Offer shall be deemed withdrawn. Within ten (10) business days of the City’s Board of Supervisors’ and the Mayor’s approval of the purchase agreement, City shall pay Landlord a deposit applicable to the purchase price in the amount of five percent (5%) of the purchase price. The deposit shall be paid to Landlord as detailed by the parties’ mutual agreement in a purchase and sales agreement.

(i) Within three (3) business days of execution of a purchase and sales agreement, Landlord shall deliver to City copies of all reports, appraisals and other documents related to the Building in Landlord’s possession, not previously delivered to City. Landlord shall cooperate with the City in City’s due diligence investigation.

(ii) Close of escrow shall occur before the date that forty-five (45) days after the date of City’s notice of the approval by City Board of Supervisors and Mayor of the purchase.

(iii) At closing, City shall pay for the cost of the premium of the extended coverage title insurance policy, one half of the escrow fees, transfer taxes (if any), and one half of the other typical closing expenses such as notary fees and overnight express or courier charges. Landlord shall pay one half of escrow fees and one half of the typical closing expenses. City shall cooperate with Landlord to cause the transfer of the Property to be exempt from transfer tax, which such exemption shall be solely to Landlord’s benefit. At closing Landlord shall deliver the following (with other customary items) through a mutually agreeable escrow company:

- A grant deed conveying ALTA insurable title subject only to taxes not yet due and payable, and other exceptions acceptable to City (provided that City shall bear all costs to obtain an ALTA survey, if applicable).
- A bill of sale for any personal property to be conveyed with the Property.
- A written disclosure in a form comparable to industry standards of all known facts including any and all property inspection reports) which would affect the marketability of the Building(s) or City’s intended use of the Building as requested by the title company (an Owner’s Affidavit).

(c) If City does not agree to purchase the Property for the price contained in the Sales Notification or make a Counter-Offer within the thirty (30) day period specified above, then this right of first refusal shall terminate and Landlord shall be free to sell the Building to any person and upon such terms whatsoever with no obligation to City. If, however City, while not accepting the purchase price set forth in Sales Notification, made a Counter Offer within the

thirty (30) day period and such Counter Offer was not acceptable to Landlord, then Landlord may sell the property, free of any claim to City, only to a buyer who agrees to pay gross purchase price (i.e. an amount determined without regard to any brokerage commission liability or transfer taxes, but reduced by any Landlord credits of give-backs to the potential buyer or for such items as existing building conditions or improvements) exceeding ninety percent (90%) of the purchase price proposed in reduction during the due diligence period, provided such credits and reductions are made reasonably and in good faith during the due diligence period (and not in an effort to circumvent City's rights hereunder) such contract adjustments shall not serve to trigger a further right of first refusal for City, even if the final effective sales price is below the City's Counter Offer, so long as the buyer proceeds to consummate the purchase.

(d) In the event Landlord is unable to sell the Property for more than ninety percent (90%) of the proposed purchase price specified in City's Counter Offer but continues to desire to sell the Property, then upon receipt of another offer to purchase, Landlord shall give City another Sales Notification with the revised purchase price and the above procedure for City's first right of refusal shall be repeated.

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

(f) For purposes in this Section 22.2, the following events shall not be deemed a sale or transfer of the Building to an unrelated third party triggering City's rights hereunder: (i) the conveyance of entity membership interests, stocks or partnership interests within the Landlord entity; or (ii) a transfer of Landlord or the holders of interest in the Landlord entity to another entity or trust with at least fifty percent (50%) the same holders of interest, or (iii) dissolution of the Landlord entity upon the death of some or all of the holders of interests therein, or (iv) the addition of family related holders of interest or beneficiaries of a trust or change of administrator of the trust or general partner of a limited partnership, (v) any other transfer of any kind where the recipient of the interest being transferred is a relative or descendent of a holder of interest in Landlord, or a spouse of such relative or an entity or trust owned by such relative or spouse, or (vi) any foreclosure sale and any transfer pursuant to a deed in lieu of foreclosure. The term "unrelated third party" shall mean any other transferee.

