

File No. 170745

Committee Item No. 3

Board Item No. 34

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: July 19, 2017

Board of Supervisors Meeting:

Date: July 25, 2017

#### Cmte Board

- |                                     |                                     |  |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution VERSION 2                         |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Form 126 – Ethics Commission UPDATED 7/19/17 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

#### OTHER

- |                                     |                                     |   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Lease - August 1, 2017</u>                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Appraisal Report - December 1, 2017</u>                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Planning Commission Motion No. 19721 - August 11, 2016</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Real Estate Division Letter - March 10, 2016</u>           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Transfer Memo - July 10, 2017</u>                          |

Prepared by: John Carroll

Date: July 14, 2017

Prepared by: John Carroll

Date: July 20, 2017

1 [Real Property Lease - Evans Investment Partners, LLC - 752 Vallejo Street - \$40,125 Rent in  
2 the Base Year - Estimated \$62,819 Tenant Improvements Cost]

3 **Resolution authorizing the Director of Property, on behalf of the Police Department, to**  
4 **execute a lease of 750 rentable square feet at 752 Vallejo Street, with Evans Investment**  
5 **Partners, LLC, for an initial term of five years plus one five-year option to extend, at a**  
6 **base-year rent expense to the City of \$40,125; construction of tenant improvements**  
7 **costing the City an estimated \$62,819; and finding the proposed transaction is in**  
8 **conformance with the General Plan, and the eight priority policies of Planning Code,**  
9 **Section 101.1.**

10  
11 WHEREAS, The San Francisco Police Department's ("SFPD") Central Station is  
12 located at 766 Vallejo Street in San Francisco ("Station"); and

13 WHEREAS, The investigative unit is located within the squad room in temporary  
14 cubicles until another space could be located; and

15 WHEREAS, 752 Vallejo Street, adjacent to the Station across Emery lane, had 750  
16 square feet of space available to Lease; and

17 WHEREAS, The City's Real Estate Division negotiated a lease between the City and  
18 County of San Francisco and Evans Investment Partners, LLC ("Landlord") dated  
19 August, 1 2017 (the "Lease") for the lease of 750 rentable square feet of retail space  
20 ("Premises") at the property located at 752 Vallejo Street for an initial term of 5 years ("Initial  
21 Term"), a copy of which is on file with the Clerk of the Board of Supervisors in File  
22 No. 170745, which is hereby declared to be a part of this resolution as if set forth fully herein;  
23 and

24 WHEREAS, Base rent during the Initial Term is \$3,345 per month (\$40,125 per year)  
25 increasing each year by the San Francisco-Oakland-San Jose CPI index over the prior 12-

1 month period, at a rate not lower than three (3%) percent and not higher than five (5%)  
2 percent; and

3 WHEREAS, Upon expiration of the Initial Term, City has one (1), five-year (5 years  
4 each) option to extend the Lease at "fair market rent" at the time of each extension; and

5 WHEREAS, City requires tenant improvements for the City's lawful occupancy of the  
6 Premises ("Tenant Improvements") which shall not exceed \$74,069 ("Tenant Improvements  
7 Budget") and the Tenant Improvements Budget shall be paid by: (i) Landlord providing  
8 \$11,250 of the Tenant Improvements Budget at no cost to City, and (ii) City will pay Landlord  
9 up to \$62,819 upon completion of the improvements; and

10 WHEREAS, The Real Estate Division on behalf of SFPD submitted a General Plan  
11 Referral application for the Lease of the property located at 752 Vallejo Street and the  
12 Planning Department's found the Project, on balance, in-conformity with the General Plan,  
13 Case No. 2016-006168GPR; and

14 WHEREAS, The use allowed at 752 Vallejo is retail space and the intended use by  
15 SFPD is as office space, the Real Estate Division on behalf of the SFPD, submitted an  
16 application for a Conditional Use Authorization, Case No. 2016-006168CUAGPR involving a  
17 change of use, the motion was Adopted on August 11 Planning Motion No. 19721; and

18 WHEREAS, Upon the execution of this Lease ("Commencement Date"), Landlord will  
19 work diligently to satisfactorily complete the (i) Tenant Improvements; and

20 WHEREAS, Consequences of delay or inaction, could continue to impact the  
21 operations of the Central Station; now, therefore, be it

22 RESOLVED, That the Board of Supervisors hereby finds that the lease of 752 Vallejo  
23 Street, is consistent with the General Plan, and the Priority Policies of Planning Code,  
24 Section 101.1 and hereby incorporates such findings by reference as though fully set forth in  
25 this Resolution; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors hereby approves the terms and  
2 conditions of the Lease; and, be it

3 FURTHER RESOLVED, That the Board of Supervisor hereby authorizes and directs  
4 the Director of Property to negotiate and execute the Lease; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director  
6 or Property to enter into any amendments or modifications to the Lease, including, without  
7 limitation, the exhibits that the Director of Property determines in consultation with the City  
8 Attorney, are in the best interest of the City; do not materially increase the obligations or  
9 liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the  
10 Lease or this resolution; and are in compliance with all applicable laws, including the City  
11 Charter; and, be it

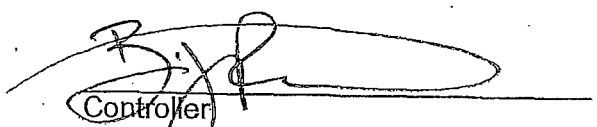
12 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the  
13 Controller as provided in Section 23.23, pursuant to Charter, Section 3.105; and, be it

14 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully  
15 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk  
16 of the Board for inclusion into the official file.

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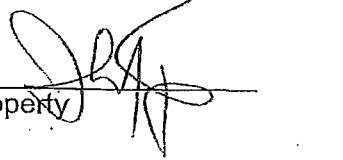
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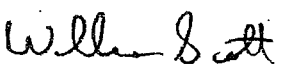
Index code: 385036  
Sub Object: 03011

  
Controller

Subject to the enactment of the 2017/2018  
Annual Appropriation Ordinance

RECOMMENDED:

  
Director of Property

  
William Scott, Chief of Police

**FORM SFEC-126:**  
**NOTIFICATION OF CONTRACT APPROVAL**  
 (S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: Evans Investment partners a California Limited Liability Corporation	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Eric Chung Twiggy Tang	
Contractor address: 364 30 <sup>th</sup> Avenue San Francisco, CA 94121-1706	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$40,125 per year escalating at 3% annually and up to \$62,819 in Tenant Improvements
Describe the nature of the contract that was approved: Lease of office space	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors  
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

OFFICE LEASE

between

Evans Investment Partners, LLC.  
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,  
as Tenant

For the lease of premises at  
752 Vallejo Street  
San Francisco, California

August 1 2017

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LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A – Floor Plan(s) of Premises
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Scope of Work
- EXHIBIT D – Building Rules and Regulations
- EXHIBIT E – Space Plan
- EXHIBIT F – Design Standards for Storefronts
- SCHEDULE 1** – Energy Consumption Documents

**OFFICE LEASE**

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of May 1, 2017, is by and between Evans Investment Partners, LLC a California limited liability corporation (collectively, "Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

**1. BASIC LEASE INFORMATION**

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

Lease Reference Date:	August 1 2017
Landlord:	Evans Investment partners a California Limited Liability Corporation
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, A MUNICIPAL CORPORATION
Building ( <u>Section 2.1</u> ):	2 Emery Lane, 734, 736, 750 and 752 Vallejo Street, San Francisco, California. The Building and is located at Assessor's Block 0130 Lot 012, and contains approximately 10,686 rentable square feet including 100 square feet of common area.
Premises ( <u>Section 2.1</u> ):	752 Vallejo Street, San Francisco, California, the premises, as shown in Exhibit A.
Rentable Area of Premises ( <u>Section 2.1</u> ):	Approximately 750 rentable square feet
Term ( <u>Section 3</u> ):	Estimated commencement date: August 1, 2017  Expiration date: July 31, 2022
Extension Option ( <u>Section 3.5</u> ):	One (1) additional extension term of five (5) years, exercisable by City by notice to Landlord given not less than 180 days in advance, with rent determined by appraisal.

Base Rent (Section 4.1):

Annual Base Rent: \$40,125 (\$53.50 per sq. ft.)

Monthly payments: \$3,345 (\$4.46 per sq. ft.)

Adjustment Dates (Section 4.2):

On each anniversary date of the Lease commencement, the monthly Base Rent shall be adjusted upward by the proportional increase in the CPI with a minimum increase of 3% and a maximum of 5%.

Use (Section 5.1):

Office space and related uses.

Leasehold Improvements (Section 6)

Landlord shall perform the Leasehold improvements pursuant to Article 6 below. City shall receive an allowance from Landlord of \$11,250 (the "Allowance"). The Allowance shall be credited by Landlord against the cost of the Leasehold Improvements. City shall pay Landlord the amount, if any, by which the actual cost of the Leasehold Improvements exceeds the Allowance in the manner provided in Section 5.2(i), however in no event shall City's contribution exceed \$62,819. Landlord shall not incur costs above the Allowance amount without the prior written approval of the Director of Property.

Payments to Amortize Additional Leasehold Improvement allowance (Section ??)

City shall make monthly payments (Additional Construction Allowance Amortization Payments) if applicable and as required to pay Landlord the Additional Leasehold Improvement Allowance utilized for the Leasehold Improvements, if any, amortized on a straight-line basis with interest at 7% per annum, as provided in Section 5.2(h).

Utilities (Section 8.1):

Landlord will provide all utilities. Tenant to pay, directly to the utility provider, for any separately metered service brought to the unit. The cost of all utilities provided by Landlord to the Premises and the common areas are included in the rent, and will not be passed through to Tenant as a common area charge or otherwise.

Notice Address of Landlord (Section 23.1):

Evans Investment partners a California Limited Liability Corporation  
364 30<sup>th</sup> Avenue  
San Francisco, CA 94121-1706

Key Contact for Landlord:

Eric Chung

Landlord Contact Telephone No.: 415-264-2882  
Notice Address for Tenant (Section 23.1): Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102  
Attn: John Updike  
Director of Property  
Re: 752 Vallejo  
Fax No.: (415) 552-9216

and to: Office of the City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4682  
Attn: Real Estate/Finance  
Deputy City Attorney  
Re: 752 Vallejo  
Fax No.: (415) 554-4757

Key Contact for Tenant: Jeff Sues  
Tenant Contact Telephone No.: 415-554-9873  
Alternate Contact for Tenant: Ivan Sequeira  
Alternate Contact Telephone No.: 415-837-7260

## 2. PREMISES

### 2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plans attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. As used in this Lease, the term "rentable area" shall mean that measurement of interior floor area computed in accordance with the "Office Buildings: Standard Methods of Measurements" (ANSI/BOMA Z65.1-2010) adopted by the Building Owners and Managers Association (BOMA). The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

City shall have the right, within thirty (30) days following acceptance of the Premises, to cause the Premises to be remeasured in accordance with the BOMA standards specified above, to confirm the rentable area of the Premises. If as a result of such remeasurement the Premises contain more or less than the total rentable square feet specified in the Basic Lease Information, and Landlord reasonably agrees with such determination, the Base Rent and City's proportionate share of Real Estate Taxes and Operating Expenses pursuant to Sections 4.4 (Payment of Percentage Share of Operating Expenses) and 4.5 (Payment of Percentage Share of Real Estate Taxes) below shall be adjusted accordingly. Landlord and City agree to enter into an amendment to this Lease confirming any such adjustment. In the event Landlord disagrees with such determination, Landlord and City shall use their best efforts to meet and confer with one another in an attempt to agree upon the proper measurement of the Premises within thirty (30) days

thereafter. If, following such period, Landlord and City are still unable to agree, Landlord and City shall jointly select an independent consultant, experienced in measurements of leased space under BOMA standards, to remeasure the space, and the determination of such consultant shall be binding upon the parties. Landlord and City shall share equally the cost of such consultant.

## **2.2 Common Areas**

City shall have the non-exclusive right to use, together with other tenants in the Building, the lobbies, corridors, elevators, stairways, basement, garage and other public areas of the Building and the Property (collectively, the "Common Areas"), and the non-exclusive right of access to and from the Premises by the main entrances to the Building and the Property.

## **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. City is hereby advised that the Premises have not been inspected by a CASp.

## **2.4 Energy Consumption**

City acknowledges and agrees that Landlord delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1681) for the Premises, copies of which are attached as Schedule 1 to this Lease, no less than 24 hours prior to City's execution of this Lease.

# **3. TERM**

## **3.1 Term of Lease**

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date or earlier date, with City's written acceptance as Landlord shall have delivered the Premises to City with the Leasehold Improvements (as defined below) having been substantially completed by Landlord and accepted by City pursuant to Section 5.1 (Landlord's Obligation to Construct Improvements), and City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option, below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term if City exercises the Extension Option as provided below.

## **3.2 Commencement Date and Expiration Date**

The dates on which the Term commences and terminates pursuant hereto are referred to respectively as the "Commencement Date" and the "Expiration Date." If the Commencement Date occurs on a date other than the Estimated Commencement Date, then promptly thereafter Landlord shall deliver to City a notice substantially in the form of Exhibit B attached hereto, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term.



### **3.3 Early Occupancy**

Upon City's request, Landlord shall permit City to enter and use the Premises before the Commencement Date subject to such reasonable limitations as Landlord determines are necessary or appropriate to ensure that there is no interference with Landlord's completion of the Leasehold Improvements. Any such early entry shall be on all of the terms and conditions of this Lease, except for the payment of Rent.

### **3.4 Delay in Delivery of Possession**

Landlord shall use its best efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property pursuant to Section 5.1 (Landlord's Obligation to Construct Improvements) on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within ninety (90) days after the Estimated Commencement Date, then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

### **3.5 Extension Option Determination of Base Rent for the Extended Term**

At the commencement of the Extended Term, the Base Rent shall 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 Premises situated within the Russian Hill area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

(b) If within this thirty (30)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

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

(e) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the City and County of San Francisco. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

### **3.6 Base Rent**

Beginning on the Commencement Date, City shall pay to Landlord during the Term the annual Base Rent specified in the Basic Lease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30)-day month.

### **3.7 Adjustments in Base Rent**

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

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published most immediately preceding the Adjustment Date (the "Adjustment Index"), shall be compared with the Index published most immediately preceding the Commencement Date in the case of the first Adjustment Date or, in the case of any subsequent Adjustment Date, the Index published most immediately preceding the prior Adjustment Date (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. In no event shall the monthly Base Rent

on or after the Adjustment Date be less than three (3%) nor more than five (5%) of the monthly Base Rent in effect for the last full month immediately prior to the Adjustment Date.

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

### **3.8 Additional Charges**

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"). All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

## **4. USE**

### **4.1 Permitted Use**

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

### **4.2 Observance of Rules and Regulations**

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 4.1 (Permitted Use) hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

### **4.3 Interference with Access**

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

Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

#### **4.4 Payment of Percentage Share of Operating Costs**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Operating Costs for each Expense Year exceed the Operating Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord may revise such estimates of Operating Costs from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made any earlier than four (4) months subsequent to the prior estimate for such Expense Year. With reasonable promptness not to exceed sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), prepared by an independent certified public accountant, setting forth in reasonable detail the Operating Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual Operating Costs for such Expense Year exceeds the estimated Operating Costs paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Operating Costs paid by City and City's Percentage Share of the actual Operating Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by City for any such Percentage Share of Operating Costs exceeds City's Operating Costs Share of the actual Operating Costs for such Expense Year, such excess shall be credited against the next installments of Operating Costs due from City to Landlord hereunder, or refunded to City, at City's option. Notwithstanding anything to the contrary contained herein, in no event shall any annual increase in City's Percentage Share of Operating Costs for any Expense Year exceed three percent (3%) and the aggregate increase in City's Percentage Share of Operating Costs over the Term shall not exceed three percent (3%).

#### **4.5 Payment of Percentage Share of Real Estate Taxes**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual

Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

## **5. LEASEHOLD IMPROVEMENTS**

### **5.1 Landlord's Obligation to Construct Improvements**

Landlord, through its general contractor approved by City, shall construct the Premises, perform the work and make the installations in the Premises at Landlord's sole cost pursuant to the Construction Documents (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

Before the reference date of this Lease, Landlord has caused its architect or space planner approved by City to prepare and submit to City for its approval plans and specifications meeting the requirements set forth in Exhibit C. **Permits**

Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work.

#### **(b) Construction**

Immediately upon Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the Americans with Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages and Working Conditions), below, and shall not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.25 (Tropical Hardwood and Virgin Redwood Ban), below.

#### **(c) Construction Schedule; Substantial Completion**

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed and the Premises are ready for occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City

and its authorized representatives shall have the right to accompany Landlord or its architect on an inspection of the Premises.

The Leasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed so that City can occupy the Premises and conduct its business for its intended uses and City, through its Director of Property, shall have approved the Leasehold Improvements. City may, at its option, approve the Leasehold Improvements even though there may remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Documents. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents of the plans and specifications or completion of the Leasehold Improvement Work for purposes of this Lease shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

**(d) Required Documentation of Costs**

Landlord shall enter into a contract with architects and contractors with a not to exceed price or other pricing methodology and amounts approved by the City's Director of Property, which approval will not be unreasonably withheld or delayed. Landlord shall provide City with copies of (i) all invoices received by Landlord from the Architect or the Contractor in connection with the Leasehold Improvement Work, including preparation of the Construction Plans and any Change Order, (ii) satisfactory evidence of payment by Landlord of the Architect's or Contractor's invoices, and (iii) upon City's request, such documentation as the Contractor may have provided to Landlord pursuant to the contract for the Leasehold Improvement Work, including copies of any and all unconditional or conditional lien waivers, and such additional supporting data substantiating the Architect's or Contractor's right to payment as the Architect or Contractor may have delivered under the contract for the Leasehold Improvement Work, such as copies of requisitions from subcontractors and material suppliers.

**(e) Payment for Work; Allowance**

Landlord shall pay for all cost of planning, constructing and installing the Leasehold Improvements (as defined below) up to a total sum of \$11,250 (the "Allowance"). Unused portions of the Allowance may not be credited against Base Rent or other obligations due and payable under this Lease, and shall not be payable to City. Landlord shall notify City promptly upon discovering that the Allowance is not sufficient to complete the work, and the parties shall meet and confer on any such overage and whether to reduce the scope of work or pay for the increase using the Additional Construction Allowance. In the event that the actual costs to construct and install the Leasehold Improvements incurred by Landlord exceed the amount of the Allowance, and the City has been notified and approved the use of the Additional Construction Allowance, then City shall pay such excess costs at the time of Substantial Completion upon receipt of required documentation in accordance with Section 5.1(e), subject to City's right to request the Additional Construction Allowance in accordance with Section 5.1(h).

**(f) Inclusions and Exclusions of Costs Paid from the Allowance or by City**

The Leasehold Improvement costs shall include all actual hard costs of the Leasehold Improvements. Such costs shall include but not be limited to; costs of permits, application fees, testing and inspection fees, and Contractor and vendor costs for the Leasehold Improvement Work.

City shall not be responsible for, and the Allowance shall not be used for, any review, supervision, administration or management fees of any person or entity, any overhead or other general expenses of Landlord, or any other person or entity, or any charges for parking or use of hoists or freight elevators.

**(g) Additional Construction Allowance**

At City's request, in addition to the Allowance, Landlord shall provide an additional allowance for construction of the Leasehold Improvements (an "Additional Construction Allowance"). The Additional Construction Allowance shall not exceed Sixty two thousand, eight hundred and nineteen Dollars (\$62,819). Commencing on the Commencement Date, and continuing until such sum is repaid in full or this Lease is terminated (whichever occurs first), City shall pay Landlord on a monthly basis, as additional Rent, the sum required to amortize the Additional Construction Allowance on a straight-line basis with interest on unpaid sums at seven percent (7.0%) per annum, over the period commencing on the Commencement Date and ending on July 31, , 2022 (each such monthly payment, an "Additional Construction Allowance Amortization Payment"). City may prepay part or all of the Additional Construction Allowance at any time without pre-payment penalty. In no event shall City shall any obligation to make payments accruing from and after the date of termination of this Lease, and Landlord shall retain the benefit of the Leasehold Improvements for any future occupant of the premises.

No approval by City or any of its Agents of the Pricing Plans, Construction Documents or completion of the Leasehold Improvement Work for purposes of this Lease shall be deemed to constitute approval by any governmental or regulatory authority with jurisdiction over the Premises, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

5.2 *[intentionally deleted]*

**5.3 Installation of Telecommunications and Other Equipment**

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunications, data and computer cabling facilities and equipment. City shall be responsible for installing such facilities and equipment, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the floor(s) on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Premises and such other portions of the Building at reasonable times during the course of construction of the Leasehold Improvements in order to install such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner.

**5.4 Construction of Improvements that Disturb or Remove Exterior Paint**

Landlord, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and

Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall 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 pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is disturbed or removed if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

## **6. ALTERATIONS**

### **6.1 Alterations by City**

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

### **6.2 Title to Improvements**

Except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the Premises as of the Commencement Date or during the Term shall be and remain Landlord's property. City may not remove such property unless Landlord consents thereto.

### **6.3 City's Personal Property**

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain



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

#### **6.4 Alteration by Landlord**

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

### **7. REPAIRS AND MAINTENANCE**

#### **7.1 Landlord's Repairs**

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

#### **7.2 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 hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements

under City's Charter and Administrative Code. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

### **7.3 Liens**

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

## **8. UTILITIES AND SERVICES**

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

Landlord shall furnish the following utilities and services to the Premises: (a) heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises, twenty four (24) hours per day, three hundred sixty five (365) days a year, including holidays generally recognized in San Francisco; (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); and (d) water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Buildings in San Francisco.

### **8.2 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.

### **8.3 Disruption in Essential Utilities or Services**

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible.

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

## **9. COMPLIANCE WITH LAWS; PREMISES CONDITION**

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

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises ) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

### **9.2 City's Compliance with Laws; Indemnity**

City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of any Alterations to the Premises made by City pursuant to Section 7 (Alterations) hereof and such modifications are not otherwise Landlord's responsibility under this Lease. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the physical structure, fixtures and

permanent improvements of the Premises or portions of the Property or Building along the path of travel to the Premises, which are Landlord's obligation as provided in Section 10.1 (Premises Condition) above. Without limiting Section 16.1 (City's Indemnity), City shall indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

### 9.3 City's Compliance with Insurance Requirements

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

## 10. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a subordination and non-disturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

(b) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord. City's covenant under subsection (a) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (b). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

## 11. DAMAGE AND DESTRUCTION

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

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

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

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

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

## **12. EMINENT DOMAIN**

### **12.1 Definitions**

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

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

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

### **12.2 General**

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

### **12.3 Total Taking; Automatic Termination**

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

### **12.4 Partial Taking; Election to Terminate**

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

(b) In the case of a partial taking of a substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

(c) Either party electing to terminate under the provisions of this Section 12.4 shall do so by giving written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30<sup>th</sup>) day after such written notice is given or the Date of Taking.

## **12.5. Termination of Lease; Rent and Award**

Upon termination of this Lease in its entirety pursuant to Section 13.3 (Total Taking; Automatic Termination), or pursuant to an election under Section 13.4 (Partial Taking; Continuation of Lease) above, then: (a) City's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

## **12.6 Partial Taking; Continuation of Lease**

If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 (Partial Taking; Continuation of Lease) above, then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: (a) Rent shall be reduced by an amount that is in the same ratio to the Rent as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

## **12.7 Temporary Taking**

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to the Premises for a limited period of time not in excess of sixty (60) consecutive days, this Lease shall remain unaffected thereby, and City shall continue to pay Rent and to perform all of the terms, conditions and covenants of this Lease. In the event of such temporary Taking, City shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by City for the period of the Taking.

## **13. ASSIGNMENT AND SUBLETTING**

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

## **14. DEFAULT; REMEDIES**

### **14.1 Events of Default by City**

Any of the following shall constitute an event of default by City hereunder:

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

(b) City's abandons the Premises (within the meaning of California Civil Code Section 1951.3); or

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

#### **14.2 Landlord's Remedies**

Upon the occurrence of any event of default by City that is not cured within the applicable grace period as provided above, Landlord shall have all rights and remedies available pursuant to law or granted hereunder, including the following:

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate City's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that City proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2.

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

#### **14.3 Landlord's Default**

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 4.3 (Interference with Access), and Section 8.3 (Disruption in Essential Utilities or Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.



## **15. INDEMNITIES**

### **15.1 City's Indemnity**

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

### **15.2 Landlord's Indemnity**

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

## **16. INSURANCE**

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

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

### **16.2 Landlord's Insurance**

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage 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) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall 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. Landlord hereby 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.

#### **17. ACCESS BY LANDLORD**

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

#### **18. ESTOPPEL CERTIFICATES**

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, may reasonably request the other party to execute, acknowledge and deliver to such persons or entities designated by such other party a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), and (d) the date to which Rent has been paid.