23. CITY PROVISIONS

23.1 MacBride Principles - Northern Ireland

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

23.2 Controller's Certification of Funds

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

on which sufficient funds are appropriated. City will use its reasonable efforts to give Landlord reasonable advance notice of the termination.

23.3 Prevailing Wages and Working Conditions

(a) Any undefined, initially-capitalized term used in this Section has the meaning given to that term in Section 101.1 of the San Francisco Labor and Employment Code. Landlord will require its Contractors and Subcontractors performing work on any Covered Project at the Premises to pay Prevailing Wages in accordance with the requirements of Article 103 of the San Francisco Labor and Employment Code and employ Apprentices in accordance with Article 104 of the San Francisco Labor and Employment Code. Any contract, subcontract, or other type of agreement for the performance of that Covered Project shall (A) require the payment of the highest general Prevailing Rate of Wages as fixed and determined in accordance with Section 103.2 of the San Francisco Labor and Employment Code to all persons performing labor or work for the Covered Project and employment of Apprentices in accordance with Section 104.1 of the San Francisco Labor and Employment Code, (B) require all records described in Section 103.3(e) of the San Francisco Labor and Employment Code to be kept and submitted in compliance with the requirements of that Section, (C) name City, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage requirements of Article 103 of the San Francisco Labor and Employment Code and apprenticeship requirements of Article 104 of the San Francisco Labor and Employment Code, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with Articles 103 through 106 of the San Francisco Labor and Employment Code, (D) include the Prevailing Rate of Wages or a statement that copies of the Prevailing Rate of Wages as fixed and determined in accordance with Section 103.2 of the San Francisco Labor and Employment Code are on file at the job site and available to any interested party on request, and (E) include the following provisions:

(i) the Contractor will cooperate fully with the Labor Standards Enforcement Officer and other City employees and agents authorized to assist in the administration and enforcement of the Prevailing Wage requirements and other labor standards imposed on the Contractor by City's Charter or Municipal Code;

(ii) the Contractor agrees that the Labor Standards Enforcement Officer, and the Officer's designees, in the performance of their duties, shall have the right to engage in random inspections of job sites and to have access to the employees of the Contractor, employee time sheets, inspection logs, Contractor daily logs, payroll records, employee paychecks, employee paystubs, and proof of payment documents;

(iii) the Contractor shall maintain a record in the format prescribed by the Office of Labor Standards Enforcement of sign-in and sign-out showing which employees have been present on the job site;

(iv) the Contractor shall prominently post at each job site a sign informing employees that the project is subject to the City's Prevailing Wage requirements and that these requirements are enforced by the Labor Standards Enforcement Officer; and

(v) the Labor Standards Enforcement Officer may audit such records of the Contractor or Subcontractor as the Labor Standards Enforcement Officer reasonably deems necessary to determine compliance with the Prevailing Wage and other labor standards imposed by City's Charter or Municipal Code.

Failure to comply with any of these requirements may result in penalties and forfeitures consistent with analogous provisions of the California Labor Code, including Section 1776(h), as amended from time to time.

Landlord will reasonably cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to pay the Prevailing Rate of Wages or employ Apprentices

as required. 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 accordance with Articles 103 through 106 of the San Francisco Labor and Employment Code 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 Labor and Employment Code Sections 131.2(a), 131.2(c)-(k) and (m), and 132.3 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 Labor and Employment Code Section 131.2(b).

(d) CMD Form

As a condition to this Lease, Landlord will execute the City's Declaration: Nondiscrimination in Contracts and Benefits form 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 with supporting documentation, and **(ii)** the CMD approved the form.

(e) Incorporation of Labor and Employment Code Provisions by Reference

The provisions of San Francisco Labor and Employment Code Articles 131 and 132 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 San Francisco Labor and Employment Code Articles 131 and 132, including the remedies provided in those Articles. Without limiting the foregoing, Landlord understands that under San Francisco Labor and Employment Code Section 131.2(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.