#### **19. SURRENDER OF PREMISES**

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

#### **20. HAZARDOUS MATERIALS**

##### **20.1 Definitions**

As used in this Lease, the following terms shall have the meanings hereinafter set forth:

(a) "Environmental Laws" shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly

known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

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

## **20.2 Landlord's Representations and Covenants**

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

## **20.3 Landlord's Environmental Indemnity**

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

## **20.4 City's Covenants**

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

## **20.5 City's Environmental Indemnity**

If City breaches its obligations contained in the preceding Section 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 shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

## **21. GENERAL PROVISIONS**

### **21.1 Notices**

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

### **21.2 No Implied Waiver**

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

### **21.3 Amendments**

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without

limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 4.1 (Permitted Use) of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

#### **21.4 Authority**

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

#### **21.5 Parties and Their Agents; Approvals**

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

#### **21.6 Interpretation of Lease**

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

#### **21.7 Successors and Assigns**

Subject to the provisions of Section 14 (Assignment and Subletting) relating to assignment and subletting, the terms, covenants and conditions contained in this Lease shall bind

and inure to the benefit of Landlord and City and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease.

#### **21.8 Brokers**

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

#### **21.9 Severability**

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

#### **21.10 Governing Law**

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

#### **21.11 Entire Agreement**

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

#### **21.12 Attorneys' Fees**

In the event that either Landlord or City fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law

for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

#### **21.13 Holding Over**

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

#### **21.14 Cumulative Remedies**

All rights and remedies of either party hereto set forth in this Lease shall be cumulative, except as may otherwise be provided herein.

#### **21.15 Time of Essence**

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

#### **21.16 Survival of Indemnities**

Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter.

#### **21.17 Signs**

City may erect or post signs on or about the Premises subject to Landlord's prior approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

#### **21.18 Quiet Enjoyment and Title**

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

#### **21.19 Bankruptcy**

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

#### **21.20 Transfer of Landlord's Interest**

Landlord shall have the right to transfer its interest in the Property, the Building or this Lease to any other financially responsible person or entity. In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor, of any obligations accruing hereunder from and after the date of such transfer and upon delivering to City an express assumption by the transferee of all of Landlord's obligations hereunder.

#### **21.21 Non-Liability of City Officials, Employees and Agents**

Notwithstanding anything to the contrary in this Lease, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to Landlord, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Landlord, its successors and assigns, or for any obligation of City under this Lease.

#### **21.22 MacBride Principles - Northern Ireland**

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

#### **21.23 Controller's Certification of Funds**

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this



Lease, there shall be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent and any other payments required under this Lease are not appropriated, then City may terminate this Lease, without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City shall use its reasonable efforts to give Landlord reasonable advance notice of such termination. Prevailing Wages and Working Conditions.

#### **21.24 Prevailing Wages and Working Conditions**

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to require its Contractors and Subcontractors performing (i) labor in the construction of a "public work" as defined in California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements. Landlord shall include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Landlord's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

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

##### **(a) Covenant Not to Discriminate**

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

**(b) Subcontracts**

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

**(c) Non-Discrimination in Benefits**

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

**(d) CMD Form**

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

**(e) Incorporation of Administrative Code Provisions by Reference**

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of property to City are incorporated in this Section by reference and made a part of this Lease as though fully set forth herein. Landlord shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Landlord understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

**21.26 Tropical Hardwood and Virgin Redwood Ban**

**(a)** Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

#### **21.27 Bicycle Parking Facilities**

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

#### **21.28 Resource-Efficient City Buildings and Pilot Projects**

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

#### **21.29 Counterparts**

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

#### **21.30 Effective Date**

The date on which this Lease shall become effective (the "Effective Date") is the date upon which (a) City's Mayor and Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto.

#### **21.31 Sunshine Ordinance**

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

#### **21.32 Conflicts of Interest**

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

### **21.33 Notification of Limitations on Contributions**

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Landlord acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Landlord further acknowledges that the prohibition on contributions applies to each Landlord; each member of Landlord's board of directors, and Landlord's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Landlord. Additionally, Landlord acknowledges that Landlord must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Landlord further agrees to provide to City the name of each person, entity or committee described above.

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

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

### **21.35 Cooperative Drafting**

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

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR

RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

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

LANDLORD:

Evans Investment Partners LLC

By: \_\_\_\_\_  
ERIC CHUNG

By: \_\_\_\_\_  
TWIGGY TANG

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property

RECOMMENDED:

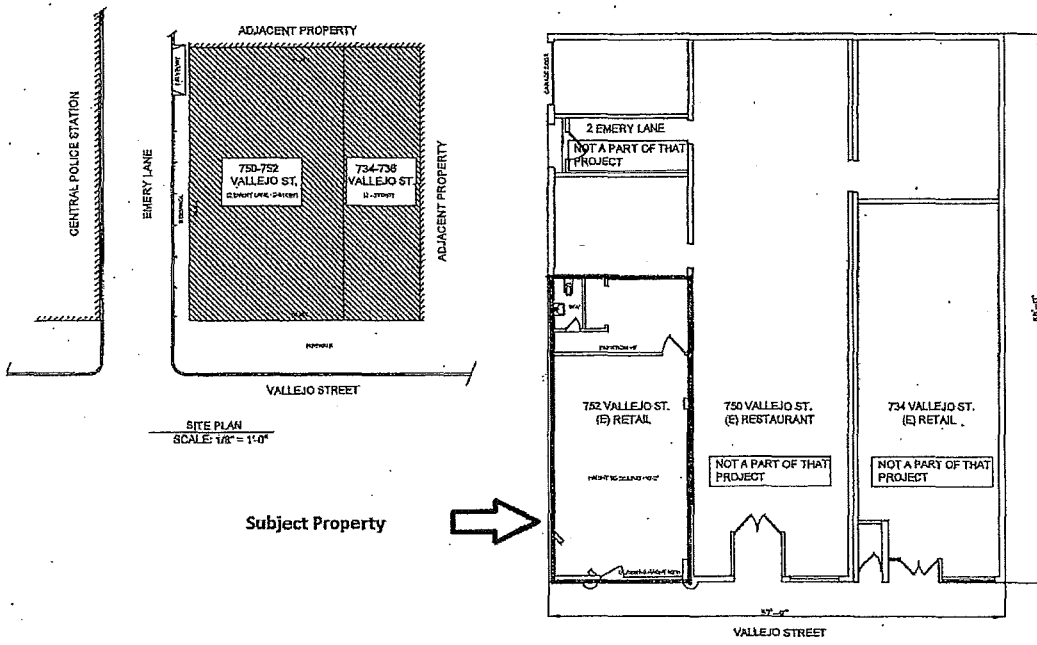
\_\_\_\_\_  
*Police Department*

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

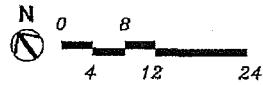
By: \_\_\_\_\_  
Deputy City Attorney

**EXHIBIT A**  
**FLOOR PLAN**  
 CONSISTING OF 1 PAGE



**PROJECT DATA**  
 JOB ADDRESS: 752 VALLEJO ST., SAN FRANCISCO, CA 94133  
 BLOCK / LOT: 0130 / 012  
 APARTMENT BUILDING / RESTAURANT / RETAIL  
 ZONING: NCD - NORTH BEACH, 40-X  
 BUILDING TYPE: V-B  
 OCCUPANCY: R-2  
 LOT SIZE: 59.09' x 88.00'  
 LOT SQUARE FOOTAGE: 4,618 s.f.

**EXISTING FIRST FLOOR PLAN**  
 SCALE: 1/4" = 1'-0"



**EXHIBIT B**

**NOTICE OF COMMENCEMENT DATE**

[Date]

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

RE: Acknowledgement of Commencement Date, Lease Evans Investment partners a California Limited Liability Corporation (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 752 Vallejo Street, San Francisco, CA

Dear Mr. Updike:

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

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

Very truly yours,

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

Accepted and Agreed:

By: \_\_\_\_\_  
John Updike  
Director of Property

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



**EXHIBIT C**

**SCOPE OF WORK**

The scope of work for the planned tenant improvements will include the following work to be provided by the Landlord:10.

- 1). Architectural plans for all proposed work.
- 2). Title 24 Upgrades as required by City.
- 3). Upgrade of the existing restroom, creating an ADA accessible and compliant restroom.
- 4) Upgrade of electrical panels to meet title 24 requirements and power usage needs of tenant based upon the space plan provided..
- 5). Interior paint, color to be selected by SFPD.
- 6). Carpet and pad, color and pattern to be acceptable to SFPD.
- 7). Front Canopy to be painted to SFPD specified color.
- 8). Security roll up door to be installed as per planning guidelines specified in Design Standards for Storefronts for Article 11 Conservation Districts EXHIBIT F.
- 9). Lighting and electrical to be upgraded to be in compliance with Title 24 standards and sufficient for all work stations.
- 10). Permits
- 13). Ventilation/ A/C unit installed that is Title 24 compliant
- 14). Removal of existing sign on front of the building

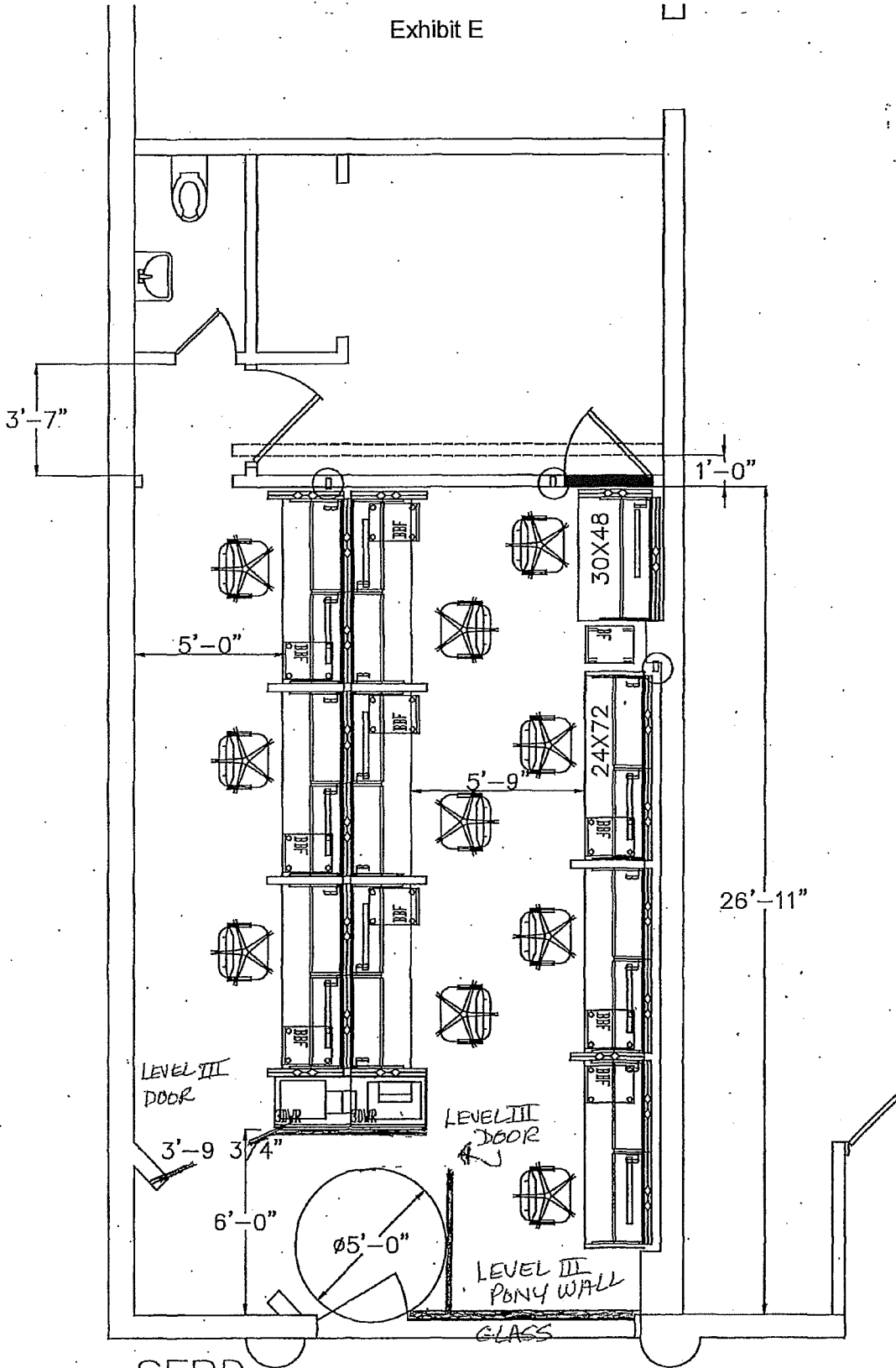
**DRAFT  
CONFIDENTIAL  
ATTORNEY CLIENT PRIVILEGED**

**EXHIBIT D**

**BUILDING RULES AND REGULATIONS**

***[TO BE PROVIDED BY LANDLORD; SUBJECT TO CITY REVIEW AND APPROVAL]***

Exhibit E



SFPD  
752 VALLEJO CENTRAL  
CREATIVE OFFICE 09/16/2016  
OPTION-F

Exhibit F



# Design Standards for Storefronts

for Article 11 Conservation Districts

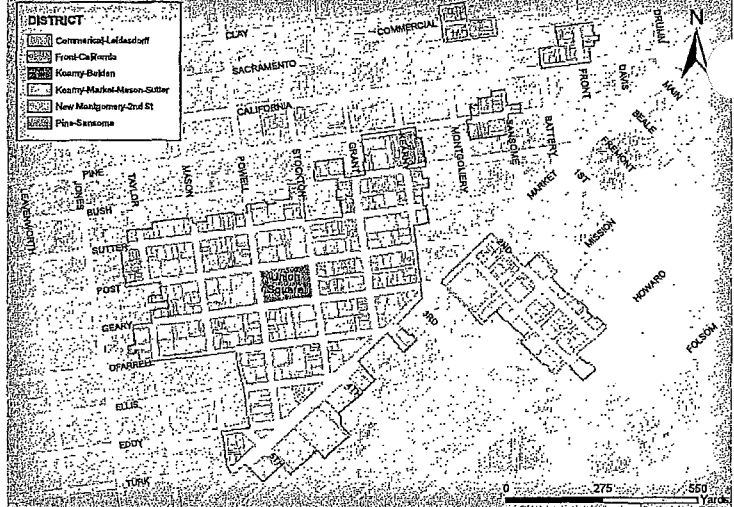
HISTORIC PRESERVATION DESIGN STANDARDS





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**INTRODUCTION**

The San Francisco Conservation Districts make up some of the most important commercial centers for visitors and residents in San Francisco. The vitality of the Districts' streetscapes are dependent on the existence and the success of storefront businesses. In response to changing marketing and advertising strategies designed to draw customers in, storefronts are the most commonly altered architectural feature in commercial buildings. The purpose of these standards is to protect and enhance the character of the Districts by encouraging storefront designs that allow tenants to successfully convey their image and products, compliment the public realm, and respect the architectural features of the district. While Article 11 of the Planning Code provides basic design requirements, all ground level alterations proposed for buildings that have been identified as significant or contributory (Categories I - IV), or buildings located within any Article 11 Conservation District are subject to additional review pursuant to Section 1111.6 of the Planning Code. The following standards are meant to supplement relevant sections of Article 11 in order to provide additional guidance for tenants, property owners, and the general public for the rehabilitation of existing or the installation of new storefronts within the Conservation Districts. These standards may be used as a guide for other similar Conservation Districts where no specific information is given within Sections 6 and 7 of the applicable Conservation District Appendices.

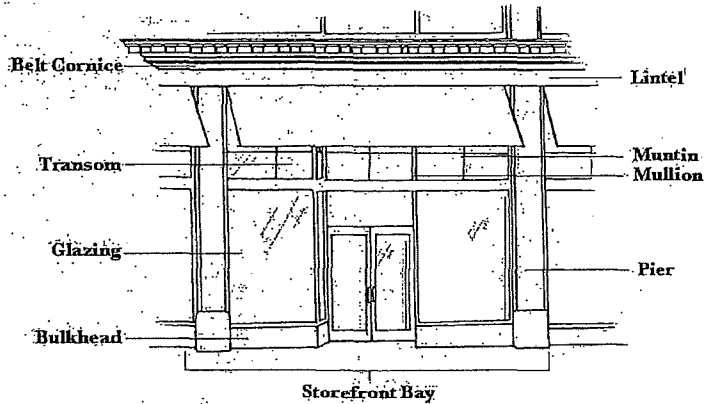
The information within this document is divided into topics based on each storefront component. Each component is outlined to address materials, design, finishes, proportion and location. All subsections are meant to provide clear and understandable instructions based on the *Secretary of the Interior's Standards for the Treatment of Historic Properties* and to meet the purposes of Article 11. There are also images to serve as examples and to better express the intent of the standards.

The Planning Department acknowledges that national retailers prefer uniform branding programs for all outlets. The unique character of the Conservation Districts may require further refinement of storefront components, materials, merchandising displays, etc., to be found in conformance with these standards.

Conformance with these standards authorizes the Planning Department to administratively approve ground floor permit applications when confined to the area within the piers and lintels of the opening as stated in Article 11 of the Planning Code. Please note that these Conservation District Standards will be used by the Planning Department to evaluate all permit applications and while only those proposals that meet the standards will be approved, the Department will review all proposals on a case-by-case basis. All storefront design related to a Major Alteration, as defined by Section 1111.1, may be subject to review and approval by the Historic Preservation Commission.

## STOREFRONT COMPONENTS

Existing historic storefronts in the Conservation Districts date from the late 19th to early 20th century. There are a number of elements that make up the architectural features of a historic storefront. The repetition of these features creates a visual unity on the street that should be preserved. Collectively, they establish a sense of place, provide a "human scale" and add rich detail to the public realm.



ANATOMY OF A FACADE

### Historical Terminology Includes:

**Belt Cornice:** A projecting horizontal molding, similar to a cornice, separating parts of a facade, especially used to delineate the first and second floors.

**Bulkhead:** The low paneled base of a storefront bay that supports the glazing and elevates merchandise for pedestrian viewing.

**Facade Materials:** Original exterior cladding, typically brick, wood or stone, provide a sense of permanence, scale and texture and often convey the work of skilled craftsmen.

**Glazing:** The large panes of clear glass within the storefront bay where goods and services are displayed and supported by the bulkhead and framed by the piers.

**Lintel:** The horizontal structural element that spans above the storefront bays to support the weight of the upper facade.

**Mullion:** The vertical element that separates window units or storefront glazing, typically not a structural support for the building.

**Muntin:** The small molding or bar that separates the individual panes of a multi-paned window, such as in a transom.

**Pier:** The vertical structural or decorative element, also known as a column, which supports and/or frames the glazing.

**Storefront Bay:** Defined by the height of the lintel and separated by piers, a storefront bay is composed of bulkhead, glazing, transom, and entry.

**Transom:** The small, operable or inoperable framed windows above the glazing and below the lintel that filter light into the ground floor space, sometimes sheltered by awnings.

## COURSE OF ACTION

Determining the appropriate course of action depends upon the overall integrity, or how much historic storefront components remain at the ground level. The integrity should be taken into consideration before determining the best approach for rehabilitation. While there is no hard-and-fast rule that can be stated, it is important that a deliberate, thoughtful process be employed in which the following questions are answered:

What are the characteristics of the base of the building?

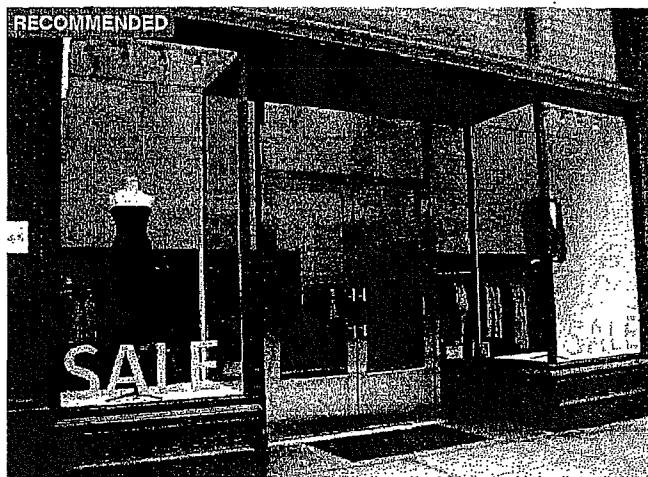
The storefront may be intact, modified or contemporary. If many or all of the historic elements are missing, a simplified new interpretation of those elements may be appropriate. On the other hand, if the building is 95% intact, with only the bulkhead missing and information about the original design is available, then an accurate reconstruction would be preferred.

What are the characteristics of nearby or adjacent storefronts?

If the storefront is one of three similar all in a row, and one of the three retain its historic details, then reconstruction of the altered storefronts would be a preferred option. Another more flexible option would be a rehabilitation based on a simplified design, as long as typical storefront components are incorporated into the design.

What is the significance of the property?

Sometimes previous alterations to historic buildings acquire significance of their own. These historically significant alterations should be preserved.



This storefront retains historic elements such as the transoms, bulkheads and piers.



The contemporary storefront above has maintained many of the typical historic features of early 20th century commercial architecture.





The rehabilitation project above preserved historic elements, such as the terra cotta tiles and cast iron framework. However, many other historic elements were missing, such as the transom windows and storefront pier material, were reconstructed based on historic documentation. It is common to use more than one approach in a rehabilitation project.

## GENERAL RECOMMENDATIONS

The Storefront Standards for the Conservation Districts are based on general recommendations that apply to rehabilitation. Rehabilitation acknowledges the need to alter a historic property to meet continuing or changing uses while retaining the property's historic character.

In order to be compatible with historic storefronts, new storefronts should follow the standards set out in this document, which provide for flexibility in design review. Designing new features to be subordinate to historic features creates a balance of new and old, allowing features to be seen as products of their own time, yet be compatible with remaining historic elements of the facade. The most successfully rehabilitated storefronts combine contemporary design with sensitivity to the historic storefront components.

### Preserve

Preserve the storefront's historic style, form, materials, proportions, and configuration when it is intact. Distinguish between historic materials and inappropriate past interventions. Do not remove, obscure, or damage historic character-defining features.

### Repair

Repair historic features that are damaged based on adequate evidence using identical or similar materials that convey the same form, design, and overall visual appearance as the historic feature in terms of details, finish, and color. Repair is preferred over replacement.



Removing, obscuring, or damaging historic features through installation of new features is discouraged, such as this historic beltcourse partially concealed with an aluminum panel.

### Replace

When repair is not possible, replacement of the original design based on historic documentation or physical evidence is preferred. Do not reconstruct details from speculation that could give a false impression of the history of the building. If evidence is missing, consider a simplified interpretation of historic elements. Also, consider the retention of previously-installed compatible alterations.

## STOREFRONT EVALUATION

### HISTORIC VS. ALTERED

To help determine if you have a historic storefront, look for the following storefront characteristics that are typically shared among commercial architecture of this period:

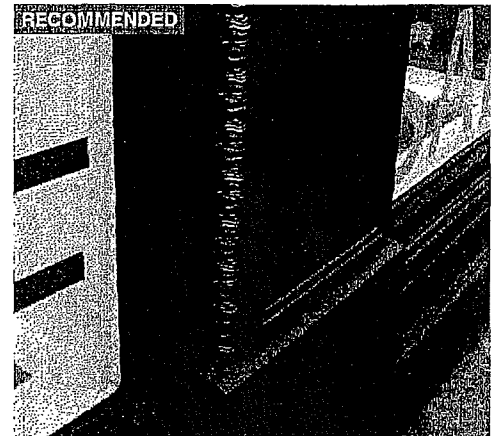
Buildings undergo alterations over time. To determine how a historic storefront design has been altered over time, notice the location of the glazing, bay, cornice, and entrances on the existing building to provide clues.

### Historic Storefronts

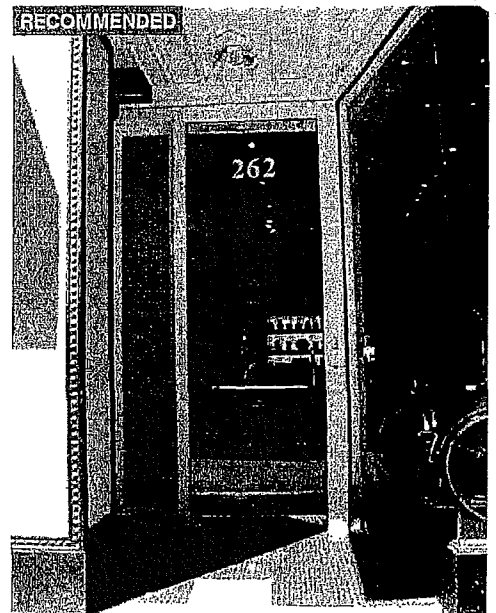
- Bulkheads: Primarily rectangular in design, of frame, natural stone or tile construction, and often with raised patterns.
- Glazing: Merchants in the early 20th century relied on extensive window displays to advertise their goods and the installation of large sheets of plate glass provided maximum exposure.
- Large Central or Corner Entrances: Many commercial buildings historically had large central or corner entrances of single or double doors.
- Transoms: Over the display windows and entrances were transom windows, usually made of clear, textured, leaded, or stained glass, allowing light into the building and additional areas of signage and display.
- Cast Iron Pilasters: To support the weight of the masonry above the storefront, decorative cast iron columns or masonry piers were often added.