(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 Resource-Efficient City Buildings

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

23.8 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 Express Mail, return receipt requested, with postage prepaid, to: (a) City at City's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) any other address designated by as either Landlord or City as its new address for notices by notice given to the other in accordance with this Section. A properly addressed notice transmitted

by one of the foregoing methods will be deemed received upon confirmed delivery, attempted delivery, or rejected delivery. For convenience of the parties, copies of notices may also be given by email to the email address number set forth in the Basic Lease Information or any other email address as may be provided from time to time, but, neither party may give official or binding notice by email.

24.2 No Implied Waiver

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

24.3 Amendments

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

24.4 Authority

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

24.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" will include the plural as well as the singular. The term "Agents" when used with respect to either party includes the agents, employees, officers, and contractors of the party, and the term "Invitees" when used with respect to City will include the clients, customers, invitees, guests, licensees, assignees, or subtenants of City. All approvals,

consents, or other determinations permitted or required by City under this Lease, including City's exercise of any option, must be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in City's Charter. If there is more than one entity that comprises Landlord, the obligations and liabilities under this Lease imposed on Landlord are joint and several.

24.6 Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and will in no way define or limit the scope or intent of any provision of this Lease. Except as otherwise specifically provided in this Lease, wherever Landlord or City is required or requested to give its consent or approval to any matter or action by the other, the consent or approval will not be unreasonably withheld or delayed and the reasons for disapproval of consent will be stated in reasonable detail in writing. Provisions in this Lease relating to number of days will be calendar days, unless otherwise specified. If the last day of any period to give notice, reply to a notice, or to take any other action occurs on a Saturday, Sunday, or a bank or City holiday, then the last day for taking the action or giving or replying to the notice will be the next succeeding business day. The words "include" or "including" or similar words will not be construed to limit any general term, statement, or other matter in this Lease or any of its attached exhibits, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

24.7 Successors and Assigns

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

24.8 Brokers

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

24.9 Severability

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

24.10 Governing Law

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

24.11 Entire Agreement; Incorporation of Exhibits

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

24.12 Holding Over

If City holds over in possession of the Premises after the expiration of the Term with Landlord's consent, that holding over will not be deemed to extend the Term or renew this Lease, and City's tenancy will continue as a month-to-month tenancy until the tenancy is terminated by either party by giving least thirty (30) days' prior written notice of termination. The month-to-month tenancy will be on all the terms and conditions of this Lease and at the monthly Base Rent in effect during the last month of the Term or as Landlord and City may mutually agree in writing. If City holds over without Landlord's consent, the rent payable by City during the period of holding over will be: one hundred twenty five percent (125%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and the tenancy will otherwise be on the terms and conditions contained in this Lease. If, as provided in Section 20 (Surrender of Premises) above, City fails to remove its furniture, furnishings, equipment, City's Personal Property and designated Alterations by the Expiration Date, then City's continued possession will be deemed a holding over, but Base Rent will not be payable for a ten (10)-day period so long as City complies with Section 20 (Surrender of Premises) no later than the last day of such ten (10)-day period; if City remains in possession of the Premises beyond that ten (10)-day period, then City's possession will be deemed a holding over and Base Rent will be payable for the entire hold over period (including the 10 days) as set forth in this Section 24.12.

24.13 Cumulative Remedies

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

24.14 Time of Essence

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

24.15 Survival of Indemnities

Termination of this Lease will not affect the right of either party to enforce any indemnities and representations and warranties given or made to the other party, and it will not affect any provision of this Lease that expressly states it will survive termination. With respect to

each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim that actually or potentially falls within the indemnity provision even if the claim is or may be groundless, fraudulent, or false, and the obligation to defend arises at the time the claim is tendered to the indemnitor by the indemnitee and continues at all times until resolved.