### Altered Storefronts

- Glazing: If the display windows have small panes rather than very large panes of glass, they have most likely been replaced.
- Bay: If there is irregular spacing among the bays where a storefront pier does not align with the upper facade piers, it is most likely a non-historic storefront.
- Beltcourse: If the beltcourse or watertable is not visible or has been removed, or if the lintel is not defined within the storefront, the height has likely been altered.
- Entrances: If the building entrance is no longer in the historic location or made of contemporary materials, it has been replaced.



The profile on this pier and bulkhead are indicative of historic commercial architecture and should be preserved.



The historic wood panel ceiling in this recessed entry is historic and should be retained.

## FAÇADE & STREET WALL

Historically, storefronts were integrated into the overall façade design, with the same treatment used for all tenant spaces within a structure. However, as tenants have modified their individual sections of the storefront, the overall design intent of some buildings has become lost. The storefront and upper façade should create a single architectural image by aligning architectural framework within the design and using similar cladding materials. The following recommendations supplement Article 11.

### Materials

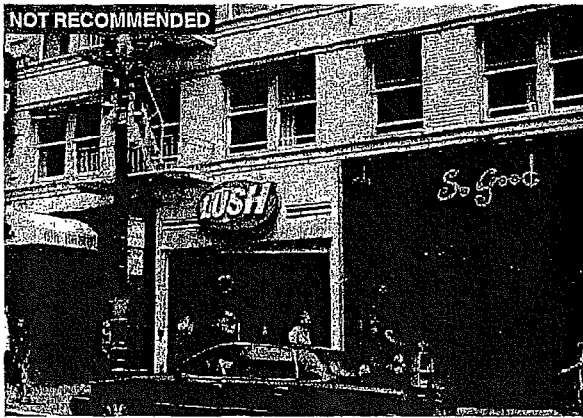
Buildings within Conservation Districts are traditionally clad in masonry materials, which include terra cotta, brick, natural stone, and smooth or scored stucco, over a supporting structure. If historic material is discovered when the existing cladding is removed, Department Preservation Staff must be notified immediately. If significant historic features remain, it must be retained and the storefront approvals may be changed to reflect this new condition. Storefronts with no remaining historic architectural components may be re-clad or replaced with new modern materials when no historic fabric remains. If replacement material is necessary, use materials that are compatible in texture and physical makeup.

#### RECOMMENDED:

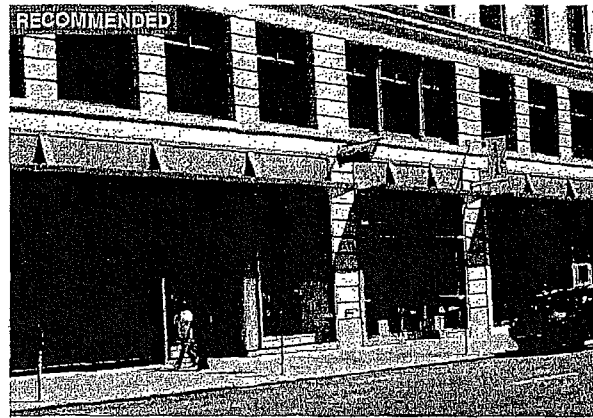
- **Cladding Materials:** Utilize traditional building materials: Terra cotta, brick, simulated or natural stone and scored stucco convey permanence and should be used when architecturally appropriate. New brick should match the color and type of historic brickwork. Particular attention should be paid to the point at which different materials join together. These 'edges' should be clean and organized.
- **Profile:** The replacement façade material should be similar in profile to the traditional cladding material.
- **Color:** The number of exterior colors should be limited to different tones of one color. Choice of colors should be determined by the nature of the building's historic character, and colors of building elements should relate to each other. Traditional materials are generally colored light or medium earth tones, including white, cream, buff, yellow, and brown. (See Section 6 related Appendices in Article 11 Districts).
- **Texture:** Smooth and painted with a satin or flat finish.
- **Vandalism Precaution:** Quick, consistent and complete removal of graffiti discourages "tagging." Surfaces treated with antigraffiti clear coatings resist penetration of graffiti and simplifies graffiti removal, while not altering the natural surface appearance. Antigraffiti clear coatings also protect against weathering and environmental-related stains, contributing to a well-maintained appearance.
- **Durability & Maintenance:** Materials used near sidewalks and adjacent to building entrances should be highly durable and easily maintained.

#### NOT RECOMMENDED:

- **Cladding Materials:** Although painted wood and metal are sometimes used for window sashes, bulkheads and ornament; decorative concrete block, applied false-brick veneer, vinyl or aluminum siding, cedar shakes, textured plywood, EFIS materials and plastic are not appropriate for use on buildings within the Districts.
- **Obstruction of Historic Building Materials:** Do not cover, damage or remove historic building materials.



These three storefronts have been individually designed and altered. They neither relate to each other nor the historic building materials. This application is discouraged.



The building above contains multiple storefronts that have a consistent alignment and composition. This creates a cohesive façade while maintaining storefront distinction.



The street wall to the left lacks horizontal alignment and a cohesive composition, which results in a disconnected overall appearance.



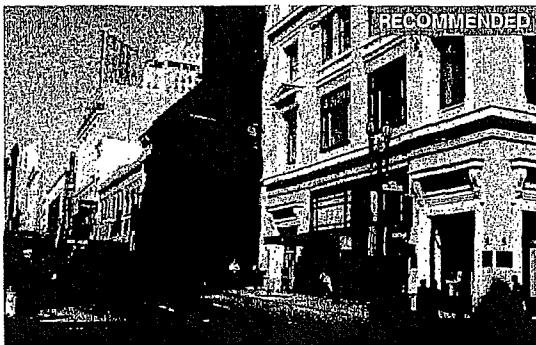
The horizontal features of the three commercial businesses to the left are aligned. Each storefront relates to the others which results in a cohesive street wall.

## Design

The configuration of a storefront façade refers to the relationship between, and general proportions of, various storefront infill components, such as door location, setback, bulkhead, display window dimensions, transom windows, historic materials and details. Together the storefront design provides clarity and lends interest to the façade, which maintains the interest of pedestrians.

### RECOMMENDED:

- **Alignment:** Alignment of horizontal features on building façades is one of the strongest characteristics of the street and should be preserved. Typical elements to keep in alignment with others in the block include: window moldings, top of display windows and belt cornices. This helps reinforce the visual harmony of the district.
- **Setback:** Most storefronts extend right up to the sidewalk, known as “zero setback,” resulting in a consistent street wall.
- **Composition:** The wall-to-window ratio; storefront height; window spacing, height, and type; roof and cornice forms; materials and texture should present a visually-balanced composition, complementary to adjacent storefronts to provide a sense of cohesiveness in the district without strict uniformity.

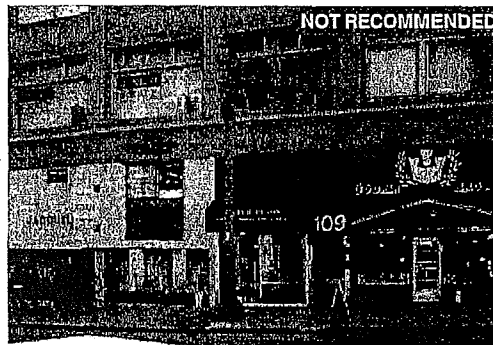


These buildings have no ground level setbacks, which creates a defined street wall and edge. The horizontal elements are consistently aligned along each building and the entire street wall relates to create a cohesive block.

- **Simplified Interpretation:** Where a historic storefront is missing, and no evidence of its character exists, a simplified interpretation is appropriate. Take cues from building patterns, scale, and proportions of nearby buildings and storefronts. An alternative storefront design must continue to convey the characteristics of typical historic storefronts in the Conservation Districts.
- **Storefront Distinction:** A single building containing multiple storefronts should distinguish each storefront, while maintaining building unity. Separate buildings should remain visually distinct. See Interim Storefront Solutions, “Storefront Rehabilitation Program” in this document.

### NOT RECOMMENDED:

- **Color:** Inappropriate colors include fluorescents, bright primary hues and black as an overall façade color.
- **Blank Walls:** If visible from a public way, blank walls should be softened by incorporating painted signage, artistic murals and, where possible, fenestration is encouraged.
- **Exact Replication:** Infill construction should clearly be contemporary and not be exact historic reproductions that could confuse an observer.



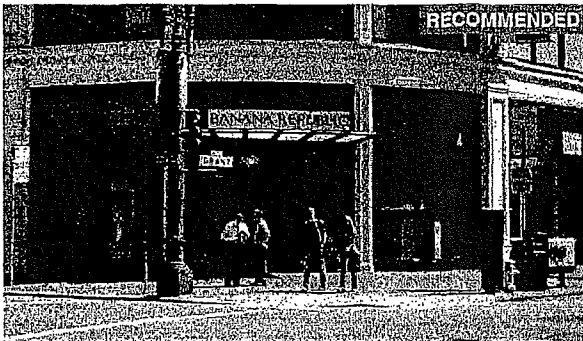
This storefront has undergone a number of inappropriate alterations. The most obvious, black paint, provides too much contrast with the streetwall and is discouraged.

## CORNER LOTS

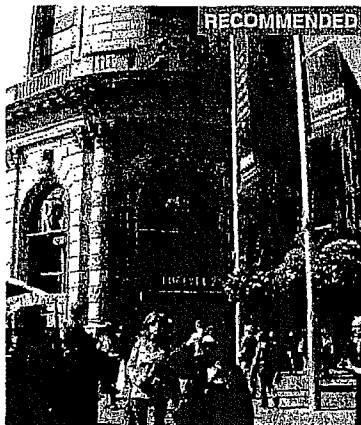
Many buildings on corner lots exhibit special features that emphasize the corner and add accent to both intersecting streets, providing visual interest to pedestrians.

### RECOMMENDED:

- **Emphasis of Corner Lot:** Corner entrances, storefront windows, and displays that extend along both street façades are examples of elements that emphasize corner lot locations and are encouraged.
- **Windows:** Where entrances are not located at the corner, storefront windows should turn the corner. There should be one or two storefront windows on each side of the building, this draws the interest of the pedestrian.



These corner lot storefronts have incorporated corner entrances and displays that extending along both side elevations. This is encouraged.



## STOREFRONT BAY

The individual storefront bay is defined by the height of the lintel and separated by piers. Appropriate alignment and proportions of the storefront bay are critical in creating a unified appearance within the district.

### RECOMMENDED:

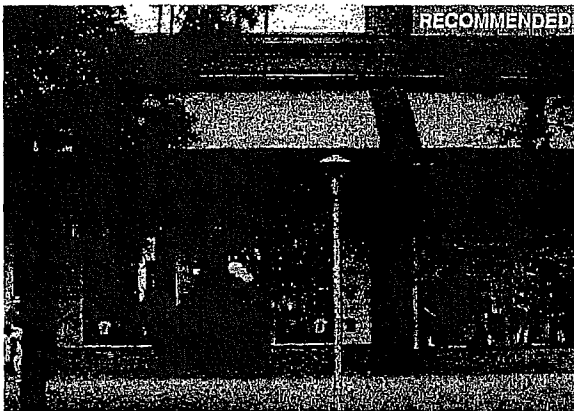
- **Alignment of Storefront:** Within a single storefront, windows should be consistent in height and design with storefront doors to create a cohesive appearance; however, slight variations in alignment can add visual interest.
- **Piers:** Piers at the sides of a storefront should be visible and match the upper façade. If historic piers exist under the modern cladding, the historic piers should be uncovered, repaired and left exposed. If historic piers do not exist under the modern cladding, new piers should replicate the historic materials in terms of details, finish, color and overall visual appearance.
- **Design Modifications:** When making modifications, treat and design the piers and lintel as a single architectural component. The lintel establishes the top of the storefront bay, visually separating it from the upper floors.
- **Storefront Infill:** Typically composed of the bulkhead, glazing, transom, and entry. Keeping these components within the historic bay minimizes visual discontinuity.
- **Proportion:** Maintain proper proportions of the storefront bay. Typically, the glazing extends from the bulkhead to the lintel and between the piers.

### NOT RECOMMENDED:

- **Alignment:** Major deviations in the alignment of a storefront and between adjacent buildings disrupt the visual continuity of the street and should be avoided.

- **Obstruction:** Elements such as signs and awnings that obscure the spacing of the bays and/or the elements that define those bays should be avoided.
- **Size:** Any enlargement or reduction in the size of the storefront opening, such as infill with opaque or solid materials, should be avoided.

BELOW: The lintel and pier are clearly visible and serve to separate the storefront from the upper façade and adjacent storefronts, making each storefront visually distinct.



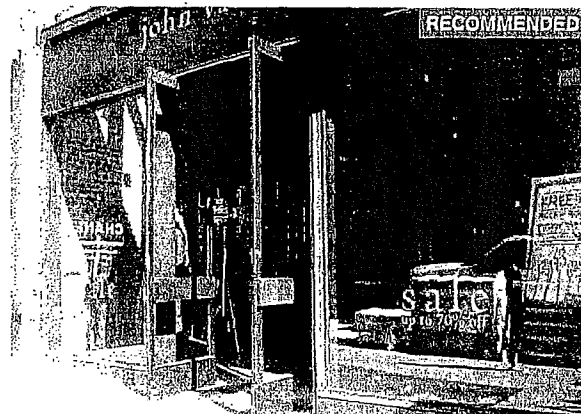
ABOVE: The accumulation of signage blocks the storefront openings and appears haphazard. This application is discouraged.

## ENTRANCES

Typically, historic buildings have an entrance to each storefront in addition to one main entrance to upper floors, opening directly onto the sidewalk. A service door may also exist for access to building systems.

### Primary Storefront Entry

Traditionally, storefront entrance doors were made with full-height glass framed in wood or metal, with a transom window often set directly above the door. The entries are typically recessed 2'-6" to 6' from the sidewalk, which allows protection from the rain and wind, creates additional display frontage, and the repetition of recessed entries provides a rhythm of defined commercial spaces that helps establish a sense of scale and identifies business entrances. The recessed areas are paved with mosaic tiles, terrazzo, or patterned concrete. Historically, these paved areas within the recess were viewed as an opportunity for the business name, typically in mosaic tile or inlaid metal letters. The ceilings of recessed areas were finished with stucco or wood panels.



ABOVE: This building has a large storefront double door entrance with excellent transparency from the sidewalk. This is typical of historic storefront design and is encouraged.

**RECOMMENDED:**

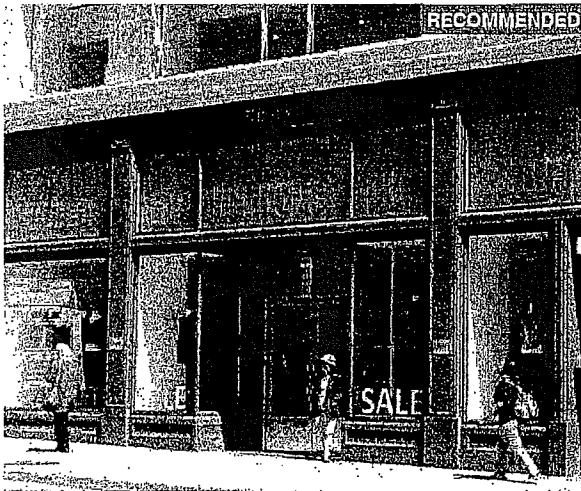
- **Preservation:** Retention of the historic door and entry system, whether recessed or flush with the public walk, is encouraged.
- **Maintain Historic Position:** The depth and configuration of storefront entrances should be maintained. Where applicable, do not infill a historic recessed theatre entrance (partially or completely).
- **Replacement Doors:** If an entrance is missing, a new entrance may be reconstructed with historic documentation. If using a new compatible design, it should be based upon the traditional design elements. Aluminum or bronze doors can be made more compatible by being painted a dark color, and by selecting a design in the proportions of the historic door.
- **Preservation and ADA Compliance:** Entries must comply with the accessibility requirements of the Americans with Disabilities Act. Preserve historically significant doors and reuse if possible. Qualified

historic buildings may use the alternative provisions of the California Historical Building Code (CHBC) to preserve significant historic features when upgrading buildings. If preservation is not an option, replace with a new door of the same design that is compatible with the storefront's style and material.

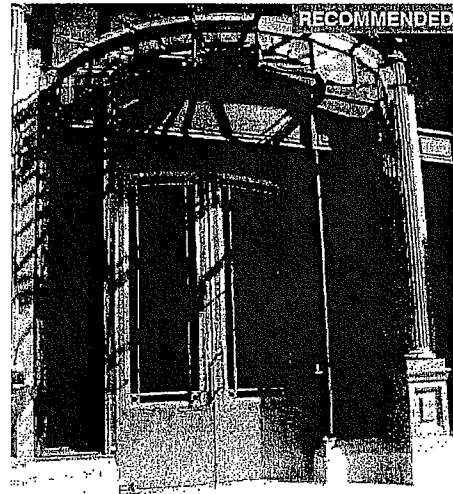
- **Design:** Differentiate the primary entrance from the secondary access to upper floors by maintaining each entry within its own bay. Entries should be clearly marked, provide a sense of welcome and easy passage. They should be located on the front of buildings.

**NOT RECOMMENDED:**

- **Reconstruction:** Avoid recreating designs based on conjecture rather than clear documentation.
- **New Entrances:** Do not locate new entrances on a primary façade where it would alter or change the position of the piers and function of the historic primary entrance.



These contemporary entry doors have been located within the historic storefront. Original cast iron elements such as columns, bulkheads and the prism glass transoms have been restored. This treatment is recommended.



This historic storefront entrance includes a traditional door made primarily of glass and framed in bronze.



## Secondary Entry

The main building door, giving access to upper floors, is similar in appearance, but less impressive than the storefront door.

### RECOMMENDED:

- **Loading and Building Service Entrances:** May be glazed or solid doors and should be located on the side or rear of buildings, whenever possible, or shared with other adjacent businesses. When not possible, they should be located away from corners or street intersections and away from main entrances and primary storefront displays.
- **Maintain Position:** Recessed storefront entrances should be maintained. Where an entry is not recessed, maintain it in its historic position, where possible.

### NOT RECOMMENDED:

- **Non-Use:** Do not seal secondary doors shut in an irreversible manner. Any work that is done must be reversible so that the door can be used at a later time, if necessary.

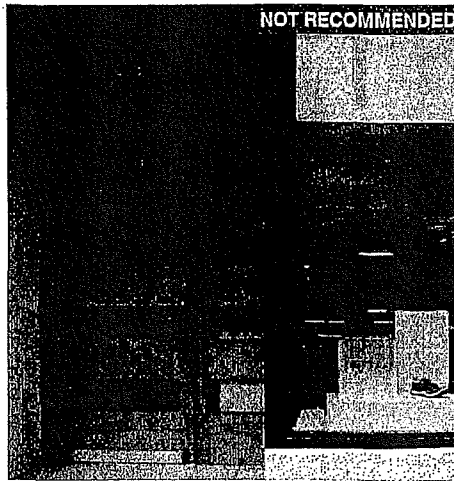
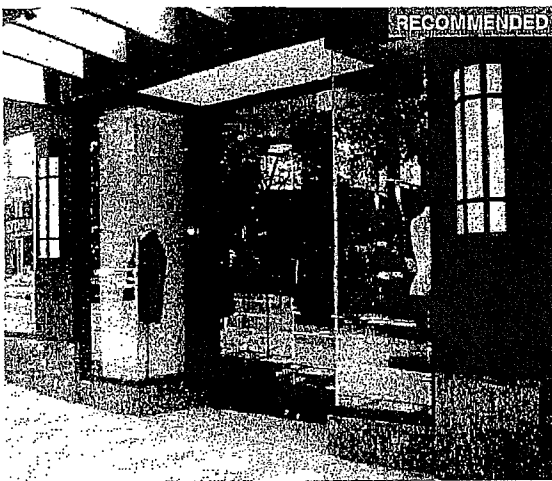
## Door Materials

### RECOMMENDED:

- **Predominant Glazing:** All primary entrance doors should be predominantly glazed with a painted wood or brushed metal frame.
- **Door Frame:** Wider metal frames are generally encouraged over narrow frames.
- **Door Features:** Maintain features that are important to the character of the historic door, including the door, door frame, threshold, glass panes, paneling, hardware, detailing transoms and flanking side lights.
- **Historic Design:** If historic design is not known, use a wood-framed or metal-framed glass door in a traditional design.

### NOT RECOMMENDED:

- **Door Frame:** Avoid unfinished aluminum or stainless steel frames.



LEFT: The double doors are emphasized by the recessed entry, which also creates additional window display space to draw in pedestrians.

RIGHT: This door is not predominately glazed and is inconsistent with the buildings architectural character.

## BULKHEAD

In the Conservation Districts, storefront display windows were traditionally placed upon a one to two foot high solid base, also called a bulkhead. The bulkhead serves two functions: it raises a window display closer to eye level, to take advantage of the line of vision and to more effectively showcase merchandise to better capture the attention of the pedestrian; and it acts as a kickplate, that, compared to glazing, can better withstand the impact of window shoppers' shoes.

### RECOMMENDED:

- **Preservation:** Restore historic bulkhead finishes, where they remain. Contact Planning Department Staff to obtain more information on specific treatments recommendations for various finishes.



- **Materials:** Historic bulkheads are typically made of painted wood, decorative metal, small ceramic tiles, or masonry. Replacements should match or be compatible with such materials. Wood or metal bulkheads should be articulated with paneling or molding.
- **Height:** The storefront bulkhead should be of a consistent height and appearance with the historic one that exists on the building. Depending on topography and where physical or documentary evidence is unavailable, the bulkhead should generally be between 18" and 24".
- **Consistency:** If a portion of the historic bulkhead exists, the new portions of the bulkhead should match.

### NOT RECOMMENDED:

- **Materials:** Corrugated aluminum, shingles, artificial siding, plywood, EIFS, and clear or unfinished aluminum are not permitted.



ABOVE RIGHT: The replacement tilework that makes up the bulkhead should match the historic materials which have been preserved on the pier to its right.

ABOVE LEFT: The preservation of historic elements, such as this decorative bulkhead is encouraged.

BELOW LEFT: This simple storefront has retained the original marble bulkhead, entry door surround and transom. This is encouraged.

### STOREFRONT DISPLAY WINDOWS

The storefront display windows within the Conservation Districts typically consist of large panes of plate glass set in metal or wood frames with the primary purpose of allowing passersby to see goods or services available inside. The historic metal framing systems have a particularly narrow profile in comparison to modern aluminum storefront framing systems. Vertical framing elements were sometimes omitted at the entry recess corners, with just a butt-joint between the two panes of glass. Most storefront display windows have been altered or replaced.

**RECOMMENDED:**

- **Preservation:** The functional and decorative features, such as the historic frame, sash, muntins, mullions, glazing, and sills of a historic window should be preserved.
- **Materials:** The storefront should be transparent by use of clear glass in doors and storefront areas allowing visibility into and out of the store to create an engaging and dynamic retail environment.

- **Mullion Profile:** Mullions separate individual panes of a window and should be as narrow and as limited in number as possible to maximize visibility into interior activity and merchandising. The mullion profile should be a darkly painted wood or a dark colored pre-finished or painted metal.
- **Blocked-out Windows:** Large pane glazing should be reintroduced if the historic glazing is no longer intact.

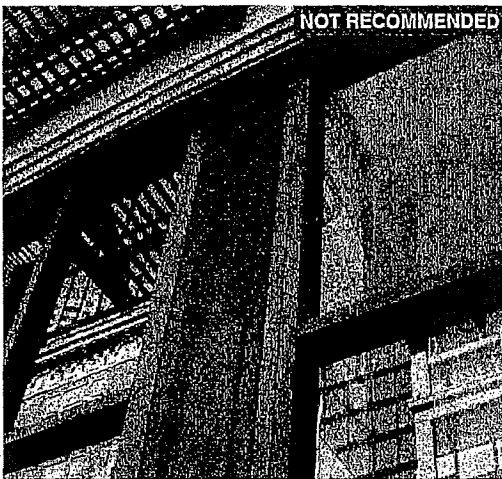
**NOT RECOMMENDED:**

- **Materials:** Vinyl, plastic, clear or unfinished aluminum, and other reflective materials are not permitted.
- **Broken or Boarded Windows:** These negatively impact businesses and the district and should be fixed in a timely manner.
- **Plexiglas:** Replacement materials instead of glass should be avoided.

A pre-finished aluminum storefront frame was installed flush with the face of the cast iron pier, which flattens the profile and reduces the dominant role of certain architectural features.

The pictured storefront framing system is much wider than what was used historically and, therefore, should be avoided.

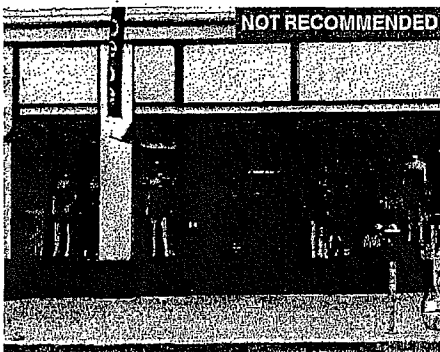
This new storefront has large expanses of glazing that were inspired by historic drawings of the building.



- **Operable Windows:** Sliding, hinged or folding windows are discouraged because of the number of divisions they create within an opening – this minimizes visibility between interior and exterior activities when windows are closed. However, operable windows designed with very limited divisions and large glazing similar to traditional ground floor storefronts will be considered.
- **Recessed Window:** The window glazing should not be deeply recessed in the window frame, as this was not done historically and does not convey a period effect.



This new storefront was recreated based on historic photographs. It features appropriate proportions, materials, and signage. This is recommended.



Opaque or painted glass should not be used within the transom windows. If clear glass cannot be used, translucent patterned glass is a preferred alternative. This restricts light entering the store and is not recommended.

## TRANSOMS

Transom windows, located above the main display windows and entries, are a common feature of commercial storefronts. The placement of these windows was made possible by generously proportioned tall ceilings within the commercial interiors. Transom windows were often operable and provided ventilation to the interior. Transom windows were typically glazed with clear or textured panes of glass and set in wood or metal frames. In recent years, transom windows have been altered by painting the glazing; installing mechanical louvers; replacing glazing with plywood panels; installing signboards that cover the windows; or installing interior suspended ceilings. In some cases, the windows have been completely removed and infilled.

### RECOMMENDED:

- **Frame Materials:** The transom frame above the entrance doors and display windows should match the material and finish of the storefront.
- **Replacement Glass:** If the historic transom glass is missing and no physical or documentary evidence exists, install new glass, and ensure that it is a consistent size and configuration. Clear glass is encouraged; however translucent or patterned glass is also compatible. Consider the use of operable transom windows while installing new or reconstructed transoms.

### NOT RECOMMENDED:

- **Blocked-out Windows:** Avoid blocked-out transom windows. If the transom must be blocked, retain the glass, but consider using a translucent finish to retain the historic design intent and storefront proportions.

**BUILDING SYSTEMS**

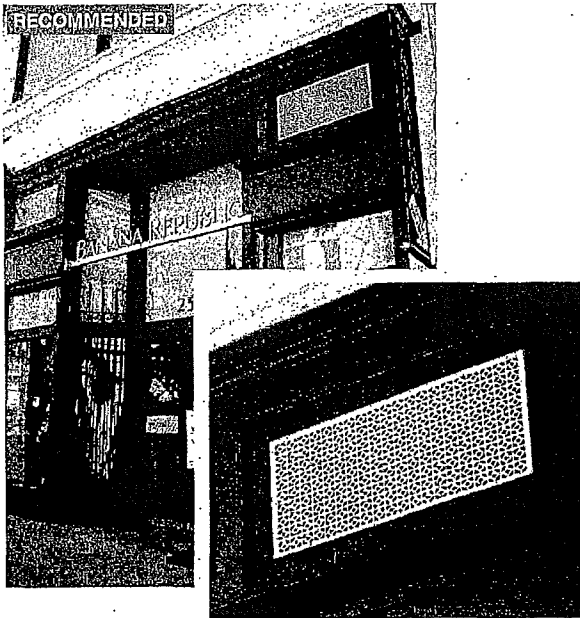
**RECOMMENDED:**

- **Location:** A building's mechanical, electrical and plumbing systems should be located in an interior room or a rooftop mechanical penthouse. When exterior installation is required, systems should be located on a non-visible facade away from public view.
- **Concealment:** If exterior equipment cannot be located on a non-visible facade, efforts should be taken to minimize their visual impact by covering with a decorative metal grille. A grille in combination with an awning may be used where appropriate.

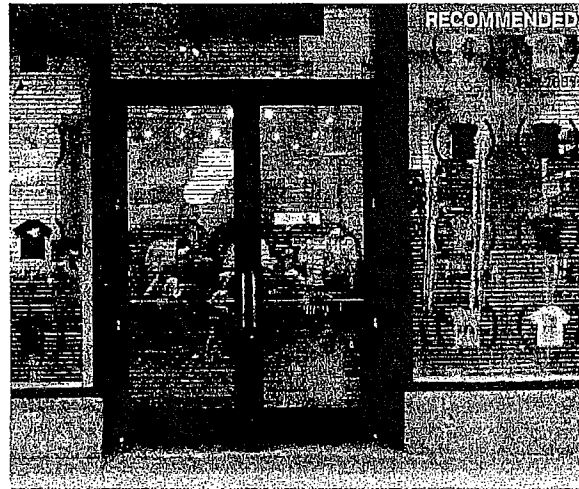
**NOT RECOMMENDED:**

- **Location:** When located on a visible exterior facade, the building's mechanical, electrical and plumbing systems should not obscure or remove historic architectural features or enlarge the openings or framework.
- **Concealment:** Use of an awning to cover a building's mechanical, electrical and plumbing systems provides only partial concealment and systems will remain visible to pedestrians.

The decorative architectural grills below have been installed to conceal mechanical intake and exhaust louvres. The grills have been incorporated into the storefront design. This treatment is recommended.



The open security grates below are installed on the interior so that when open, all mechanisms are concealed, which is encouraged. They also allow merchandise to be viewed even when the store is closed.



## SECURITY

Many security measures create the impression that the retail area is unsafe, particularly when gates are rolled down and locked. This does not contribute to a pedestrian-friendly environment and it ultimately hurts business. A series of rolled-down, solid metal security doors present a long, featureless façade at the sidewalk, which is unsightly and generally out of character with the architecture of buildings within the Districts. Transparent security doors provide the same level of security as solid grates, and allow lighted window displays to be seen at night, accommodating both design and security considerations.

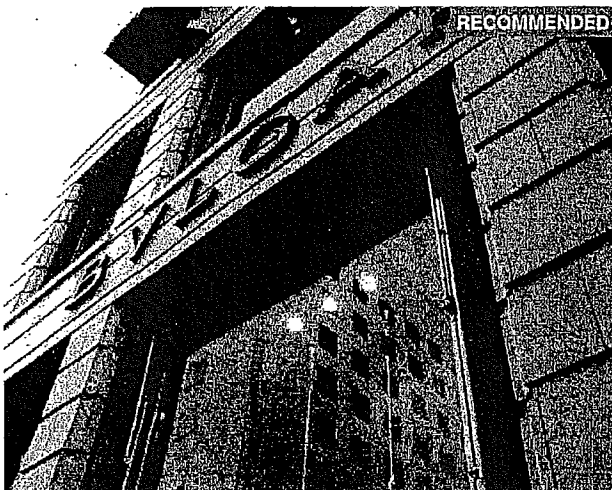
### RECOMMENDED:

- **Security Door Design:** Security doors should be installed on the inside of the storefront, with the housing mechanisms and guide rails concealed. They can be hidden behind an architectural element, tucked into a framed pocket opening, mounted on the interior, or mounted high enough above the glazing system so as to remain unseen from the sidewalk.

- **Grilles:** The use of open or mesh grilles is encouraged because they have less impact on historic features. Grilles should be made of decorative metal in a configuration that is suitable for the scale and design of the entrance. They can also be simple metal grilles that are fully concealed when open.

### NOT RECOMMENDED:

- **Security Door Design:** Scissor-type security gates, solid roll-down grates and permanent metal bars installed either on the inside or outside of windows are discouraged.
- **Exterior Security Doors:** Security door housing should not be mounted to storefront exteriors; this contributes to the clutter on the exterior and can damage and obscure architectural features.



LEFT: When an external security grate is installed, its operational mechanism should be hidden from view. When fully retracted, the security grate should be concealed within the facade or behind the cladding.

RIGHT: The external roll-down security grate has its housing mechanism clearly in view from the street, which is discouraged.

## SEISMIC UPGRADES

Seismic strength within buildings is achieved through the reinforcement of structural elements. Steel braced frames are added to resist lateral loads arising from winds or earthquakes.

### RECOMMENDED:

- Location: A braced frame should be placed within the exterior wall (between the exterior masonry and the interior finish). Diagonal structural braces should be located within the interior space, setback from ground floor display windows.
- Structural Design: Different configurations can be utilized to minimize their effect on the existing architecture. Utilizing moment frames can minimize the effect on the existing architecture if properly designed to conform to the historic opening sizes.

### NOT RECOMMENDED:

- Location: For historic buildings, exterior applications of bracing are not appropriate. Braces penetrating the exterior of the storefront or placed within the storefront display area should be avoided.
- Structural Design: Reinforced seismic walls should not enclose storefront openings.

### Reference Material:

The Preservation Committee of the American Institute of Architects San Francisco Chapter prepared the *Architectural Design Guide for Exterior Treatments of Unreinforced Masonry Buildings during Seismic Retrofit*, November 1991, for the San Francisco Planning Department, the Landmarks Preservation Advisory Board and the City Planning Commission to assist in the application and review of seismic upgrade methods.

The seismic bracing is clearly visible and detracts from the historic facade. This application is discouraged.



## INTERIM STOREFRONT SOLUTIONS

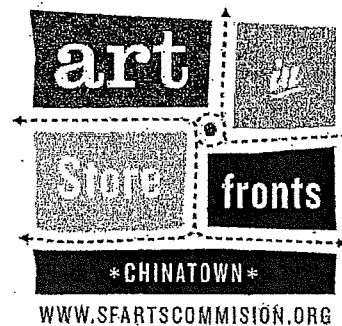
Some of the design standards may take more time and money to implement than others. In the interim, building owners of vacant storefronts and tenants during renovation can take some simple measures that can serve as place holders until permanent rehabilitation occurs at the storefront.

### RECOMMENDED:

- **Cleaning and Painting:** These simple solutions offer dramatic improvements to a façade. This provides a well-maintained appearance and ensures a long life for many traditional façade materials.
- **Protect against vandalism and graffiti:** Apply a removable clear acrylic shielding to the glazing and treat façade materials with an anti-graffiti coating.
- **San Francisco Article 11 Conservation Districts Signs & Awnings Standards:** Comply with the recommendations detailed in these standards.
- **Storefront Rehabilitation Program:** For buildings with multiple tenant storefronts that have been subjected to inconsistent alterations over the years, consider a long-term plan that will serve as a guide for current and future tenants to better create visual continuity among all of the building's storefronts. Please contact the Department Preservation Staff for consultation.
- **San Francisco's "Art in Storefronts" Program:** This innovative program temporarily places original art installations by San Francisco artists in vacant storefront windows to reinvigorate neighborhoods and commercial corridors while engaging local artists. Art in Storefronts is a pilot program in collaboration with the Mayor's Office of Economic and Workforce Development and Triple Base Gallery.



The "Everything is OK" installation by artists, Christopher Simmons and Tim Belonax, fills a vacant storefront on Market Street.



For more information:

Robynn Takayama  
San Francisco Arts Commission  
Tel: 415-252-2598  
E-mail: [robynn.takayama@sfgov.org](mailto:robynn.takayama@sfgov.org)

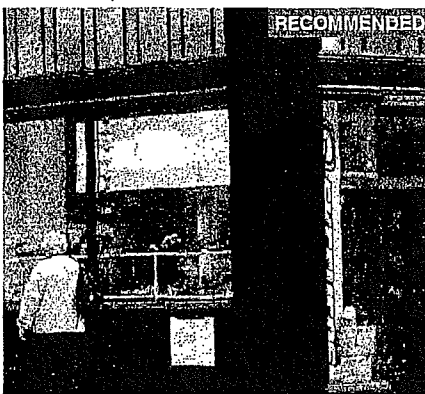


## GENERAL MERCHANDISING REQUIREMENTS

Acknowledging that store branding and identification often extends beyond the application of signage and awnings to the exterior of a tenant building, the purpose of these requirements is to give the Planning Department, owners and tenants a tool to ensure that tenant spaces remain transparent to the exterior, contribute to the activity of the public realm, and do not evolve into de facto sign boards for tenants.

Planning Department approval is granted provided that the following storefront transparency requirements are applied to the ground-floor and sometimes the 2nd floor windows where applicable:

- All windows must be of clear glass.
- Any translucent, opaque films, or adhesive signage applied to or installed directly behind storefront glass should not exceed one-third of the glass area.
- Any shelving, counter, or partitions over 3' in height must be setback a minimum of 10' from the inside face of the storefront glass or must be 75% open and transparent.
- All signage applied to or installed directly behind storefront glass should not exceed one-third of the glass area.
- Solid roll-down security doors should not be installed on either the exterior of the building or behind any storefront openings.
- Blinds, shades, or curtains are not allowed at the ground-floor level open and transparent.



ABOVE: The large glass with jewelry display windows highlights merchandise, while allowing visibility into the store, which is encouraged.

CENTER: The large pane of glass combined with movable mannequins below allow clear visibility into the store, which is encouraged.

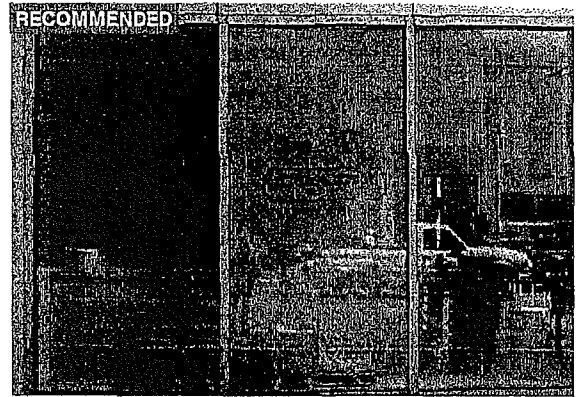
BELOW: The translucent shelving that supports this window shoe display increases visibility from the street, which is encouraged.

Typical movable window display items such as mannequins, small display podiums, and merchandise that permit clear visibility into the interior of the tenant space are permitted and encouraged.

The Planning Department is authorized to grant on a case-by-case basis flexibility from the requirements cited above in order to respond to site-specific constraints or for the exceptional projects that demonstrate to create a positive pedestrian experience.

Retail establishments that meet the definition of a department store as defined in this document are exempt from the visual merchandising requirements of this document except at the following storefront locations within the building:

- All customer entrances and the storefront windows at the ground and 2nd floor immediately adjacent to those entrances.
- All storefront corner windows at the ground and 2nd floor located at an intersection and on both street elevations.



The partition is set back behind the storefront display and takes up no more than one third of the glass area.

#### Visual Merchandising for Large Department Stores

The Planning Department acknowledges that unique factors and the historic tradition associated with visual merchandising of large department stores differ due to the size, location, and variety of merchandise. In addition, the transformation of department store windows, such as during holidays, holds as much historic significance as the buildings in which they occupy.

For the purposes of this document, a department store is defined as a single retail establishment located within a building that provides 50,000+ square feet devoted to the sale of a wide range of durable goods and at the same time offering the choice of multiple merchandise lines at variable price points in all product categories.

## REFERENCES

1. Applications for Permits to Alter, City and County of San Francisco Municipal Planning Code, Article 11, Section 1111. <http://www.municode.com/Resources/gateway.asp?pid=14139&sid=5>
2. Dangers of Abrasive Cleaning to Historic Buildings, The National Park Service Preservation Brief 6 <http://www.nps.gov/history/hps/tps/briefs/brief06.htm>
3. How to Document a Building's History, San Francisco Planning Department Preservation Bulletin 16, Appendix B
4. Kearny-Market-Mason-Sutter Conservation District, City and County of San Francisco Municipal Code Planning Code, Article 11, Appendix E <http://www.municode.com/Resources/gateway.asp?pid=14139&sid=5>
5. Kearny-Market-Mason-Sutter Signs & Awnings Standards
6. The National Park Service Secretary of the Interior's Standards for Rehabilitation; <http://www.nps.gov/history/hps/TPS/tax/rhb/stand.htm>
7. Preservation of Buildings and Districts of Architectural, Historical, and Aesthetic Importance in the C-3 Districts, City and County of San Francisco Municipal Code Planning Code, Article 11 <http://www.municode.com/Resources/gateway.asp?pid=14139&sid=5>
8. Rehabilitating Historic Storefronts, The National Park Service Preservation Brief 11 <http://www.nps.gov/history/hps/tps/briefs/brief11.htm>



**SAN FRANCISCO  
PLANNING  
DEPARTMENT**

### FOR MORE INFORMATION: Call or visit the San Francisco Planning Department

**Central Reception**  
1650 Mission Street, Suite 400  
San Francisco CA 94103-2479

TEL: **415.558.6378**  
FAX: **415.558.6409**  
WEB: <http://www.sfplanning.org>

**Planning Information Center (PIC)**  
1660 Mission Street, First Floor  
San Francisco CA 94103-2479

TEL: **415.558.6377**  
*Planning staff are available by phone and at the PIC counter.  
No appointment is necessary.*

# APPRAISAL REPORT

GROUND FLOOR SUITE  
752 Vallejo Street  
San Francisco, San Francisco County, California 94133  
CBRE, Inc. File No. 16-231SF-1749-1  
Client Reference No. 752 Vallejo Street FMR

*John Updike*  
Director of Property  
CITY AND COUNTY OF SAN FRANCISCO - SF  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102

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December 1, 2016

John Updike  
Director of Property  
CITY AND COUNTY OF SAN FRANCISCO - SF  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102

RE: Appraisal of Ground Floor Suite  
752 Vallejo Street  
San Francisco, San Francisco County, California  
CBRE, Inc. File No. 16-231SF-1749-1  
Client Reference No. 752 Vallejo Street FMR

Dear Mr. Updike:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the fair market rent of the referenced property. Our analysis is presented in the following Appraisal Report. This version supercedes any previous versions that bear an earlier date.

The larger property is a three-story structure containing 10,686 square feet that includes ground floor commercial/retail units and SRO residential units on the upper levels. This appraisal includes only the 650 square foot storefront unit located on the ground floor at the corner of Vallejo Street and Emery Lane. The remainder of the property is specifically excluded from this fair market rent appraisal.

The subject leased premises have been utilized as retail/restaurant use in the past. The City applied and was approved by the Planning Department on June 14, 2016 for a conditional use permit to allow office occupancy by the San Francisco Police Department, Central Station, which is adjacent to the subject premises. Interior tenant improvements, under construction at the time of inspection, include the following: demolition of the existing interior buildout, installing level III ballistic glass behind the existing storefront, new paint, new carpet, and other minor repairs as-needed.

A Letter of Intent (LOI) was issued on November 25, 2015 from the City to lease the space for five years at a starting rent of \$3,600 per month, or \$57.60 per square foot. (The LOI references the space as 750 square feet, but subsequent measurement by the client and the appraiser indicates 650 square feet.) The rent escalates annually by the CPI, but no less than 3.0% or greater than 5.0% per year. The expense basis is triple net (NNN) and the TI allowance is \$15.00 per square foot. The LOI is non-binding.

Based on the analysis contained in the following report, the fair market rent of the subject is concluded as follows:

<b>MARKET RENT CONCLUSIONS AS OF OCTOBER 17, 2016</b>	
<b>Category</b>	<b>Subject</b>
NRA (SF)	650
Market Rent (\$/SF/Yr.)	\$53.50
Concessions	None
Reimbursements	NNN
Annual Escalation	3.0%
Tenant Improvements (\$/SF)	\$15.00
Average Lease Term	5 Years
Compiled by CBRE	

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES

---

Nancy H. Welsh, MAI, MRICS  
Vice President - VAS  
California Certification AG025705

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Senior Managing Director  
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**CBRE**

## Certification

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of California.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Nancy H. Welsh, MAI, MRICS and Elizabeth Champagne, MAI, FRICS have completed the continuing education program for Designated Members of the Appraisal Institute.
11. Nancy H. Welsh, MAI, MRICS has and Elizabeth Champagne, MAI, FRICS has not made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the persons signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
14. Nancy H. Welsh, MAI, MRICS has not and Elizabeth Champagne, MAI, FRICS has not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

---

Nancy H. Welsh, MAI, MRICS  
California Certification AG025705

---

Elizabeth Champagne, MAI, FRICS  
California Certification AG025144

**CBRE**

# Subject Photographs

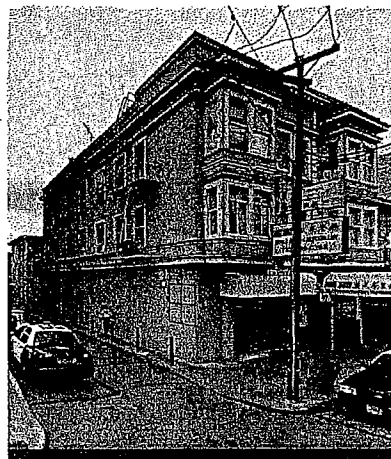


Aerial View -Subject and adjacent Central Station; subject detail





Ground floor subject space



Larger building with SRO units above



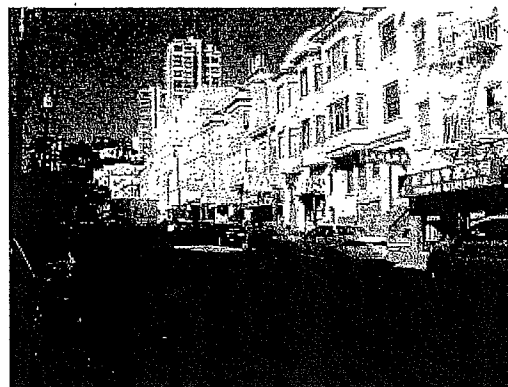
View of subject (behind police vehicle)



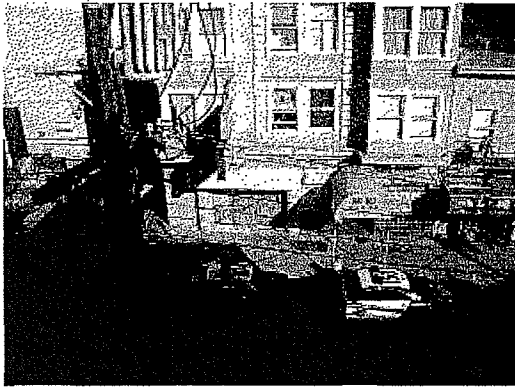
SFPD Central Station adjacent to subject



Looking east on Vallejo Street



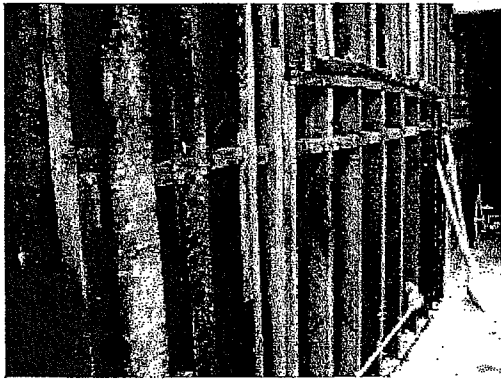
Looking west on Vallejo Street



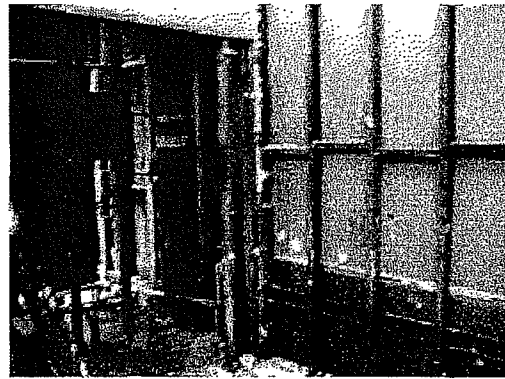
View from public parking garage



Subject space



Interior of exterior wall along Emery Lane



Interior wall



Dropped ceiling



Subject space



**Weaknesses/ Threats**

- There are numerous storefront properties available for lease in the immediate vicinity, perhaps indicating an imbalance between supply and demand.

**EXTRAORDINARY ASSUMPTIONS**

An extraordinary assumption is defined as "an assumption directly related to a specific assignment, as of the effective date of the assignment results, which if found to be false, could alter the appraiser's opinions or conclusions." <sup>1</sup>

- None noted

**HYPOTHETICAL CONDITIONS**

A hypothetical condition is defined as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis." <sup>2</sup>

- None noted

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<sup>1</sup> The Appraisal Foundation, *USPAP, 2016-2017 ed.*, 3.

<sup>2</sup> The Appraisal Foundation, *USPAP, 2016-2017 ed.*, 3.

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## Introduction

### OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of Eric K. Chung and Twiggy Tang, who acquired title to the property in September 2015, as improved for \$4,982,833; the property had previously transferred in November 2013 and September 2004. No recording information was available.

The larger property is a three-story structure containing 10,686 square feet that includes ground floor commercial units and SRO residential units on the upper levels. This appraisal includes only the 650 square foot unit located on the ground floor. The City proposes to lease the currently vacant space for San Francisco Police Department's auxiliary offices for Central Station, which is located directly across Emery Lane from the subject. The remainder of the property is specifically excluded from this fair market rent appraisal.

The subject leased premises, addressed as 752 Vallejo Street, have been utilized as retail/restaurant use in the past. The City applied and was approved by the Planning Department on June 14, 2016 for a conditional use permit to allow office occupancy by the San Francisco Police Department.

A Letter of Intent (LOI) was issued on November 25, 2015 from the City to lease the space for five years at a starting rent of \$3,600 per month, or \$57.60 per square foot. (The LOI references the space as 750 square feet, but subsequent measurement by the client and the appraiser indicates 650 square feet.) The rent escalates annually by the CPI, but no less than 3.0% or greater than 5.0% per year. The expense basis is triple net (NNN) and the TI allowance is \$15.00 per square foot. The LOI is non-binding.

Interior tenant improvements include the following: demolition of existing interior buildout, installing level III ballistic glass behind the existing storefront, new paint, new carpet, and other minor repairs as-needed. The total cost to be contributed by landlord (capped at \$15.00 per square foot) and tenant is estimated to be \$35,613 and work was underway at the time of inspection.