24.16 Signs

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

24.17 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power, and authority to grant the leasehold estate as provided in this Lease, and covenants that City, on paying the Rent and performing the covenants contained in this Lease, will peaceably and quietly have, hold, and enjoy the Premises and all related rights during the Term as against all persons or entities or on account of any action, inaction, or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord will Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

24.18 Bankruptcy

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

24.19 Transfer of Landlord's Interest

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

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

Notwithstanding anything to the contrary in this Lease, no elected or appointed board, commission, member, officer, employee, or other Agent of City will be personally liable to

Landlord, its successors, or its assigns for any City default or breach or for any amount that may become due to Landlord or its successors or assigns, or for any obligation of City under this Lease.

24.21 Counterparts

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

24.22 Effective Date

This Lease will become effective on the date (the “Effective Date”) that (a) City’s Mayor and Board of Supervisors, at their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by Landlord and City.

24.23 Cooperative Drafting

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

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

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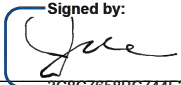
Signature Page Follows

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

[Landlord also acknowledges that they have read and understood the City's statement urging companies doing business in Northern Ireland to move toward resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco companies to do business with corporations that abide by the MacBride Principles.]

LANDLORD:

W.Y.L. Orion Properties, LLC,
a California limited liability company

Signed by: 
By: _____
Name: James Lew
Its: CFO

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

RECOMMENDED:

HOMELESSNESS AND SUPPORTIVE
HOUSING

By: _____
Shireen McSpadden,
Executive Director,
Homelessness and Supportive Housing

By: _____
SARAH R. OERTH
Director of Property

Pursuant to Board of Supervisors Resolution
No. _____.

Date: _____

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Vincent Brown
Deputy City Attorney

EXHIBIT A

**Legal Description of Property /
Site Plans of Premises and Exclusive Outdoor Area**

CONSISTING OF ____ PAGE(S)

New lease for Existing Occupancy

Site:

125 Bayshore Boulevard

Landlord:

W.Y.L. Orion Properties, LLC

BUDGET & FINANCE
COMMITTEE

JULY 15, 2026

Real Estate Division
Department: Homelessness and Supportive
Housing (SFHSH)

Background: Bayshore Navigation Center

The Bayshore Navigation Center provides critical low-barrier shelter for adults experiencing homelessness, helping bring people indoors and connect them to services, benefits, health care, and housing pathways.

- **128 beds nightly** with consistently high occupancy, typically **~97%**
- **570 unique clients served** in FY24–25
- Low-barrier model accommodates **partners, pets, and possessions**
- Five Keys performs well in program and fiscal monitoring
- Strong service planning and high guest satisfaction
- City granted fiscal monitoring waiver due to exceptional compliance

Lease Terms

- **Premises:** 31,200 sf of land, 12,965 sf warehouse, 10,000 sf ancillary office space
- **Term:** Ten (10) Years
- **Rent:** \$655,200.96/year (\$21.00psf/year), 3% rent escalation per year
- **Operating Expenses:** City responsible for utilities, janitorial, while Landlord responsible for taxes, insurance, major repairs
- **Option:** Two (2) options for five (5) years.



Questions?



Memo

TO: Joanne Park, Department of Homelessness and Supportive Housing

FROM: Don Lewis, Senior Environmental Planner

DATE: March 9, 2026

PROJECT: 10-Year Lease for Existing Navigation Center at 125 Bayshore Boulevard

SUBJECT: Planning Department / Environmental Review Officer Concurrence
California Environmental Quality Act (CEQA) Exemption per AB 101

This memorandum responds to the Department of Homelessness and Supportive Housing's (HSH) dated March 6, 2026, seeking Planning Department confirmation that no environmental review is required for a new 10-year lease for the existing navigation center at 125 Bayshore Boulevard. As explained below, the navigation center is not subject to the California Environmental Quality Act (CEQA) pursuant to California law set forth in Assembly Bill 101, California Government Code Sections 65660 – 65668.

AB 101 provides that a low-barrier navigation center meeting specified criteria and located in a mixed-use zoning district or a non-residential zoning district that permits multifamily uses is a use by right and is not subject to CEQA (Government Code Section 65660(b)). A “use by right,” as defined in Government Code Section 65583.2(i), means that local government review of the use may not require a conditional use permit, planned unit development permit, or other discretionary approval that would constitute a “project” under CEQA.