### INTENDED USE OF REPORT

This appraisal is to be used in connection with existing or future real estate negotiations, and no other use is permitted.

### INTENDED USER OF REPORT

This appraisal is to be used by The City and County of San Francisco, and no other user may rely on our report unless as specifically indicated in the report.

Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.<sup>3</sup>

### **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the fair market rent of the subject property.

### **DEFINITION OF VALUE**

Fair Market Rent is defined as follows:

The most probable price rent that a property should bring in a competitive and open market reflecting all conditions, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).<sup>4</sup>

### **INTEREST APPRAISED**

The value estimated represents the fee simple interest, defined as follows:

*Fee Simple Estate* - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.<sup>5</sup>

### **SCOPE OF WORK**

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. CBRE, Inc. completed the following steps for this assignment:

#### **Extent to Which the Property is Identified**

The property is identified through the following sources:

- postal address
- assessor's records
- floor plan
- legal description

---

<sup>3</sup> Appraisal Institute, *The Appraisal of Real Estate*, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

<sup>4</sup> Appraisal Institute, *Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), 121.

<sup>5</sup> *Dictionary of Real Estate Appraisal*, 78.

**Extent to Which the Property is Inspected**

Nancy H. Welsh, MAI, MRICS inspected the subject leased premises on October 17, 2016, accompanied by Kester Koh of the SFPD Facilities Unit.

**Type and Extent of the Data Researched**

CBRE reviewed the following:

- LOI
- applicable tax data
- zoning requirements
- conditional use permit
- flood zone status
- comparable data

**Type and Extent of Analysis Applied**

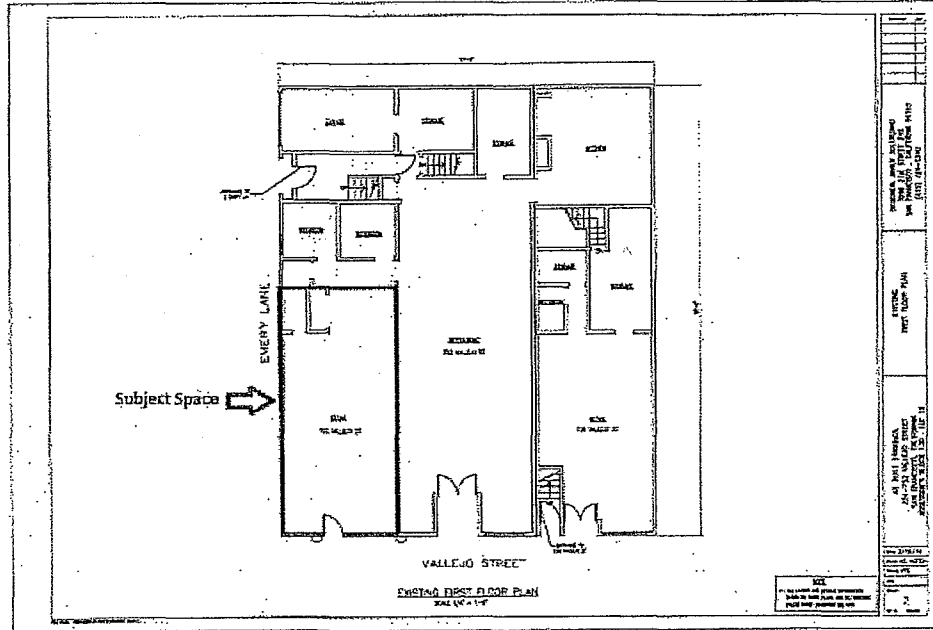
CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

**Data Resources Utilized in the Analysis**

<b>DATA SOURCES</b>	
<i>Item:</i>	<i>Source(s):</i>
<b>Site Data</b>	
Size	San Francisco Assessor's Office
<b>Improved Data</b>	
Building Area	Client and site tour. The CBRE appraisal engagement letter references 750 square feet, but the client has indicated that their measurements indicate 650 square feet. CBRE stepped off the space and agrees that the premises include approximately 650 square feet. Accordingly, that size has been utilized in this appraisal.
No. Bldgs.	Site tour
Parking Spaces	Site tour
Year Built/Developed	Public records
<b>Other</b>	
Letter of Intent	By Eric K. Chung and Twigg Tang, landlord, and City and County of San Francisco, tenant, dated November 25, 2015.
Floor Plan	As Built Drawing, dated February 2, 2014
CU Approval	SF Planning Department staff report and Final Motion 19721, dated August 11, 2016
Compiled by CBRE	



## Description of the Leased Premises



As shown above, the premises consist of a 650 square foot storefront space on the ground floor of a larger mixed-use building, originally constructed in 1907. The subject premises are addressed as 752 Vallejo Street and located on the corner of Vallejo Street and Emery Lane, adjacent to the SFPD Central Station.

The property is zoned NCD – North Beach Neighborhood Commercial, which allows most retail and residential uses. The City applied and was approved by the Planning Department on June 14, 2016 for a conditional use permit (CUP) to allow office occupancy by the San Francisco Police Department. The permit allows for interior alterations only with no changes to the exterior of the building.

The landlord is to demolish the existing interior buildout, which was underway at the date of inspection, and install the tenant requested improvements including: level III ballistic glass behind the existing storefront, new paint, new carpet, and other minor repairs as-needed. The estimated costs per the CUP is \$35,613, or \$47.48 per square foot, although the landlord's portion is capped at \$15.00 per square foot. We note that the drywall on all walls had been demolished, so the improvements will necessarily also include replacement of the drywall and dropped ceiling.

Once the buildout is complete, the premises will be in average to good condition with good functionality for SFPD office use.

## Market Overview

As defined by CoStar, the subject is in the SF Downtown North retail submarket, which includes North Beach, Jackson Square and the Waterfront. As of 3Q 2016, the average retail building in the SF Downtown North submarket is 10,484 square feet and no new buildings are under construction.

The following table summarizes data about the submarkets included in the broader San Francisco retail market.

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
San Mateo Central County	741	4,972,221	38,653	38,653	0.8%	18,277	0	45,000	\$40.57
San Mateo North County	1,066	6,824,726	86,853	248,251	3.6%	25,380	0	87,086	\$25.65
San Mateo South County	989	5,153,608	101,236	113,030	2.2%	9,859	47,000	0	\$37.74
San Mateo West County	131	1,553,224	10,699	10,699	0.7%	860	0	0	\$31.33
SF Downtown Core	87	755,944	26,081	26,081	3.5%	10,714	0	0	\$65.00
SF Downtown North	254	2,054,040	98,775	98,775	4.8%	(808)	0	0	\$51.05
SF Downtown South	306	3,612,304	117,976	125,102	3.5%	(79,772)	0	0	\$45.85
SF Downtown West	1,081	10,597,485	251,503	251,783	2.4%	36,297	0	0	\$48.92
SF Outer Areas	4,711	24,234,963	386,125	388,725	1.6%	(40,539)	0	0	\$44.35
SF Southeast	525	3,360,698	37,453	37,453	1.1%	9,986	0	550,000	\$37.90

Source: CoStar Property®

As shown, the SF Downtown North submarket accounts for 3.2% of the total inventory. The bulk of the SF Downtown space is found in the West submarket, which includes Union Square. The current vacancy rate in the subject submarket is 3.5% and YTD absorption has been positive. There are no new buildings under construction and no new product has been delivered this year.

The average quoted rental rate in the SF Downtown North submarket is \$51.05 per square foot, triple net; only the SF Downtown Core has a higher average asking rent. The higher average asking rents in the subject area reflect the smaller size of retail spaces and the retail focus of North Beach and adjacent Chinatown. We note that many retail spaces in the subject neighborhood are ground floor units in SRO residential buildings, and are likely not included in the survey data.

The subject neighborhood is densely developed and very little vacant land is available for new construction. There are numerous storefront properties available for lease in the immediate vicinity, perhaps indicating an imbalance between supply and demand. Overall, however, the outlook for storefront leased premises in the North Beach submarket is considered positive.

## Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

As improved, the subject is a storefront. The current use is legally permissible and physically possible, both for the former retail use and for the conditionally permitted use of offices for the SFPD. The improvements continue to contribute value and are very similar to surrounding improvements in the neighborhood. Based on our analysis, the existing use is financially feasible. Therefore, we conclude that the highest and best use of the subject premises, as improved, is for continued commercial use, which could include retail or office uses.

The subject premises are part of a larger building used for residential uses. It our opinion that the highest and best use of the subject as if vacant would be the development of a similar mixed-use building consistent with zoning and with surrounding improvements.

## Appraisal Methodology

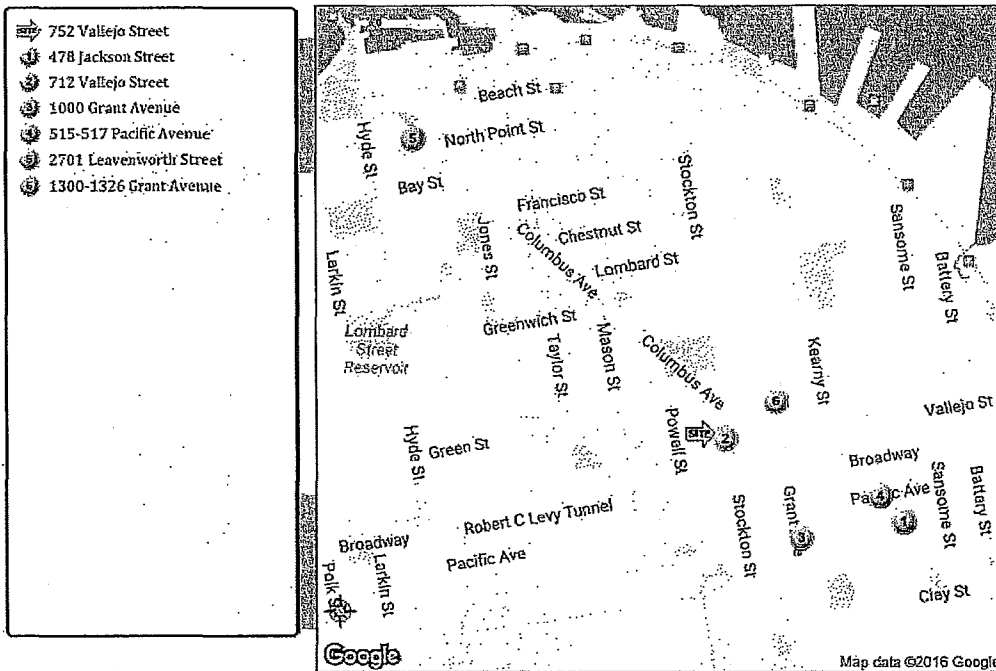
In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

In estimating fair market rent, only the analysis of comparable leases is applicable. The comparable lease methodology is specifically requested by the client and provides the most meaningful approach for fair market rent analysis.

## Fair Market Rent Analysis

The following map and table summarize the primary comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.

### Comparable Rents



**CBRE**

The comparables were selected based on location in the subject's zip code (94133), an area which includes North Beach, Chinatown, Russian Hill, and Fisherman's Wharf, and adjacent Jackson Square neighborhood (94111). All of the buildings in which the leased and available premises are located were built between 1893 and 1913; the subject's building was originally constructed in 1907. All of the comparable premises are located on the ground floor and they include retail, office, and restaurant occupants. The size of the leased premises ranges from 510 to 1,300 square feet, bracketing the subject leased premises size of 650 square feet.

The comparable leases reflect industrial gross (IG) or triple net (NNN) terms. The subject LOI is stipulated to be NNN, specifically "the tenant pays directly for utilities, janitorial, refuse removal, security, and interior maintenance and the landlord is responsible for all other expenses (exterior maintenance, mechanical systems, roof, sidewalks)" and the LOI is silent on real estate taxes and insurance. That definition, however, is very similar to IG terms wherein the tenant and landlord share responsibilities. Based on typical operating expense data and brokers' opinions, a downward adjustment of \$4.00 per square foot has been made to make the IG terms equivalent to NNN; for the FSG office lease, the downward adjustment is \$8.00 per square foot.

**CBRE**

SUMMARY OF COMPARABLE OFFICE RENTALS

Comp. No.	Property Name and Location	YOC / Reno'd	NRA (SF)	Tenant Name	Lease Area (SF)	Lease Date	Lease Term	Base Rent	Reimburse ments	Tenant Improvements	Free Rent	Escalations
1	476-478 Jackson Street, San Francisco, CA 94111	1893	3,897	Simple Science	1,300	Sep-16	3.0 Yrs.	\$56.00 PSF	FSG	\$0.00 PSF	1 mo.	3%/yr.
2	712 Vallejo Street, San Francisco, CA 94133	1900	8,259	Available	681	Oct-16	1.0 Yrs.	\$56.40 PSF	NNN	\$0.00 PSF	None	3%/yr.
3	1000 Grant Avenue, San Francisco, CA 94133	1907	11,835	Red's Place	510	Oct-16	MTM	\$51.00 PSF	IG	\$0.00 PSF	None	CPI
4	515-517 Pacific Avenue, San Francisco CA 94133	1913	6,000	Available	605	Oct-16	3.0 Yrs.	\$69.42 PSF	IG	\$0.00 PSF	None	3%/yr.
5	2701 Leavenworth Street, San Francisco, CA 94133	1906	2,437	Cafe De Casa	850	Dec-15	5.0 Yrs.	\$62.40 PSF	IG	\$0.00 PSF	1 mo.	3%/yr.
6	1300-1326 Grant Avenue, San Francisco, CA 94133	1907	15,800	Dip Sandwich Shop	800	Jan-15	5.0 Yrs.	\$52.56 PSF	IG	\$0.00 PSF	6 mos.	3%/yr.
Subj.	Ground Floor Suite 752 Vallejo Street, San Francisco, California	1907	10,686					---	---			
Compiled by CBRE												

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## **DISCUSSION/ANALYSIS OF RENT COMPARABLES**

### **Rent Comparable One**

This comparable is a three-story brick building located in Jackson Square. The first floor is a retail use and the upper levels are offices. The Simple Science lease encompasses 1,300 square feet of office space, the entire 2nd floor of the building. It commenced in September 2016 for three years at a starting rent of \$56.00 per square foot per year, full service, with 3.0% annual increases. The deal included one month of free rent and the space was taken as is.

### **Rent Comparable Two**

This comparable is a current listing for 681 square feet of ground floor retail space at 712 Vallejo Street in the same block as the subject. The space has been available for more than one year, and the price was reduced in September 2016. The asking rent is \$56.40 per square foot per year, triple net, for a 12-month term. The TI allowance and possible free rent were not available.

### **Rent Comparable Three**

This comparable is a 510 square foot ground floor bar space at 1000 Grant Avenue at Jackson Street. Red's Place has leased the space for decades on a month-to-month basis. The current rent is \$51.00 per square foot per year with irregular increases; the expense basis could not be determined. There was no TI allowance (as is) and no free rent.

### **Rent Comparable Four**

This comparable is a current listing of 605 square feet of ground floor commercial space at 515-517 Pacific Avenue at Montgomery Street. The asking rent is \$69.42 per square foot per year, industrial gross, for a 36-month term. The TI allowance and possible free rent were not available.

### **Rent Comparable Five**

The comparable comprises an 850 square foot ground floor retail space in a two-story mixed-use retail/residential property located at the corner of North Point, Columbus Avenue and Leavenworth Street in North Beach. The space was leased to a café operator in December 2015 at an annual rate of \$62.40 per square foot per year for a 5-year term with 3% year rent bumps. The comparable space was in turn-key condition at the time of lease which included a small seating area, bar, prep/kitchen area with small walk-in cooler, two-fixture bathroom and storage area. The unit includes a small outdoor patio utilized for additional customer seating. This lease included one month of free rent with no TIs reported.

### **Rent Comparable Six**

The comparable comprises a two-story mixed-use retail/residential property located at the corner of Grant Avenue and Vallejo Street in San Francisco's North Beach neighborhood. Most recently an 800 square foot ground-floor retail space was leased to a retail operator in January 2015 at

an annual rate of \$52.56, industrial gross, for a five-year term with 3.0% year rent bumps. The comparable space was vanilla shell condition at the time of lease with the landlord providing six months of free rent in lieu of a tenant improvement allowance. The lease includes a single, five-year renewal option.

### **ADJUSTMENTS**

Prior to adjustments, the comparables reflect a rent range from \$51.00 to \$69.42 per square foot, with varying expense structures. While each comparable was selected due to certain characteristics considered similar to the subject and pertinent to this analysis, adjustments are required to narrow the rent range, as described below.

#### **Expense Basis**

Reimbursements at the subject are triple net with the tenant paying a pro rata share of all operating expenses. The office lease has full service gross terms whereby the landlord pays for all expenses, and has been adjusted downward by \$8.00 per square foot. Leases with industrial gross terms, where the expenses are shared, were adjusted downward \$4.00 per square foot.

After adjustments for expense basis, the range is \$47.00 to \$65.42 per square foot per year.

#### **Conditions of Lease**

No special conditions of the comparable leases were identified, except Comparable Two, which is a listing for a term of 12 months, considerably shorter than typical leases. Comparable Three is a month-to-month lease and although the tenant has been in place for many years, an upward adjustment was also warranted for lease term.

#### **Market Conditions**

To quantify this adjustment, we referenced the 3Q 2016 PwC Investor Survey which reports market rent increases of 2.0% to 6.0%, or an average of 3.9% for San Francisco office space and 0.0% to 1.3%, or an average of 1.9% for national retail properties (strip centers). These are forward looking estimates and apply to San Francisco investment-grade office space, making the retail range more applicable to the subject premises. Upward adjustment is indicated for improving market conditions in all leases that commenced prior to 2016 and we have quantified the adjustment at 2.0% per year. Downward adjustments were indicated for listed premises, because final negotiated rents are typically lower than asking rents.

#### **Location**

Similar to the subject, all of the comparables are within the 94133 zip code, except Comparable One, which is in the 94111 zip code in Jackson Square. Although Comparable One is only seven blocks from the subject, the Jackson Square area is considered superior to North Beach and, accordingly, this comparable is adjusted downward for superior location.



**Size**

If all other factors are equal, larger premises should lease at a lower unit rent. Only Comparable One, the office space, differed significantly in size and it has been adjusted upward.

**Age and Condition**

Similar to the subject, all of the comparable leases are located in small older buildings that are typical of this part of the San Francisco. None of the comparable deals included landlord paid TIs, although most of the comparables were delivered in warm shell, or the tenant accepted free rent in lieu of TIs. The subject includes a minor allowance of \$15.00 per square foot. Overall; no adjustments are warranted for age and condition.

**Other**

Similar to the subject, none of the comparables has on-site parking and all are storefront, ground level suites. The tenants are a mix of tenant types including sandwich shop, café, tavern, and office user. It was reported that the subject has been used as a retail shop and as a saloon. No adjustments are indicated for parking or tenancy.

The adjustments are shown on the grid on the next page.

<b>OFFICE RENT ADJUSTMENT GRID</b>							
Comparable Number	1	2	3	4	5	6	Subject
<b>Building Information</b>							
Year Built	1893	1900	1907	1913	1906	1907	1907
Property Type	Office	Retail	Retail	Retail	Retail	Retail	
NRA (SF)	3,897	8,259	11,835	6,000	2,437	15,800	10,686
Expense Basis	FSG	NNN	IG	IG	IG	IG	NNN
<b>Lease Specific Information</b>							
Tenant Name	Simple	Available	Red's Place	Available	Cafe De Casa	Dip Sandwich Shop	
Leased Area (SF)	1,300	681	510	605	850	800	650
Lease Date	Sep-16	Oct-16	Oct-16	Oct-16	Dec-15	Jan-15	
Lease Term (Yrs)	3.0	1.0	MTM	3.0	5.0	5.0	
Base Rent	\$56.00	\$56.40	\$51.00	\$69.42	\$62.40	\$52.56	
Tenant Improvements	\$0.00 PSF	\$0.00 PSF	\$0.00 PSF	\$0.00 PSF	\$0.00 PSF	\$0.00 PSF	
Escalations	3%/yr.	3%/yr.	CPI	3%/yr.	3%/yr.	3%/yr.	
Adj. Rent Per SF/NNN Terms	\$48.00	\$56.40	\$47.00	\$65.42	\$58.40	\$48.56	
Conditions of Lease	0%	5%	5%	0%	0%	0%	
Market Conditions (Time)	0.0%	-10.0%	0.0%	-10.0%	1.5%	3.5%	
Subtotal	\$48.00	\$53.30	\$49.35	\$58.88	\$59.28	\$50.26	
Location	-5%	0%	0%	0%	0%	0%	
Size	10%	0%	0%	0%	0%	0%	
Age/Condition	0%	0%	0%	0%	0%	0%	
Quality of Finish	0%	0%	0%	0%	0%	0%	
Parking	0%	0%	0%	0%	0%	0%	
Tenancy	0%	0%	0%	0%	0%	0%	
Other	0%	0%	0%	0%	0%	0%	
Total Other Adjustments	5%	0%	0%	0%	0%	0%	
<b>Indicated Rent Per SF</b>	<b>\$50.40</b>	<b>\$53.30</b>	<b>\$49.35</b>	<b>\$58.88</b>	<b>\$59.28</b>	<b>\$50.26</b>	

Source: CBRE

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**MARKET RENT CONCLUSIONS**

Subsequent to adjustments, the comparables indicate a range of \$49.35 to \$59.28 per square foot, or an average of \$53.58 per square foot. Removing the high and low indications tightens the range to \$50.26 to \$58.88, and results in a similar mean of \$53.21 per square foot. Overall, the subject's concluded market rent should fall near the midpoint of the range, and we conclude to \$53.50 per square foot.

The LOI also incorporates annual escalations of 3.0% per year, which is entirely consistent with the comparables.

Two of the comparables included a free rent concession of one month and Comparable Six included six months free (in lieu of TIs), and no concession was given for three of the comparables. In general, rent concessions do not appear to be typical in the market.

The following chart shows the market rent conclusions for the subject:

<b>MARKET RENT CONCLUSIONS AS OF OCTOBER 17, 2016</b>	
<b>Category</b>	<b>Subject</b>
NRA (SF)	650
Market Rent (\$/SF/Yr.)	\$53.50
Concessions	None
Reimbursements	NNN
Annual Escalation	3.0%
Tenant Improvements (\$/SF)	\$15.00
Average Lease Term	5 Years
Compiled by CBRE	

**RECONCILIATION OF VALUE**

In estimating fair market rent, only the analysis of comparable leases is applicable. The comparable lease methodology is specifically requested by the client and provides the most meaningful approach for fair market rent analysis.

Based on the foregoing, the fair market rent of the subject has been concluded as follows:

<b>MARKET RENT CONCLUSIONS AS OF OCTOBER 17, 2016</b>	
<b>Category</b>	<b>Subject</b>
NRA (SF)	650
Market Rent (\$/SF/Yr.)	\$53.50
Concessions	None
Reimbursements	NNN
Annual Escalation	3.0%
Tenant Improvements (\$/SF)	\$15.00
Average Lease Term	5 Years
Compiled by CBRE	

## Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
  - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
  - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
  - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
  - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
  - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
  - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
  - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
  - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
  - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
  - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

## Assumptions and Limiting Conditions

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13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

**ADDENDA**



Addendum A

## **RENT COMPARABLE DATA SHEETS**

**Comparable**

**Office - Other**

**No. 1**

Property Name N/A  
 Address 476-478 Jackson Street  
 San Francisco, CA 94111  
 United States

Government Tax Agency San Francisco  
 Govt./Tax ID 0175 - 011

**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.030	1,306
Land Area Gross	0.030	1,306

Site Development Status Finished

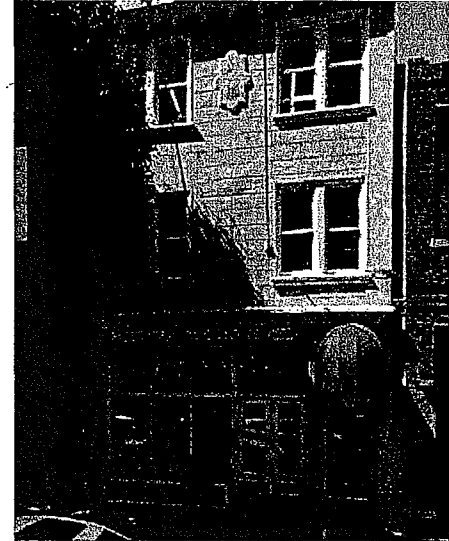
Shape Rectangular

Topography Generally Level

Utilities All available

Maximum Floor Area N/A  
 Maximum FAR N/A  
 Actual FAR 2.98

Zoning C-2 Community Business  
 General Plan N/A



**Buildings**

Primary Building Area	N/A	Floor Count	3
Net Rentable Area (NRA)	3,897 sf	Parking Type	None
Usable Area	N/A	Parking Ratio	0.00/1,000 sf
Load Factor	N/A	Condition	N/A
Status	Existing	Exterior Finish	N/A
Occupancy Type	N/A	Investment Class	N/A
Year Built	1893	Number of Buildings	N/A
Year Renovated	N/A		
Amenities	N/A		

**Ownership**

Recorded Owner	N/A	Leasing Agent	N/A
True Owner	N/A	Company	N/A

**Financials**

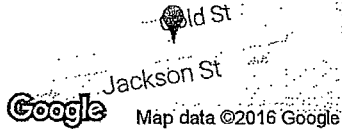
Occupancy	100%	Tenant Size	N/A
Reimbursements	Other (See Comments)	Lease Term	N/A
Rent Changes/Steps	3%/yr.	Annual Base Rent	per sf
Survey Date	10/2016	Free Rent	N/A
Survey Notes	N/A	TI Allowance	N/A
		Reimbursement Amount	N/A
		Total Oper. & Fixed Exp.	N/A

**Comparable**

**Office - Other**

**No. 1**

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Annual Base Rate per sf	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf
Simple Science, Inc.	Office	1,300	36	New	9/1/2016	\$56.00	Full Service	3%/yr.	1	\$0.00



This is a three-story brick building located in Jackson Square. The first floor is a retail use and the upper levels are offices. The Simple Science lease encompasses 1,300 square feet, the entire 2nd floor of the building. It commenced in September 2016 for three years at a starting rent of \$56.00 per square foot per year, full service, with 3.0% annual increases. The deal included one month of free rent and the space was taken as is.