The site at 125 Bayshore Boulevard is zoned PDR-2 (Core Production, Distribution, and Repair). The intent of the PDR-2 district is to support and protect a range of light industrial and contemporary production activities. Under Planning Code Section 210.3, a homeless shelter operated, owned, or leased by the City and County of San Francisco during a declared shelter crisis is a principally permitted use in the PDR-2 district.

The March 6, 2026 HSH memorandum demonstrates that the temporary, low-barrier homeless shelter meets the definition of a low-barrier navigation center under Government Code Section 65660(a) and satisfies the criteria in Government Code Section 65662. Therefore, the navigation center at 125 Bayshore Boulevard is a use by right under AB 101 and is not subject to CEQA.



San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 · Fax: 415.252.3112

Filing Information

Record Number

SFEC126F0001432

Status

BOS Legislative Clerk Acceptance

SFEC126f Form Type

126f4 BOS

File Number (BOS)

260672

Type of Filing

Original

Contractor Information

Contractor Name

W.Y.L., Orion Properties, LLC

Contractor Email

jameslew@pacbell.net

Contractor Phone #

(415) 559-2246

International Address?

No

Contractor Address (US)

595 Newhall Avenue

Contractor City and State

San Francisco - CA

Contractor Zip Code

94124

Country

United States of America

Contract Information

Contract Amount

\$7,511,133.72

Description of Amount of Contract

\$655,200.00 for initial year base rent; approximately \$7,511,133.72 for base rent of the initial 10-year term.

Contract Description

The entire footprint of the property is for emergency shelter purposes to prevent homelessness when possible and to make homelessness rare, brief and one time in San Francisco through the provision of coordinated, compassionate, and high - quality services

City Agency - Departmental Contact Information

Departmental Contact

Zerlina Wong Liberatore

Departmental Contact Phone

(415) 554-9850

Full Department Name

ADM - Office of the City Administrator

Agency Contact Email

realestateadmin@sfgov.org

Contract Approval

Mayoral Approval Not Required

false

Affiliates and subcontractors

Entity Type	First Name	Last Name	Entity or Sub/Contractor Name
Shareholder	Christina	Ng	33.3% Member
Shareholder	Luke	Wong	33.3% Member
Shareholder	James H.	Lew	33.3 % Member

City & County of San Francisco
Daniel Lurie, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Sally Oerth, Director of Real Estate

June 1, 2026

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

RE: Renewal of the Department of Homelessness and Supportive Housing Temporary Shelter Program Lease at 125 Bayshore Boulevard

Dear Board Members,

For your consideration, please find attached a resolution on behalf of the Department of Homelessness and Supportive Housing (HSH) for a lease (the "Lease") at 125 Bayshore Boulevard (the "Property"), an existing Navigation Center that provides a temporary shelter program overseen by HSH.

On January 30, 2019 the Board of Supervisors adopted Resolution No. 02-18, approving a lease ("Initial Lease") at the Property for the purpose of operating the Navigation Center, and which serves up to 128 adults experiencing homelessness. The Initial Lease term expired in 2023 and has been in holdover since that time.

The proposed Lease allows the City's continued use of the Property for an additional ten years, with two five-year options to extend. Through this work, HSH advances the City's mission to prevent homelessness when possible and to make homelessness rare, brief and one time in San Francisco through the provision of coordinated, compassionate, and high-quality services.

Key Terms

- Lease term of ten years, with two five-year options to renew.
- Base Annual Rent of \$655,200.00 (or \$21.00 per square foot), escalating at 3% annually
- City pays utilities direct. Landlord pays their own taxes and insurance.

Should you have any questions regarding this matter, please contact Melvin Mendaros, Senior Real Property Officer, Real Estate Division, at (415) 554-9887, or Emily Cohen, Deputy Director for Communications and Legislative Affairs, HSH at (415) 307-3584.

Respectfully,


Sally Oerth
Director of Real Estate