**Comparable**

**Retail - Other**

**No. 2**

Property Name N/A  
 Address 712 Vallejo Street  
 San Francisco, CA 94133  
 United States

Government Tax Agency San Francisco  
 Govt./Tax ID Block 0130, Lot 010

**Site/Government Regulations**

	Acres	Square feet
Land Area Net	4,356.000	189,747,360
Land Area Gross	4,356.000	189,747,360
Excess Land Area	N/A	N/A

Site Development Status Finished  
 Shape L-Shaped  
 Topography Level, At Street Grade  
 Utilities All available

Maximum Floor Area N/A  
 Maximum FAR N/A  
 Actual FAR 0.00

Zoning NCD-North Beach Neighborhood Commercial  
 General Plan N/A



Gross Leasable Area (GLA)	7,267 sf	Floor Count	N/A
Status	N/A	Parking Type	N/A
Occupancy Type	N/A	Parking Ratio	0.00/1,000 sf
Year Built	1900	Condition	N/A
Year Renovated	N/A	Exterior Finish	N/A
Total Anchor Rentable Area	N/A	Number of Buildings	N/A
Total In Line Rentable Area	N/A		
Anchor	N/A		
Junior Anchor	N/A		
National	N/A		

Recorded Owner	N/A	Leasing Agent	N/A
True Owner	N/A	Company	N/A

Occupancy	N/A	Tenant Size	N/A
In Line Retail Occupancy	N/A	Lease Term	N/A
Reimbursements	N/A	Annual Base Rent	per sf
Rent Changes/Steps	None	Free Rent	N/A
Survey Date	10/2016	TI Allowance	N/A
Survey Notes	N/A	Reimbursement Amount	N/A
		Total Oper. & Fixed Exp.	N/A

**Comparable**

**Retail - Other**

**No. 2**

<u>Tenant Name</u>	<u>Tenancy Use Type</u>	<u>Size (sf)</u>	<u>Term (Mo.)</u>	<u>Type of Lease</u>	<u>Start Date</u>	<u>Annual Base Rate per sf</u>	<u>Reimbs.</u>	<u>Rent Changes / Steps</u>	<u>Free Rent (Mo.)</u>	<u>TI Allowance per sf</u>
Available	Retail	681	12	New	9/1/2016	\$56.40	NNN	N/A	N/A	N/A

Card Alley



Map data ©2016 Google

The unit is a part of a multi-use building for retail, office or a dance, yoga, or art studio. This property includes one small room in the back which can be used as an office, storage or changing room and has one large restrooms which can potentially be ADA accessible. This unit is located one block away from the police station and 2 major parking lots. Surrounded by restaurants, apartments, and many retail businesses, this property has great potential. The property is also being marketed as a studio apartment for \$3,200 per month.

**Comparable**

**Retail - Misc. Freestanding Retail**

**No. 3**

Property Name 1000 Grant Ave.  
 Address 1000 Grant Ave.  
 San Francisco, CA 94133  
 United States

Government Tax Agency San Francisco  
 Govt./Tax ID 0177-012

**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.087	3,794
Land Area Gross	N/A	N/A
Excess Land Area	N/A	N/A

Site Development Status Finished  
 Shape Rectangular  
 Topography N/A  
 Utilities All available

Maximum Floor Area N/A  
 Maximum FAR N/A  
 Actual FAR 3.12

Zoning CVR-Chinatown Visitor Retail  
 General Plan N/A



**Improvements**

Gross Leasable Area (GLA)	11,835 sf	Floor Count	N/A
Status	N/A	Parking Type	None
Occupancy Type	N/A	Parking Ratio	0.00/1,000 sf
Year Built	1907	Condition	Average
Year Renovated	N/A	Exterior Finish	Poured Concrete
Total Anchor Rentable Area	N/A	Number of Buildings	N/A
Total In Line Rentable Area	N/A		
Anchor	N/A		
Junior Anchor	N/A		
National	N/A		

**Ownership**

Recorded Owner	N/A	Leasing Agent	Owner
True Owner	N/A	Company	N/A

**Financials**

Occupancy	98%	Tenant Size	1,000 sf
In Line Retail Occupancy	98%	Lease Term	60 Mo(s)
Reimbursements	N/A	Annual Base Rent	\$4.25 per sf
Rent Changes/Steps	CPI	Free Rent	0 Mo(s)
Survey Date	10/2016	TI Allowance	\$0.00 per sf
Survey Notes	Lease Type: MG;	Reimbursement Amount	N/A
		Total Oper. & Fixed Exp.	N/A

**Comparable**

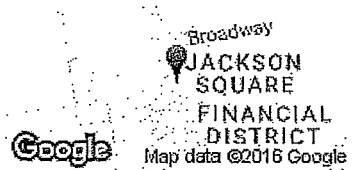
**Retail - Misc. Freestanding Retail**

**No. 3**

**Map: Summary**

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Annual Base Rate per sf	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf
Red's Place	Other	510	N/A	N/A	1/1/2015	\$51.00	N/A	CPI	0	N/A

**Map: Summary**



This tenant has occupied this space for several years. The rent is on a month-to-month basis, with irregular rent increases. It is located at a site off the main retail areas of Grant Avenue, at a corner location along Beckett Alley. The space is older space that has not been updated.

**Comparable**

**Retail - Misc. Freestanding Retail**

**No. 4**

Property Name Mixed-Use Office/Retail  
 Address 515-517 Pacific Avenue  
 San Francisco, CA 94133  
 United States

Government Tax Agency San Francisco  
 Govt./Tax ID 0176-023

**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.018	792
Land Area Gross	0.018	792
Excess Land Area	N/A	N/A

Site Development Status Finished

Shape Rectangular

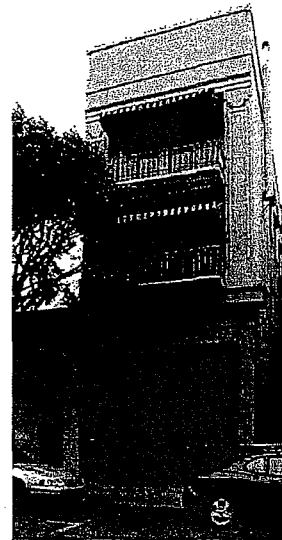
Topography Generally Level

Utilities All available

Maximum Floor Area	N/A
Maximum FAR	N/A
Actual FAR	2.89

Zoning C-2 Community Business

General Plan N/A



**Improvements**

Gross Leasable Area (GLA)	2,285 sf	Floor Count	3
Status	Existing	Parking Type	None
Occupancy Type	Multi-tenant	Parking Ratio	0.00/1,000 sf
Year Built	1913	Condition	Average
Year Renovated	N/A	Exterior Finish	Masonry
Total Anchor Rentable Area	N/A	Number of Buildings	1
Total In Line Rentable Area	N/A		
Anchor	N/A		
Junior Anchor	N/A		
National	N/A		

**Entity**

Recorded Owner	N/A	Leasing Agent	N/A
True Owner	N/A	Company	N/A

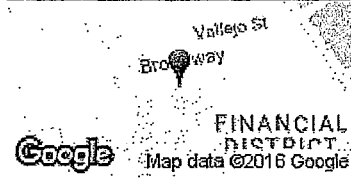
**Financials**

Occupancy	N/A	Tenant Size	605 sf
In Line Retail Occupancy	N/A	Lease Term	36 Mo(s)
Reimbursements	Industrial Gross	Annual Base Rent	\$69.42 per sf
Rent Changes/Steps	N/A	Free Rent	N/A
Survey Date	04/2016	TI Allowance	N/A
Survey Notes	N/A	Reimbursement Amount	N/A
		Total Oper. & Fixed Exp.	N/A



**Comparable                      Retail - Misc. Freestanding Retail                      No. 4**

<u>Tenant Name</u>	<u>Tenancy Use Type</u>	<u>Size (sf)</u>	<u>Term (Mo.)</u>	<u>Type of Lease</u>	<u>Start Date</u>	<u>Annual Base Rate per sf</u>	<u>Reimbs.</u>	<u>Rent Changes / Steps</u>	<u>Free Rent (Mo.)</u>	<u>TI Allowance per sf</u>
Available	Retail	605	36	New	N/A	\$69.42	Industrial Gross	3% Annually	N/A	N/A



The comparable comprises a three-story mixed-use retail/office property located at 515-517 Pacific Avenue in San Francisco's Jackson Square neighborhood. Presently a +/- 605 SF ground-floor retail space is available at an annual asking rate of \$69.42/SF on an industrial gross basis. The comparable space is in turn-key condition and includes +/- 12 feet of exposure along Pacific Avenue, 15 ft. ceilings, in-suite two fixture restroom, sealed concrete floors. No T.I.s or free rent was reportedly being offered at present.

**Comparable**

**Retail - Misc. Freestanding Retail**

**No. 5**

Property Name Mixed-Use Residential/Retail  
 Address 2701 Leavenworth Street  
 San Francisco, CA 94133  
 United States

Government Tax Agency San Francisco  
 Govt./Tax ID 0024-002

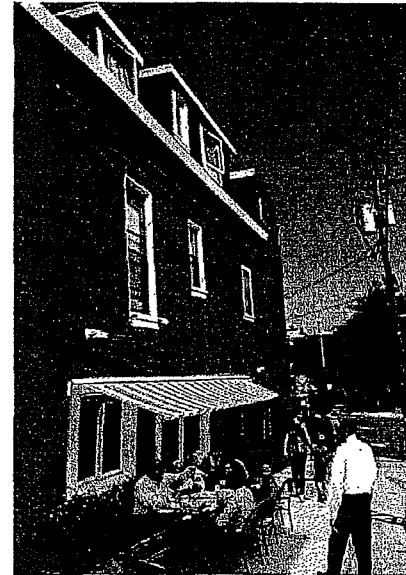
**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.040	1,742
Land Area Gross	N/A	N/A
Excess Land Area	N/A	N/A

Site Development Status Finished  
 Shape Irregular  
 Topography Moderate Slope  
 Utilities N/A

Maximum Floor Area N/A  
 Maximum FAR N/A  
 Actual FAR 1.40

Zoning C-2  
 General Plan N/A



**FINANCIALS**

Gross Leasable Area (GLA)	2,437 sf	Floor Count	2
Status	Existing	Parking Type	None
Occupancy Type	Multi-tenant	Parking Ratio	0.00/1,000 sf
Year Built	1906	Condition	Average
Year Renovated	N/A	Exterior Finish	Wood
Total Anchor Rentable Area	N/A	Number of Buildings	1
Total In Line Rentable Area	N/A		
Anchor	N/A		
Junior Anchor	N/A		
National	N/A		

**OWNERSHIP**

Recorded Owner	N/A	Leasing Agent	N/A
True Owner	N/A	Company	N/A

**LEASE TERMS**

Occupancy	100%	Tenant Size	N/A
In Line Retail Occupancy	100%	Lease Term	60 Mo(s)
Reimbursements	Industrial Gross	Annual Base Rent	\$62.40 per sf
Rent Changes/Steps	3%/yr.	Free Rent	0 Mo(s)
Survey Date	11/2015	TI Allowance	\$0.00 per sf
Survey Notes	N/A	Reimbursement Amount	N/A
		Total Oper. & Fixed Exp.	N/A

**Comparable**

**Retail - Misc. Freestanding Retail**

**No. 5**

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Annual Base Rate per sf	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	Tl Allowance per sf
Cafe De Casa	Retail	850	60	New	12/1/2015	\$62.40	Industrial Gross	3% Annually	1	\$0.00

**COMMENTS**



The comparable comprises a two-story mixed-use retail/residential property located at the corner of North Point, Columbus Avenue and Leavenworth Street in San Francisco's North Beach neighborhood. Most recently an +/- 850 SF ground-floor retail space was leased to a café operator in November 2015 at an annual rate of \$62.40/SF for a 5-year term with 3% year rent bumps. The comparable space was in turn-key condition at the time of lease which included a small seating area, bar, prep/kitchen area with small walk-in cooler, two-fixture bathroom and storage area. The unit includes a small outdoor patio utilized for additional customer seating. This lease included one month of free rent with no T.I.s reported.

Google Map data ©2016 Google

**Comparable**

**Retail - Misc. Freestanding Retail**

**No. 6**

Property Name Mixed-Use Residential/Retail  
 Address 1300-1326 Grant Avenue  
 San Francisco, CA 94133  
 United States



Government Tax Agency San Francisco  
 Govt./Tax ID 0132-028

**Site/Government Regulations**

	Acres	Square feet
Land Area Net	0.290	12,632
Land Area Gross	N/A	N/A
Excess Land Area	N/A	N/A

Site Development Status Finished  
 Shape Rectangular  
 Topography Moderate Slope  
 Utilities All available

Maximum Floor Area N/A  
 Maximum FAR N/A  
 Actual FAR 1.25

Zoning NCD-North Beach Neighborhood Commercial  
 General Plan N/A

**Physical Characteristics**

Gross Leasable Area (GLA)	15,800 sf	Floor Count	2
Status	Existing	Parking Type	None
Occupancy Type	Multi-tenant	Parking Ratio	0.00/1,000 sf
Year Built	1907	Condition	Average
Year Renovated	N/A	Exterior Finish	Wood
Total Anchor Rentable Area	N/A	Number of Buildings	1
Total In Line Rentable Area	N/A		
Anchor	N/A		
Junior Anchor	N/A		
National	N/A		

**Ownership and Leasing**

Recorded Owner	N/A	Leasing Agent	N/A
True Owner	N/A	Company	N/A

**Lease Details**

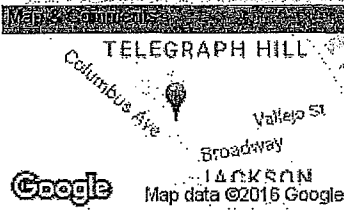
Occupancy	100%	Tenant Size	800 sf
In Line Retail Occupancy	N/A	Lease Term	60 Mo(s)
Reimbursements	Industrial Gross	Annual Base Rent	per sf
Rent Changes/Steps	3% Annually	Free Rent	6 Mo(s)
Survey Date	01/2015	TI Allowance	\$0.00 per sf
Survey Notes	N/A	Reimbursement Amount	N/A
		Total Oper. & Fixed Exp.	N/A

**Comparable**

**Retail - Misc. Freestanding Retail**

**No. 6**

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Annual Base Rate per sf	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf
DIP Sandwich Shop	Retail	800	60	New	1/5/2015	\$52.56	Industrial Gross	3%/yr.	6	\$0.00



The comparable comprises a two-story mixed-use retail/residential property located at the corner of Grant Avenue and Vallejo Street in San Francisco's North Beach neighborhood. Most recently an +/- 800 SF ground-floor retail space was leased to a retail operator in January 2015 at an annual rate of \$52.56 for a 5-year term with 3% year rent bumps. The comparable space was vanilla shell condition at the time of lease with the landlord providing 6 months of free rent in lieu of a tenant improvement allowance. The lease includes a single, five-year renewal option.

Addendum B

## **CLIENT CONTRACT INFORMATION**

9/29/16

**AGREEMENT FOR INDEPENDENT APPRAISAL**

**Property:** 752 Vallejo Street  
San Francisco, California

**Appraiser:** CBRE Group, Inc.

**Date:** September 29<sup>th</sup> 2016

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LIST OF EXHIBITS

- Exhibit A – Description of Property
- Exhibit B – Form of Appraisal Report
- Exhibit C – Appraisal Certifications

## AGREEMENT FOR INDEPENDENT APPRAISAL

This Agreement for Independent Appraisal (this "Agreement"), dated for reference purposes as of September 29<sup>th</sup>, 2016, is between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and CBRE Group, Inc., a Delaware corporation, ("Appraiser" or "Contractor").

The parties hereto agree as follows:

### 1. Employment of Appraiser

In connection with the Real Estate Division's appraiser panel program, City agrees to engage Appraiser, and Appraiser agrees to perform the services and work hereinafter described, on the terms and conditions set forth below.

### 2. Scope of Work

The scope of work to be performed by Appraiser under this Agreement is as follows:

(a) Determine fair market rental value for 752 Vallejo Street, comprised of approximately 750 square feet of retail space in the ground floor of the building located on APN 0130-012 containing approximately 10,686 sf in total.

(b) **Inspection of Property.** Appraiser shall make a personal inspection of the property, as more particularly shown in Exhibit A attached hereto (the "Property"), for the purpose of providing the appraisal. Appraiser shall contact the Division Real Estate before entering the Property to perform any work.

(c) **Valuation.** Appraiser shall use methodologies generally recognized by appraisers as necessary to produce credible appraisals and shall take into account any covenants, conditions and restrictions or easements benefiting or burdening the Property and any unusual characteristics of the Property. The appraised value shall be based on the value of fee title to the Property and shall address the highest fair market value of the site based on its highest and best use.

(d) **Reports.** Appraiser shall prepare a written report within three weeks of execution of this Agreement as follows: Appraiser shall provide the Director of Property with four (4) copies of a certified narrative appraisal report (the "Appraisal Report"). The Appraisal Report shall include a final opinion of the fair market value of the Property based on the parameters set forth herein. The final opinion of value must be a specific figure and shall assign specific values to the land. The Appraisal Report shall contain all pertinent information supporting the conclusions, including comparable sales data, photographs, area and property data, maps, plans, and other similar or pertinent documentation, as well as a clear and detailed description of the assumptions and any limiting conditions, qualifications or omissions, and of the method of analysis used in reaching the conclusions. The Appraisal Report shall be delivered in substantially the format outlined in Exhibit B attached hereto and contain duly executed certifications substantially in the form of Exhibit C attached hereto.

(e) **Standards.** Appraiser shall complete the appraisal in accordance with the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics of the American Society of Appraisers.

### 3. Purpose of Appraisal

The purpose of the analysis and appraisal to be performed pursuant to this Agreement is to provide the City's Real Estate Division with the fair market rental value in support of a lease of the space as described in Section 2. Appraiser understands and agrees that City will rely fully on the appraisal for such purpose. The City intends to use the Appraisal Report in connection with existing or future real estate negotiations, and Appraiser agrees to keep the Appraisal Report and work product under this Agreement confidential, and not to release the Appraisal Report or work product to any person other than the City, except to the extent required by applicable law.

### 4. Compensation

(a) **Fees.** Appraiser shall receive Three Thousand and Five Hundred dollars (\$3,500.00) as full compensation for the work performed hereunder, payable after receipt by the Director of Property of the Appraisal Report in accordance with the terms of this Agreement. The above amount includes all of Appraiser's allowable costs and profits for the work to be performed hereunder. The above amount also includes the initial consultation, phone consultations during the preparation of the Appraisal Report and a final consultation upon completion of the Appraisal Report with the Director of Property or his designee.

(b) **Approval of Work.** City shall not incur any charges under this Agreement for the work nor shall any payments become due to Appraiser for the work until the Director of Property receives the Appraisal Report required under this Agreement and approves it as being in accordance with this Agreement.

(c) **No Interest or Late Charges.** In no event shall City be liable for interest or late charges for any late payments.

(d) **Independent Opinion.** The compensation to be paid to Appraiser for the performance of the work contemplated under this Agreement is not in any way contingent upon the opinions or value conclusions of Appraiser. Furthermore, Appraiser is specifically directed by City not to deliver any opinion of value other than its own independently determined opinions produced by its own investigation, using acceptable professional standards.

### 5. Method of Payment

Invoices furnished by Appraiser under this Agreement must be in a form acceptable to the City's Controller (the "Controller"). All amounts paid by City to Appraiser shall be subject to audit by City. Payment shall be made by City to Appraiser at the address for notices stated herein, or at such other address as Appraiser shall provide City with written notice of no less than fifteen days in advance.

### 6. Certification of Funds; Budget and Fiscal Provisions; Termination in the Event of Non-Appropriation

This Agreement is subject to the budgetary and fiscal provisions of the City's Charter. Charges will accrue only after the Controller has certified the availability of funds for payment under this Agreement. Any amount of City's obligation hereunder shall not at any time exceed the amount certified for the purpose and the period stated in such advance certification.

### 7. Effective Date of Agreement; Term

This Agreement shall become effective when the parties have fully executed and delivered this Agreement and the Controller has certified to the availability of funds. The term

of this Agreement shall continue until Appraiser completes all work required hereunder or this Agreement is sooner terminated as provided herein.

#### **8. Qualifications of Appraiser**

Appraiser represents and warrants to City that Appraiser is qualified to make the independent appraisal of the Property contemplated hereunder and that it is familiar with recognized appraisal practices and with the standards required for determining values of real property.

#### **9. Personnel**

(a) All work performed under this Agreement shall be performed only by personnel under the supervision and in the employment of Appraiser. All personnel engaged in the work shall be fully qualified and shall be authorized, licensed and certified under State and local law to perform such work if authorization, licensing or certification is required.

(b) The responsible personnel for Appraiser shall be Elizabeth Champagne, MAI, FRICS. Any change in the responsible personnel must have the prior written approval of the Director of Property.

(c) Appraiser shall not subcontract any work to be performed under this Agreement unless Appraiser first obtains the written approval of the Director of Property.

#### **10. Incomplete Work**

Neither the performance of any work by Appraiser nor City's acceptance of the Appraisal Report shall relieve Appraiser from the obligation to correct any inaccurate or incomplete work. Appraiser shall promptly remedy all inaccurate or incomplete work, on demand, without cost to City.

#### **11. Ownership of Documents**

All documents and reports prepared by Appraiser pursuant to this Agreement, including the Appraisal Report, shall be and remain the property of City and shall be delivered by Appraiser to City upon completion of the work hereunder. Appraiser may retain and use copies of such reports for reference and as documentation of its experience and capabilities.

#### **12. Changes in Scope of Work**

City may, from time to time, require changes in the scope of the work to be performed by Appraiser hereunder. Such changes, including any increases or decreases in the amount of Appraiser's compensation that City and Appraiser may mutually agree to and shall be set forth in written amendments to this Agreement, are subject to the provisions of the City's Charter.

#### **13. Termination**

(a) City shall have the right, at its sole option, to terminate this Agreement at any time, with or without cause. Termination shall be effective immediately upon Appraiser's receipt of written notice of termination, and thereupon Appraiser shall have no further rights under this Agreement. In the event of such termination, Appraiser shall be paid for any work under this Agreement that has been performed to the satisfaction of the Director of Property, up to the effective date of termination. Any such payment shall be based upon the percentage of work completed multiplied by the total contract price.

(b) Upon termination of this Agreement, Appraiser shall submit an invoice to City for an amount which it believes to be due and owing to it based upon the formula set forth in subsection (a) above. Upon City's request, Appraiser shall provide any additional back-up information or documentation to support such invoice. Upon City's approval and payment of the invoice, City shall be under no further obligation to Appraiser monetarily or otherwise.

#### **14. Bankruptcy**

In the event that either party shall cease conducting business in the normal course, become insolvent, make a general assignment for the benefit of creditors, suffer or permit the appointment of a receiver for its business or assets or shall avail itself of, or become subject to, any proceeding under the Federal Bankruptcy Act or any other statute of any state relating to insolvency or the protection of rights of creditors, then at the option of the other party this Agreement shall terminate and be of no further force or effect, and any property or rights of such other party, tangible or otherwise, shall be immediately returned to it.

#### **15. Indemnification**

Contractor shall indemnify and hold harmless City and its officers, agents and employees from, and, if requested, shall defend them against any and all claims, demands, losses, damages, costs, expenses, and liability (legal, contractual, or otherwise) arising from or in any way connected with any: (i) injury to or death of a person, including employees of City or Contractor; (ii) loss of or damage to property arising directly or indirectly from Contractor's performance of this Agreement, including, but not limited to, Contractor's use of facilities or equipment provided by City or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on City, except to the extent that such indemnity is void or otherwise unenforceable under applicable law, and except to the extent that such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of City. The foregoing indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any claims against the City. In addition to Contractor's obligation to indemnify City, Contractor specifically acknowledges and agrees that it has an immediate and independent obligation to defend City from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Contractor by City and continues at all times thereafter. Contractor shall indemnify and hold City harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons arising directly or indirectly from the receipt by City, or any of its officers or agents, of Contractor's Services.

#### **16. Incidental and Consequential Damages**

Appraiser shall be responsible for incidental and consequential damages resulting in whole or in part from Appraiser's acts or omissions. Nothing in this Agreement shall constitute a waiver or limitation of any rights which City may have under applicable law.

#### **17. Liability of City**

**CITY'S OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE COMPENSATION PROVIDED FOR IN SECTION 4 OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF**

**WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH THIS AGREEMENT.**

**18. Insurance**

(a) Without in any way limiting Contractor's liability pursuant to the "Indemnification" section of this Agreement, Contractor must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

(i) Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than \$1,000,000 each accident, injury, or illness; and

(ii) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence and \$2,000,000 general aggregate for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations; and

(iii) Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence, "Combined Single Limit" for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable; and

(iv) Professional liability insurance, applicable to Contractor's profession, with limits not less than \$1,000,000 each claim with respect to negligent acts, errors or omissions in connection with the Services.

(b) Commercial General Liability and Commercial Automobile Liability Insurance policies must be endorsed to provide:

(i) Name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

(ii) That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought.

(c) All policies shall be endorsed to provide thirty (30) days' advance written notice to the City of cancellation for any reason, intended non-renewal, or reduction in coverages and shall be mailed to the following addresses:

Director of Property  
City and County of San Francisco  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102

Risk Management  
General Services Agency  
City and County of San Francisco  
25 Van Ness Avenue, Suite 750  
San Francisco, California 94102

(d) Should any of the required insurance be provided under a claims-made form, Contractor shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

(e) Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

(f) Before commencing any Services, Contractor shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Approval of the insurance by City shall not relieve or decrease Contractor's liability hereunder.

(g) The Workers' Compensation policy(ies) shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Contractor, its employees, agents and subcontractors.

(h) If Contractor will use any subcontractor(s) to provide Services, Contractor shall require the subcontractor(s) to provide all necessary insurance and to name the City and County of San Francisco, its officers, agents and employees and the Contractor as additional insureds.

#### **19. Assignment**

The services to be performed by Appraiser hereunder are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by Appraiser, unless first approved by City by written instrument executed and approved in the same manner as this Agreement.

#### **20. Independent Contractor; Payment of Taxes and Other Expenses.**

(a) **Independent Contractor.** Contractor or any agent or employee of Contractor shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. Contractor, its agents, and employees will not represent or hold themselves out to be employees of the City at any time. Contractor or any agent or employee of Contractor shall not have employee status with City, nor be entitled to participate in any plans, arrangements, or distributions by City pertaining to or in connection with any retirement, health or other benefits that City may offer its employees. Contractor or any agent or employee of Contractor is liable for the acts and omissions of itself, its employees and its agents. Contractor shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Contractor's performing services and work, or any agent or employee of Contractor providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between City and Contractor or any agent or employee of Contractor. Any terms in this Agreement referring to direction from City shall be construed as providing for direction as to policy and the result of Contractor's work only, and not

as to the means by which such a result is obtained. City does not retain the right to control the means or the method by which Contractor performs work under this Agreement. Contractor agrees to maintain and make available to City, upon request and during regular business hours, accurate books and accounting records demonstrating Contractor's compliance with this section. Should City determine that Contractor, or any agent or employee of Contractor, is not performing in accordance with the requirements of this Agreement, City shall provide Contractor with written notice of such failure. Within five (5) business days of Contractor's receipt of such notice, and in accordance with Contractor policy and procedure, Contractor shall remedy the deficiency. Notwithstanding, if City believes that an action of Contractor, or any agent or employee of Contractor, warrants immediate remedial action by Contractor, City shall contact Contractor and provide Contractor in writing with the reason for requesting such immediate action.

(b) **Payment of Taxes and Other Expenses.** Should City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that Contractor is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by Contractor which can be applied against this liability). City shall then forward those amounts to the relevant taxing authority. Should a relevant taxing authority determine a liability for past services performed by Contractor for City, upon notification of such fact by City, Contractor shall promptly remit such amount due or arrange with City to have the amount due withheld from future payments to Contractor under this Agreement (again, offsetting any amounts already paid by Contractor which can be applied as a credit against such liability). A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, Contractor shall not be considered an employee of City. Notwithstanding the foregoing, Contractor agrees to indemnify and save harmless City and its officers, agents and employees from, and, if requested, shall defend them against any and all claims, losses, costs, damages, and expenses, including attorney's fees, arising from this section.

#### **21. Conflicts of Interest**

Through its execution of this Agreement, Appraiser acknowledges that it is familiar with the provisions of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

#### **22. Proprietary or Confidential Information of City**

Contractor understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Contractor may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Contractor agrees that all information disclosed by City to Contractor shall be held in confidence and used only in performance of the Agreement. Contractor shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.



**23. Copyright**

No reports or other documents produced in whole or in part under this Agreement shall be the subject of any application for copyright by or on behalf of Appraiser.

**24. Audit and Inspection of Records**

Contractor agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. Contractor will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Contractor shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon City by this Section.

**25. Appraisal Coordination**

Appraiser shall coordinate its work hereunder with the Director of Property or any other agents or contractors of City.

**26. Nondiscrimination; Penalties.**

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

(b) **Subcontracts.** Contractor shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all subcontractors to comply with such provisions. Contractor's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

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

(d) **Condition to Contract.** As a condition to this Agreement, Contractor shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contracts Monitoring Division (formerly 'Human Rights Commission').

(e) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Contractor shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Contractor understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Contractor and/or deducted from any payments due Contractor.

**27. Local Business Enterprise Utilization; Liquidated Damages**

(a) **The LBE Ordinance**

Appraiser shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase Appraiser's obligations or liabilities, or materially diminish Appraiser's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this Section. Appraiser's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Appraiser's obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Appraiser shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) **Compliance and Enforcement**

If Appraiser willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Appraiser shall be liable for liquidated damages in an amount equal to Appraiser's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Contracts Monitoring Division or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of CMD") may also impose other sanctions against Appraiser authorized in the LBE Ordinance, including declaring the Appraiser to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Appraiser's LBE certification. The Director of CMD will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code Section 14B.17.

By entering into this Agreement, Appraiser acknowledges and agrees that any liquidated damages assessed by the Director of the CMD shall be payable to City upon demand. Appraiser further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Appraiser on any contract with City.

Appraiser agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of CMD or the Controller upon request.

**28. MacBride Principles - Northern Ireland**

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

**29. Tropical Hardwoods and Virgin Redwood Ban**

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwoods, tropical hardwoods wood product, virgin redwood or virgin redwood wood product except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code.

**30. Drug-Free Workplace Policy**

Appraiser acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City property. Appraiser agrees that any violation of this prohibition by Appraiser, its employees, agents or assigns will be deemed a material breach of this Agreement.

**31. Resource Conservation Liquidated Damages**

Chapter 5 of the San Francisco Environment Code is incorporated herein by reference. Failure by Appraiser to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

In the event Appraiser fails to comply in good faith with any of the provisions of Chapter 5, Appraiser will be liable for liquidated damages in an amount equal to Appraiser's net profit under this Agreement, or five percent (5%) of the total contract amount, whichever is greater. Appraiser acknowledges and agrees that the liquidated damages assessed shall be payable to City upon demand and may be offset against any monies due to Appraiser from any contract with City.

**32. Sunshine Ordinance**

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

**33. Taxes**

Payment of any taxes, including California Sales and Use Taxes, levied upon this Agreement or the services delivered pursuant hereto, shall be the obligation of Appraiser.

#### **34. Notification of Limitations on Contributions**

Through its execution of this Agreement, Appraiser acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, or for the furnishing of any materials, supplies, or equipment, or for selling or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Appraiser acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Appraiser further acknowledges that the prohibition on contributions applies to each Appraiser; each member of Appraiser's board of directors, and Appraiser's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Appraiser; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Appraiser. Additionally, Appraiser acknowledges that Appraiser must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Appraiser further agrees to provide to City the names of each person, entity or committee described above.

#### **35. Requiring Minimum Compensation for Covered Employees**

(a) Appraiser agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at [www.sfgov.org/olse/mco](http://www.sfgov.org/olse/mco). A partial listing of some of Appraiser's obligations under the MCO is set forth in this Section. Appraiser is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires Appraiser to pay Appraiser's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Appraiser is obligated to keep informed of the then-current requirements. Any subcontract entered into by Appraiser shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Appraiser's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Appraiser.

(c) Appraiser shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within ninety (90) days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(d) Appraiser shall maintain employee and payroll records as required by the MCO. If Appraiser fails to do so, it shall be presumed that the Appraiser paid no more than the minimum wage required under State law.

(e) The City is authorized to inspect Appraiser's job sites and conduct interviews with employees and conduct audits of Appraiser.

(f) Appraiser's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Appraiser fails to comply with these requirements. Appraiser agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Appraiser's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(g) Appraiser understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within thirty (30) days after receiving written notice of a breach of this Agreement for violating the MCO, Appraiser fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Appraiser fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(h) Appraiser represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(i) If Appraiser is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Appraiser later enters into an agreement or agreements that cause Appraiser to exceed that amount in a fiscal year, Appraiser shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Appraiser and this department to exceed \$25,000 in the fiscal year.

### **36. Requiring Health Benefits for Covered Employees**

Unless exempt, Appraiser agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, Appraiser shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Appraiser chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Appraiser is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection a above.

(c) Appraiser's failure to comply with the HCAO shall constitute a material breach of this Agreement. City shall notify Appraiser if such a breach has occurred. If, within thirty (30)

days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Appraiser fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Appraiser fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Subcontract entered into by Appraiser shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Appraiser shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Appraiser shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Appraiser based on the Subcontractor's failure to comply, provided that City has first provided Appraiser with notice and an opportunity to obtain a cure of the violation.

(e) Appraiser shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Appraiser's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

(g) Appraiser shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) Appraiser shall keep itself informed of the current requirements of the HCAO.

(i) Appraiser shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) Appraiser shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten (10) business days to respond.

(k) Appraiser shall allow City to inspect Appraiser's job sites and have access to Appraiser's employees in order to monitor and determine compliance with HCAO.

(l) City may conduct random audits of Appraiser to ascertain its compliance with HCAO. Appraiser agrees to cooperate with City when it conducts such audits.

(m) If Appraiser is exempt from the HCAO when this Agreement is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) [Fifty Thousand Dollars (\$50,000) for nonprofits], but Appraiser later enters into an agreement or agreements that cause Appraiser's aggregate amount of all agreements with City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Appraiser and the City to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

**37. Notices**

Except as otherwise expressly provided herein, any notices given under this Agreement shall be effective only if in writing and given by delivering the notice in person, by sending it first-class mail or certified mail with a return receipt requested, postage prepaid, or overnight courier, addressed as follows:

City: Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, California 94102  
Attn: Director of Property  
Re: 752 Vallejo Street, San Francisco, CA

Appraiser: Elizabeth Champagne, MAI, FRICS  
Senior Managing Director  
CBRE Valuation and Advisory Services  
350 Sansome Street, Suite 840, San Francisco, CA 94014  
Re: 752 Vallejo Street, San Francisco, CA

Notices herein shall be deemed given two (2) days after the date when it shall have been mailed if sent by first class, certified or overnight courier, or upon the date personal delivery is made.

**38. Consideration of Criminal History in Hiring and Employment Decisions**

(a) Appraiser (as "Contractor") agrees to comply fully with and be bound by all of the provisions of Chapter 12T "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code (Chapter 12T), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the Chapter 12T is available on the web at [www.sfgov.org/olse/fco](http://www.sfgov.org/olse/fco). A partial listing of some of Contractor's obligations under Chapter 12T is set forth in this Section. Contractor is required to comply with all of the applicable provisions of 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12T.

(b) The requirements of Chapter 12T shall only apply to a Contractor's or Subcontractor's operations to the extent those operations are in furtherance of the performance of this Agreement, shall apply only to applicants and employees who would be or are performing work in furtherance of this Agreement, shall apply only when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco, and shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

(c) Contractor shall incorporate by reference in all subcontracts the provisions of Chapter 12T, and shall require all subcontractors to comply with such provisions. Contractor's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(d) Contractor or Subcontractor shall not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (1) Arrest not leading to a Conviction, unless the Arrest is

undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(e) Contractor or Subcontractor shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection 32(d), above. Contractor or Subcontractor shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(f) Contractor or Subcontractor shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment to be performed under this Agreement, that the Contractor or Subcontractor will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(g) Contractor and Subcontractors shall post the notice prepared by the Office of Labor Standards Enforcement (OLSE), available on OLSE's website, in a conspicuous place at every workplace, job site, or other location under the Contractor or Subcontractor's control at which work is being done or will be done in furtherance of the performance of this Agreement. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the workplace, job site, or other location at which it is posted.

(h) Contractor understands and agrees that if it fails to comply with the requirements of Chapter 12T, the City shall have the right to pursue any rights or remedies available under Chapter 12T, including but not limited to, a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Agreement.

#### **39. Submitting False Claims; Monetary Penalties**

Appraiser acknowledges and agrees that it is a "contractor" under and is subject to San Francisco Administrative Code Section 21.35. Under such Section 21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to City for the statutory penalties set forth in that section. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by City; (c) conspires to defraud City by getting a false claim allowed or paid by City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to City; or (e) is a beneficiary of an inadvertent submission of a false claim to City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to City within a reasonable time after discovery of the false claim.

#### **40. Food Service Waste Reduction**

Appraiser agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth herein. This provision is a material term of this Agreement.



By entering into this Agreement, Appraiser agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Appraiser agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Appraiser's failure to comply with this provision.

#### **41. Protection of Private Information**

Contractor has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Contractor agrees that any failure of Contractor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Contractor pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Contractor.

#### **42. Severability**

If any provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Agreement without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Agreement.

#### **43. Cooperative Drafting**

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

#### **44. Sugar-Sweetened Beverages Prohibition**

Contractor agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Agreement.

**45. General Provisions**

(a) This Agreement may be amended or modified only by a writing signed by City and Appraiser. (b) No waiver by any party of any of the provisions of this Agreement shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver. (c) All approvals and determinations of City requested, required or permitted hereunder may be made in the sole and absolute discretion of the Director of Property, the Director's designated agent or other authorized City official. (d) This instrument (including the exhibits hereto) contains the entire agreement between the parties and all prior written or oral negotiations, discussions, understandings and agreements are

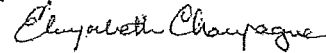
merged herein. (e) The section and other headings of this Agreement are for convenience of reference only and shall be disregarded in the interpretation of this Agreement. (f) Time is of the essence. (g) This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. (h) This Agreement shall be governed by California law and City's Charter. (i) If either party commences an action against the other or a dispute arises under this Agreement, the prevailing party shall be entitled to recover from the other reasonable attorneys' fees and costs. For purposes hereof, reasonable attorneys' fees of City shall be based on the fees regularly charged by private attorneys in San Francisco with comparable experience.

*[SIGNATURES ON FOLLOWING PAGE]*

IN WITNESS WHEREOF, City and Appraiser have executed this Agreement as of the date first above written.

APPRAISER:

CBRE GROUP, INC.,  
a Delaware Corporation

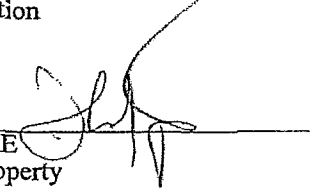


I have read and understood Section 28, the City's statement urging companies doing business in Northern Ireland to move towards resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco to do business with corporations that abide by the MacBride Principles.

By: Elizabeth Champagne, MAI, FRICS  
Its: Senior Managing Director

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By:   
JOHN UPDIKE  
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA  
City Attorney

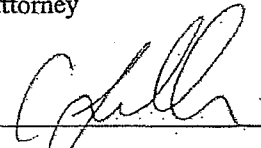
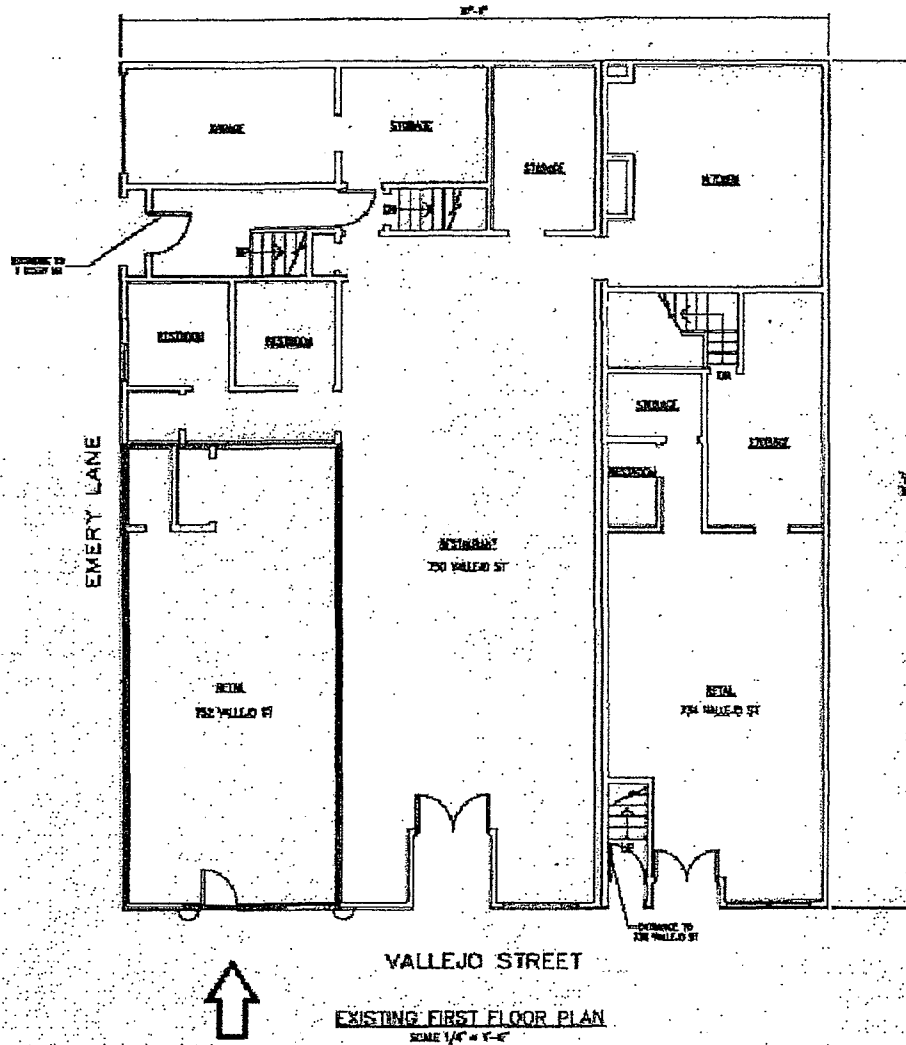
By:   
Deputy City Attorney

Exhibit A  
Property Description



Premises (in red)

Addendum C

# QUALIFICATIONS

## QUALIFICATIONS OF

**ELIZABETH CHAMPAGNE, MAI, FRICS**  
Senior Managing Director

CBRE, Inc., Valuation & Advisory Services  
350 Sansome Street, Suite 840  
San Francisco, California 94104  
T: (415) 986-7395  
F: (415) 986-6862  
[Elizabeth.Champagne@cbre.com](mailto:Elizabeth.Champagne@cbre.com)

## EDUCATIONAL

Bachelor of Science Degree, Horticulture, Washington State University, Pullman, Washington  
Successfully completed all the necessary courses to qualify for the MAI designation, and to meet continuing education requirements.

## LICENSE(S)/CERTIFICATION(S)

California BRE Certified General Real Estate Appraiser No. AG025144 Expires 11/17/16

## PROFESSIONAL

Appraisal Institute  
Designated Member (MAI), Certificate No. 9390

Royal Institution of Chartered Surveyors  
Designated Fellow (FRICS), Certificate No. 1277002

## EMPLOYMENT EXPERIENCE

Over 20 years of professional experience in the fee preparation/review of real estate appraisals, feasibility studies, rent analyses and market studies of commercial and residential properties. Primary experience encompasses a wide variety of property types including office, retail, industrial, multifamily, hotel, medical office, skilled nursing facility, residential care, restaurant, parking garage, car wash, residential subdivision, bank branch and special purpose.

1997-Present	CBRE, Inc. Senior Managing Director	San Francisco, CA
1994-1997	The Property Sciences Group Inc., Senior Vice President	Pleasant Hill, CA
1992-1994	I.J. Barkan, Inc., Director of Appraisal & Consulting	Boston, MA
1990-1992	The Codman Company, Senior Appraiser & Manager	Boston, MA
1985-1990	Hunneman Appraisal & Consulting Company, Staff Appraiser	Boston, MA
1983-1985	The Krupp Company, Acquisitions Analyst	Boston, MA
1982-1983	City of Newton, Assessor	Newton, MA
1977-1981	USDI Fish and Wildlife Service, Staff Appraiser	Newton, MA
1975-1977	USDA Farmers Home Admin. and HUD	Franklin, PA and Boston, MA

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**M. Elizabeth Champagne**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:


"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 025144

Effective Date: November 18, 2016

Date Expires: November 17, 2018

  
Jim Martin, Bureau Chief, BREA

3029108

## QUALIFICATIONS OF

NANCY H. WELSH, MAI, MRICS  
Vice President

CBRE, Inc., Valuation & Advisory Services  
350 Sansome Street, Suite 840  
San Francisco, CA 94104  
(415) 356-7251  
[nancy.welsh@cbre.com](mailto:nancy.welsh@cbre.com)

## EDUCATIONAL

Bachelor of Arts Degree, Urban Studies, University of Pennsylvania, Philadelphia, PA  
Successfully completed all the necessary courses to qualify for the MAI and MRICS designations,  
and to meet continuing education requirements.

## LICENSE(S)/CERTIFICATION(S)

California BRE Certified General Real Estate Appraiser No. AG025705 Expires 06/13/18  
Certified General Real Estate Appraiser in 8 other states

## PROFESSIONAL

### Appraisal Institute

Designated Member (MAI), Certificate No. 32567

### Royal Institution of Chartered Surveyors

Designated Fellow (MRICS), Certificate No. 1232537

## EMPLOYMENT EXPERIENCE

Over 35 years of professional experience in real estate valuation and consulting working with corporations, hospitals, institutional investors, REITs, developers, accounting firms, financial institutions, and government agencies. Experience encompasses a wide variety of property types including office, retail, industrial, multifamily, bank branches, and special purpose. Valuation specialties include land and ground leases, financial reporting, hospitals and healthcare facilities, market rent, and complex assignments.

2016-Present	CBRE, Inc., Vice President – VAS, Appraiser	San Francisco, CA
2011-2016	Navigant Consulting, Inc., Director	San Francisco, CA
2005-2011	American Appraisal Associates, Managing Director	San Francisco, CA
1999-2005	CBRE, Inc., Managing Director	San Francisco, CA
1996-1999	The Property Sciences Group Inc., Senior Appraiser	Pleasant Hill, CA
1973-1996	Jackson-Cross Company (now CBRE, Inc.), Appraiser Coyle-Lynch Company, Appraiser Sole Proprietor, Appraiser	Philadelphia, PA Sharon Hill, PA Philadelphia, PA





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Nancy H. Welsh**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 025705

Effective Date: June 14, 2016

Date Expires: June 13, 2018

  
Jim Martin, Bureau Chief, BREA

3026451

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE CHANGING



# SAN FRANCISCO PLANNING DEPARTMENT

Subject to: (Select only if applicable)

- Affordable Housing (Sec. 415)
- First Source Hiring (Admin. Code)
- Jobs Housing Linkage Program (Sec. 413)
- Child Care Requirement (Sec. 414)
- Downtown Park Fee (Sec. 412)
- Other

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

Reception:  
415.558.6378

Fax:  
415.558.6409

Planning  
Information:  
415.558.6377

## Planning Commission Motion No. 19721

HEARING DATE: AUGUST 11, 2016

Case No.: 2016-006168CUAGPR  
 Project Address: 752 Vallejo Street  
 Zoning: North Beach NCD (North Beach Neighborhood Commercial District)  
 40-X Height and Bulk District  
 Block/Lot: 0130/012  
 Project Sponsor: Jeff Suess  
 City and County of San Francisco  
 Real Estate Division  
 25 Van Ness Avenue, Suite 400  
 San Francisco, CA 94102  
 Staff Contact: Nicholas Foster – (415) 575-9167  
[nicholas.foster@sfgov.org](mailto:nicholas.foster@sfgov.org)

ADOPTING FINDINGS RELATING TO THE APPROVAL OF CONDITIONAL USE AUTHORIZATION PURSUANT TO SECTIONS 722.83 AND 303 OF THE PLANNING CODE TO ESTABLISH A PUBLIC USE WITHIN THE GROUND-FLOOR OF THE SUBJECT BUILDING WITHIN THE NORTH BEACH NCD (NEIGHBORHOOD COMMERCIAL DISTRICT) ZONING DISTRICT AND 40-X HEIGHT AND BULK DISTRICT, AND ADOPTING FINDINGS UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

### PREAMBLE

On May 11, 2016, Jeff Suess from the Real Estate Division of the City and County of San Francisco ("Project Sponsor"), submitted an application with the Planning Department ("Department") for a General Plan Referral, Case No. 2016-006168GPR, related to the City's proposed lease of property ("Property") located at 752 Vallejo Street, for use by the San Francisco Police Department (SFPD). The project ("Project") involves a change of use of an existing, vacant tenant space located on the ground-floor of the subject building from Retail Sales and Services Use to Public Use.

On June 23, 2016, the Project Sponsor filed an application with the Department for Conditional Use Authorization pursuant to Planning Code Sections 722.83 and 303 to establish a Public Use within a vacant ground-floor storefront, previously used as a Retail Sales and Services Use to Public Use, located at 752 Vallejo Street.

[www.sfplanning.org](http://www.sfplanning.org)

On July 25, 2016, the Project was issued a Categorical Exemption, Class 1 (California Environmental Quality Act (CEQA) Guidelines Section 15301). Approval of the Conditional Use Authorization by the Planning Commission is the Approval Action for the project. The Approval Action date establishes the start of the 30-day appeal period for this CEQA exemption determination pursuant to Section 31.04(h) of the San Francisco *Administrative Code*.

On July 29, 2016, the Department administratively approved the General Plan Referral, Case No. 2016-006168GPR, related to the City's proposed lease of Property located at 752 Vallejo Street, for use by the San Francisco Police Department (SFPD).

On August 11, 2016, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting on Conditional Use Application No. 2016-002834CUAGPR.

The Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of the applicant, Department staff, and other interested parties.

MOVED, that the Commission hereby authorizes the Conditional Use requested in Application No. 2016-002834CUAGPR, subject to the conditions contained in "EXHIBIT A" of this motion, based on the following findings:

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. The above recitals are accurate and constitute findings of this Commission.
2. **Site Description and Present Use.** The 4,031 square foot project site ("Site") (Lot 012 in Assessor's Block 0130) is located on the block bounded by Vallejo Street the south, Powell Street to the west, Green Street to the north, and Stockton Street to the east. The subject lot has 57'-9" feet of street frontage along Vallejo at a depth of 68'. The lot contains two buildings: a three-story building and a two-story building, both constructed in 1907. Within the subject, three-story building, the upper two floors contain 28 group housing units, per the Assessor-Recorder's Report, and three (3) separate, ground-floor commercial tenant spaces, with two of the tenant spaces fronting onto Vallejo Street (750-752 Vallejo Street), and one tenant space fronting onto Emery Lane (2 Emery Lane). The ground-floor tenant space located immediately adjacent the subject tenant space, at 750 Vallejo Street, contains a Restaurant (d.b.a. "Little Garden Restaurant"). The subject tenant space is approximately 650 square feet, measuring 17'-5" along the Vallejo Street frontage, and 37'-3" along the Emery Lane frontage. The subject tenant space was previously occupied by a Retail Sales and Services Use ("d.b.a. Big Bam Vapes SF").
3. **Surrounding Properties and Neighborhood.** The Site is located within the southern portion of the Russian Hill neighborhood, near the eastern boundary of the North Beach neighborhood, and the northern boundary of the Nob Hill and Chinatown neighborhoods, within the North Beach

Neighborhood Commercial Zoning District and a 40-X Height and Bulk District. The neighborhood contains a mix of uses, generally with residential uses located above ground-floor Retail Sales and Service Uses. The bulk and massing of building is fairly unified along both sides of Vallejo Street, with most buildings ranging between 3 and 4 stories. SFPD's Central Station is located adjacent the subject tenant space, at 766 Vallejo Street, and a 4-story public parking garage (North Beach Garage) is located directly across the street from the subject property.

4. **Project Description.** The proposed project ("Project") involves a change of use of an existing, vacant tenant space on the ground-floor of the subject building from Retail Sales and Services Use to Public Use. The subject tenant space, totaling approximately 650 square feet, would be utilized by the San Francisco Police Department (SFPD) for their Investigative Unit. Currently, SFPD's Investigative Unit operates out of the adjacent facility, Central Station, located at 766 Vallejo Street. Minor interior tenant improvements are proposed as part of the change of use, with no expansion of the existing building. Interior tenant improvements include the following: installing level III ballistic glass behind the existing storefront, new paint, new carpet, and other minor repairs as-needed.
5. **Public Comment.** To date, the Department has not received any public comment on the proposal.
6. **Planning Code Compliance:** The Commission finds that the Project is consistent with the relevant provisions of the Planning Code in the following manner:

- A. **Public Use.** Planning Code Section 722.83 states that Conditional Use Authorization is required to establish a Public Use, as defined by Planning Code Section 790.80.

*The proposed Project involves a change of use of an existing, vacant tenant space on the ground-floor of the subject building from Retail Sales and Services Use to Public Use. The subject tenant space, totaling approximately 650 square feet, would be utilized by the San Francisco Police Department (SFPD) for their Investigative Unit. Currently, SFPD's Investigative Unit operates out of the adjacent facility, Central Station, located at 766 Vallejo Street.*

- B. **Use Size.** Planning Code Section 722.21 states that within the North Beach Neighborhood Commercial District, nonresidential uses up to 1,999 square feet are principally permitted, nonresidential uses between 2,000 square feet and 3,999 square feet require Conditional Use Authorization, and nonresidential uses above 4,000 square feet are not permitted.

*The proposed Project would convert approximately 650 square feet of use, which, is under the use size limitations set forth in Planning Code Section 722.21.*

7. **Planning Code Section 303** establishes criteria for the Planning Commission to consider when reviewing applications for Conditional Use approval. On balance, the project does comply with said criteria in that:

- A. The proposed new uses and building, at the size and intensity contemplated and at the proposed location, will provide a development that is necessary or desirable, and compatible with, the neighborhood or the community.

*The project is necessary or desirable, and compatible with the neighborhood, as the expansion of the San Francisco Police Department's Investigative Unit into the subject tenant space at 752 Vallejo Street is required to sustain the operations of SFPD's Central Station, thereby supporting the SFPD's role in facilitating community safety in neighborhoods throughout the City.*

- B. The proposed project will not be detrimental to the health, safety, convenience or general welfare of persons residing or working in the vicinity. There are no features of the project that could be detrimental to the health, safety or convenience of those residing or working the area, in that:

- i. Nature of proposed site, including its size and shape, and the proposed size, shape and arrangement of structures;

*No physical expansion of the existing commercial space or structure is proposed as part of the Project.*

- ii. The accessibility and traffic patterns for persons and vehicles, the type and volume of such traffic, and the adequacy of proposed off-street parking and loading;

*The Project would not adversely affect MUNI service or overburden the streets within the neighborhood. The Project Site is already well-served by transit (several MUNI lines serve the Broadway and Columbus Avenue corridors, each located approximately two blocks away from the subject property).*

- iii. The safeguards afforded to prevent noxious or offensive emissions such as noise, glare, dust and odor;

*The conditions of approval for this Project require the Project Sponsor to ensure that noise and odors are contained within the premises so as not to cause a nuisance to neighboring businesses or residents. The Planning Department's Standard Conditions of Approval specifically obligates the Project Sponsor to mitigate odor and noise generated by the Public Use.*

- iv. Treatment given, as appropriate, to such aspects as landscaping, screening, open spaces, parking and loading areas, service areas, lighting and signs;

*All lighting and signage for the existing use would continue to comply with the requirements of the Planning Code.*

- C. That the use as proposed will comply with the applicable provisions of the Planning Code and will not adversely affect the General Plan.

*The Project complies with all relevant requirements and standards of the Planning Code and is consistent with objectives and policies of the General Plan as detailed below.*

- D. That the use as proposed would provide development that is in conformity with the purpose of the applicable Use District.

*The proposed project is consistent with the stated purpose of the North Beach Neighborhood Commercial Zoning District.*

8. **General Plan Compliance.** The Project is, on balance, consistent with the following Objectives and Policies of the General Plan:

## COMMERCE AND INDUSTRY ELEMENT

### Objectives and Policies

#### OBJECTIVE 7

ENHANCE SAN FRANCISCO'S POSITION AS A NATIONAL AND REGIONAL CENTER FOR GOVERNMENTAL, HEALTH, AND EDUCATIONAL SERVICES.

#### Policy 7.1:

Promote San Francisco, particularly the civic center, as a location for local, regional, state and federal governmental functions

*Approval of the proposed lease of additional administrative space for the San Francisco Police Department's Central Station would support the Department's role in facilitating community safety in neighborhoods throughout the City.*

## COMMUNITY FACILITIES ELEMENT

### Objectives and Policies

#### OBJECTIVE 1

DISTRIBUTE, LOCATE, AND DESIGN POLICE FACILITIES IN A MANNER THAT WILL ENHANCE THE EFFECTIVE, EFFICIENT AND RESPONSIVE PERFORMANCE OF POLICE FUNCTIONS.

#### Policy 1.1:

Locate police functions that are best conducted on a centralized basis in a police headquarters building.

#### Policy 1.4:

Distribute, locate, and design police support facilities so as to maximize their effectiveness, use, and accessibility for police personnel.

#### Policy 1.6:

Design facilities to allow for flexibility, future expansion, full operation in the event of a seismic emergency, and security and safety for personnel, while still maintaining an inviting appearance that is in scale with neighborhood development.

*The proposed Project supports the evolving needs and functions of the San Francisco Police Department (SFPD) by providing additional administrative space necessary for operations; only minor, interior tenant improvements are proposed to accommodate the SFPD Investigative Unit.*

**OBJECTIVE 2**

**LOCATE AND DESIGN FACILITIES IN A MANNER THAT ENCOURAGES CONSTRUCTIVE POLICE/NEIGHBORHOOD INTERACTION.**

**Policy 2.3:**

Design police facilities to maximize opportunities for promoting community/police relations through dual use of facilities.

*The proposed ground-floor administrative space for use by the San Francisco Police Department (SFPD), which is adjacent to the current Central Station, will maintain the existing level of accessibility by transit and other transportation modes. With only minor, interior tenant improvements proposed, the storefront is in keeping with the character of the existing neighborhood.*

9. Planning Code Section 101.1(b) establishes eight priority-planning policies and requires review of permits for consistency with said policies. On balance, the project does comply with said policies in that:
  - A. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses be enhanced.

*The Project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses. The existing retail space is currently vacant, so no businesses will be displaced.*
  - B. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.

*The Project would have no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not negatively affected.*
  - C. That the City's supply of affordable housing be preserved and enhanced,

*The Project would have no adverse effect on the City's supply of affordable housing.*
  - D. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

*The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.*

- E. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced.

*The Project would not affect the existing economic base in this area.*

- F. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake.*

- G. That landmarks and historic buildings be preserved.

*The Project would not adversely impact this existing historic resource, as it would not change the façade of the building.*

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

*The Project would have no adverse effect on parks and open space or their access to sunlight and vista.*

10. The Project is consistent with and would promote the general and specific purposes of the Code provided under Section 101.1(b) in that, as designed, the Project would contribute to the character and stability of the neighborhood and would constitute a beneficial development.
11. The Commission hereby finds that approval of the Conditional Use authorization would promote the health, safety and welfare of the City.



### DECISION

That based upon the Record, the submissions by the Applicant, the staff of the Department and other interested parties, the oral testimony presented to this Commission at the public hearings, and all other written materials submitted by all parties, the Commission hereby **APPROVES Conditional Use Application No. 2016-006168CUAGPR** subject to the following conditions attached hereto as "EXHIBIT A" in general conformance with plans on file, dated July 20, 2016, and stamped "EXHIBIT B", which is incorporated herein by reference as though fully set forth.

**APPEAL AND EFFECTIVE DATE OF MOTION:** Any aggrieved person may appeal this Conditional Use Authorization to the Board of Supervisors within thirty (30) days after the date of this Motion No. 19721. The effective date of this Motion shall be the date of this Motion if not appealed (After the 30-day period has expired) OR the date of the decision of the Board of Supervisors if appealed to the Board of Supervisors. For further information, please contact the Board of Supervisors at (415) 554-5184, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

**Protest of Fee or Exaction:** You may protest any fee or exaction subject to Government Code Section 66000 that is imposed as a condition of approval by following the procedures set forth in Government Code Section 66020. The protest must satisfy the requirements of Government Code Section 66020(a) and must be filed within 90 days of the date of the first approval or conditional approval of the development referencing the challenged fee or exaction. For purposes of Government Code Section 66020, the date of imposition of the fee shall be the date of the earliest discretionary approval by the City of the subject development.

If the City has not previously given Notice of an earlier discretionary approval of the project, the Planning Commission's adoption of this Motion, Resolution, Discretionary Review Action or the Zoning Administrator's Variance Decision Letter constitutes the approval or conditional approval of the development and the City hereby gives **NOTICE** that the 90-day protest period under Government Code Section 66020 has begun. If the City has already given Notice that the 90-day approval period has begun for the subject development, then this document does not re-commence the 90-day approval period.

I hereby certify that the Planning Commission **ADOPTED** the foregoing Motion on August 11, 2016.



Jonas P. Ionin  
Commission Secretary

**AYES:** Antonini, Fong, Hillis, Moore, Richards

**NAYS:** None

**ABSENT:** Johnson, Wu

**ADOPTED:** August 11, 2016

## EXHIBIT A

### AUTHORIZATION

This authorization is for a conditional use to establish a Public Use on the ground-floor of the subject building located at 752 Vallejo Street, Lot 012 in Assessor's Block 0130, pursuant to Planning Code Section(s) 722.83 and 303 within the North Beach Neighborhood Commercial Zoning District and a 40-X Height and Bulk District, in general conformance with plans, dated July 20, 2016, and stamped "EXHIBIT B" included in the docket for Case No. 2016-006168CUAGPR and subject to conditions of approval reviewed and approved by the Commission on August 11, 2016 under Motion No. 19721. This authorization and the conditions contained herein run with the property and not with a particular Project Sponsor, business, or operator.

### RECORDATION OF CONDITIONS OF APPROVAL

Prior to the issuance of the building permit or commencement of use for the Project the Zoning Administrator shall approve and order the recordation of a Notice in the Official Records of the Recorder of the City and County of San Francisco for the subject property. This Notice shall state that the project is subject to the conditions of approval contained herein and reviewed and approved by the Planning Commission on August 11, 2016 under Motion No. 19721.

### PRINTING OF CONDITIONS OF APPROVAL ON PLANS

The conditions of approval under the 'Exhibit A' of this Planning Commission Motion No. 19721 shall be reproduced on the Index Sheet of construction plans submitted with the Site or Building permit application for the Project. The Index Sheet of the construction plans shall reference to the Conditional Use authorization and any subsequent amendments or modifications.

### SEVERABILITY

The Project shall comply with all applicable City codes and requirements. If any clause, sentence, section or any part of these conditions of approval is for any reason held to be invalid, such invalidity shall not affect or impair other remaining clauses, sentences, or sections of these conditions. This decision conveys no right to construct, or to receive a building permit. "Project Sponsor" shall include any subsequent responsible party.

### CHANGES AND MODIFICATIONS

Changes to the approved plans may be approved administratively by the Zoning Administrator. Significant changes and modifications of conditions shall require Planning Commission approval of a new Conditional Use authorization.

## Conditions of Approval, Compliance, Monitoring, and Reporting

### PERFORMANCE

1. **Validity.** The authorization and right vested by virtue of this action is valid for three (3) years from the effective date of the Motion. The Department of Building Inspection shall have issued a Building Permit or Site Permit to construct the project and/or commence the approved use within this three-year period.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

2. **Expiration and Renewal.** Should a Building or Site Permit be sought after the three (3) year period has lapsed, the project sponsor must seek a renewal of this Authorization by filing an application for an amendment to the original Authorization or a new application for Authorization. Should the project sponsor decline to so file, and decline to withdraw the permit application, the Commission shall conduct a public hearing in order to consider the revocation of the Authorization. Should the Commission not revoke the Authorization following the closure of the public hearing, the Commission shall determine the extension of time for the continued validity of the Authorization.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

3. **Diligent pursuit.** Once a site or Building Permit has been issued, construction must commence within the timeframe required by the Department of Building Inspection and be continued diligently to completion. Failure to do so shall be grounds for the Commission to consider revoking the approval if more than three (3) years have passed since this Authorization was approved.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

4. **Extension.** All time limits in the preceding three paragraphs may be extended at the discretion of the Zoning Administrator where implementation of the project is delayed by a public agency, an appeal or a legal challenge and only by the length of time for which such public agency, appeal or challenge has caused delay.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

5. **Conformity with Current Law.** No application for Building Permit, Site Permit, or other entitlement shall be approved unless it complies with all applicable provisions of City Codes in effect at the time of such approval.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

## DESIGN – COMPLIANCE AT PLAN STAGE

6. **Final Materials.** The Project Sponsor shall continue to work with Planning Department on the building design. Final materials, glazing, color, texture, landscaping, and detailing shall be subject to Department staff review and approval. The architectural addenda shall be reviewed and approved by the Planning Department prior to issuance.  
*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*
7. **Garbage, composting and recycling storage.** Space for the collection and storage of garbage, composting, and recycling shall be provided within enclosed areas on the property and clearly labeled and illustrated on the building permit plans. Space for the collection and storage of recyclable and compostable materials that meets the size, location, accessibility and other standards specified by the San Francisco Recycling Program shall be provided at the ground level of the buildings.  
*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*
8. **Noise.** Plans submitted with the building permit application for the approved project shall incorporate acoustical insulation and other sound proofing measures to control noise.  
*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*
9. **Odor Control Unit.** In order to ensure any significant noxious or offensive odors are prevented from escaping the premises once the project is operational, the building permit application to implement the project shall include air cleaning or odor control equipment details and manufacturer specifications on the plans. Odor control ducting shall not be applied to the primary façade of the building.  
*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*

## MONITORING - AFTER ENTITLEMENT

10. **Enforcement.** Violation of any of the Planning Department conditions of approval contained in this Motion or of any other provisions of Planning Code applicable to this Project shall be subject to the enforcement procedures and administrative penalties set forth under Planning Code Section 176 or Section 176.1. The Planning Department may also refer the violation complaints to other city departments and agencies for appropriate enforcement action under their jurisdiction.  
*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*
11. **Revocation due to Violation of Conditions.** Should implementation of this Project result in complaints from interested property owners, residents, or commercial lessees which are not resolved by the Project Sponsor and found to be in violation of the Planning Code and/or the specific conditions of approval for the Project as set forth in Exhibit A of this Motion, the Zoning

Administrator shall refer such complaints to the Commission, after which it may hold a public hearing on the matter to consider revocation of this authorization.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

## OPERATION

12. **Garbage, Recycling, and Composting Receptacles.** Garbage, recycling, and compost containers shall be kept within the premises and hidden from public view, and placed outside only when being serviced by the disposal company. Trash shall be contained and disposed of pursuant to garbage and recycling receptacles guidelines set forth by the Department of Public Works.  
*For information about compliance, contact Bureau of Street Use and Mapping, Department of Public Works at 415-554-5810, <http://sfdpw.org>*
13. **Sidewalk Maintenance.** The Project Sponsor shall maintain the main entrance to the building and all sidewalks abutting the subject property in a clean and sanitary condition in compliance with the Department of Public Works Streets and Sidewalk Maintenance Standards.  
*For information about compliance, contact Bureau of Street Use and Mapping, Department of Public Works, 415-695-2017, <http://sfdpw.org>*
14. **Noise Control.** The premises shall be adequately soundproofed or insulated for noise and operated so that incidental noise shall not be audible beyond the premises or in other sections of the building and fixed-source equipment noise shall not exceed the decibel levels specified in the San Francisco Noise Control Ordinance.  
*For information about compliance with the fixed mechanical objects such as rooftop air conditioning, restaurant ventilation systems, and motors and compressors with acceptable noise levels, contact the Environmental Health Section, Department of Public Health at (415) 252-3800, [www.sfdph.org](http://www.sfdph.org)*  
*For information about compliance with the construction noise, contact the Department of Building Inspection, 415-558-6570, [www.sfdbi.org](http://www.sfdbi.org)*  
*For information about compliance with the amplified sound including music and television contact the Police Department at 415-553-0123, [www.sf-police.org](http://www.sf-police.org)*
15. **Odor Control.** While it is inevitable that some low level of odor may be detectable to nearby residents and passersby, appropriate odor control equipment shall be installed in conformance with the approved plans and maintained to prevent any significant noxious or offensive odors from escaping the premises.  
*For information about compliance with odor or other chemical air pollutants standards, contact the Bay Area Air Quality Management District, (BAAQMD), 1-800-334-ODOR (6367), [www.baaqmd.gov](http://www.baaqmd.gov) and Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*
16. **Community Liaison.** Prior to issuance of a building permit to construct the project and implement the approved use, the Project Sponsor shall appoint a community liaison officer to deal with the issues of concern to owners and occupants of nearby properties. The Project Sponsor shall provide the Zoning Administrator with written notice of the name, business address, and telephone number of the community liaison. Should the contact information change, the Zoning Administrator shall be made aware of such change. The community liaison

shall report to the Zoning Administrator what issues, if any, are of concern to the community and what issues have not been resolved by the Project Sponsor.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

17. **Lighting.** All Project lighting shall be directed onto the Project site and immediately surrounding sidewalk area only, and designed and managed so as not to be a nuisance to adjacent residents. Nighttime lighting shall be the minimum necessary to ensure safety, but shall in no case be directed so as to constitute a nuisance to any surrounding property.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*



Edwin M. Lee, Mayor  
Naomi M. Kelly, City Administrator



John Updike  
Director of Real Estate

March 10<sup>th</sup> 2016

Through Supervisor Aaron Peskin,  
City Administrator

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

Re: Proposed lease of 752 Vallejo Street, San Francisco

Dear Board Members:

Attached for your consideration is a Resolution authorizing the lease of 752 Vallejo Street comprising approximately 750 square feet for the San Francisco Police Department.

The San Francisco Police Department's investigative unit had been located within a below grade level storage room. Health concerns over the space were raised, given that it was designed to be storage space and upon investigation, it was found to have excessive CO<sub>2</sub> levels. The unit was relocated from the storage room to the squad room as a temporary measure until additional permanent space could be found, erecting cubicles to provide a modicum of privacy.

752 Vallejo is adjacent to Central Station and is separated by Emery Lane. The space is 750 square feet and would be able to provide sufficient room for 10 officers and one lieutenant. It will allow for the activities previously functioning in the squad room to return, create a work space for investigators that is quiet, private and more conducive their work.

The space is zoned retail and considered a retail corridor, however the presence of the Central Station, and the North Beach Garage on the south side of Vallejo causing a break in the retail corridor. A submitted change of use application was submitted and on August 11<sup>th</sup> 2016 a change of use was approved by the Planning Commission.

On behalf of the Police Department, the Real Estate Division negotiated a lease at a fair market rent of \$3,345.00 per month (\$4.46 psf), subject to annual rent adjustments, and tied to the San Francisco CPI index, with a minimum of 3% and a cap of 5%. An appraisal was obtained by CBRE and confirmed that the negotiated rent was at fair market.

Upon approval of the lease, Landlord shall buildout the premises through its general contractor in accordance with approved plans and specifications, with the exception of the required ballistic glass wall at the entrance, which shall be completed by Public Works.

Landlord shall provide a tenant improvement allowance of \$11,250 or approximately \$15.00 psf to improve the premises for City's use. Additional improvements above the \$11,250 provided by the Landlord shall be amortized into the Lease at a rate of 6%, not to exceed \$70,000

The San Francisco Police Department and Real Estate Division recommend approval of the proposed lease. Attached is a draft of the current Lease, with negotiations pending.

If you have any questions in this regard, please contact Jeff Sues of my staff at 554-9873

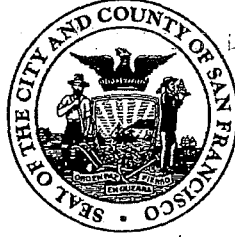
Respectfully,

John Updike  
Director of Property

Attachments



President, District 5  
BOARD of SUPERVISORS



7/5-11, LOB, BOF Clerk,  
Gas Clerk, Deputies, Dep City Atty,  
City Hall Mayor's Office  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-7630  
Fax No. 554-7634  
TDD/TTY No. 544-5227

London Breed

**PRESIDENTIAL ACTION**

Date: 7/10/2017

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,  
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. \_\_\_\_\_  
(Primary Sponsor)

Title.

Transferring (Board Rule No 3.3)

File No. 170745 Peskin  
(Primary Sponsor)

Title. Real Property Lease - Evans Investment Partners, LLC. - 752 Vallejo  
Street - \$40,125 Rent in the Base Year - Estimated \$66,750 Tenant

From: Budget & Finance Committee

To: Government Audit & Oversight Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor \_\_\_\_\_

Replacing Supervisor \_\_\_\_\_

For: \_\_\_\_\_ Meeting  
(Date) (Committee)

London Breed, President  
Board of Supervisors

2017 JUL 10 PM 4:15  
3000 SAN FRANCISCO  
RECORDS

Print Form

RECEIVED  
6/13/2017 @ 4:05pm  
S

### Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [ ] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.**

Sponsor(s):

Supervisor Peskin

Subject:

[Real Property Lease – Evans Investment Partners, LLC. - Tenant Improvements – 752 Vallejo Street in San Francisco - \$150,000 Rent in the Base Year – an estimated \$78,000 Tenant Improvements Cost]

The text is listed:

Resolution authorizing the Director of Property, on behalf of San Francisco Police Department, to execute a lease of 750 rentable square feet at 752 Vallejo Street in San Francisco at a base-year rent expense to City of \$40,125 for an initial term of five (5) years plus one (1) five-year options to extend; construction of tenant improvements costing the City an estimated \$66,750.

Signature of Sponsoring Supervisor:

For Clerk's Use Only