

File No. 150176

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date April 8, 2015

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong

Date April 3, 2015

Completed by: _____

Date _____

1 [Real Property Lease - Celestina and Alan Salvador Jimenez, Co-Trustees - 100 Blanken
2 Avenue - Monthly Base Rent of \$7,800]

3 **Resolution authorizing the lease of approximately 3,000 square feet at 100 Blanken**
4 **Avenue with Celestina and Alan Salvador Jimenez, Co-Trustees of the Trust of**
5 **Salvador Jimenez and Celestina Jimenez-Surviving Spouses Trust, for a portion of the**
6 **ground floor, for a five-year term commencing upon approval by the Board of**
7 **Supervisors and Mayor, in their sole and respective discretion, through January 31,**
8 **2020, with one five-year option to extend, at the monthly base rent of \$7,800 for the**
9 **remainder of FY2014-2015 of \$39,000.**

10
11 WHEREAS, The Department of Public Health (the "DPH") currently operates its
12 Southeast Child Family Therapy Center at 100 Blanken Avenue providing valuable services to
13 the community since 2002; and

14 WHEREAS, The Real Estate Division on behalf of the DPH has negotiated a new lease
15 to continue the DPH services at the site comprising approximately 3,000 square feet in
16 substantially the form on file with the Clerk of the Board of Supervisors in File No. 150176,
17 which is hereby declared to be a part of this resolution as if set forth fully herein; and

18 WHEREAS, The term of the lease shall be for five (5) years commencing upon
19 approval of the lease; and

20 WHEREAS, The City shall have one additional five (5) year option term to extend the
21 lease at 95% of the then prevailing fair market rent, subject to the enactment of a resolution
22 by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion,
23 approving and authorizing the same; and

24 WHEREAS, The base monthly rent of \$7,800 is subject to annual CPI adjustments of
25 no less than three (3%) percent and no more than five (5%) percent; and

1 WHEREAS, The DPH shall be responsible for utilities and janitorial services; now,
2 therefore, be it

3 RESOLVED, That in accordance with the recommendation of the Director of the
4 Department of Public Health and the Director of Property, the Director of Property is hereby
5 authorized to take all actions, on behalf of the City and County of San Francisco, as Tenant,
6 to enter into the lease for a portion of the ground floor at 100 Blanken Ave., San Francisco,
7 California, comprising approximately 3,000 square feet on file with the Clerk of the Board of
8 Supervisors in File No. 150176, which is hereby declared to be a part of this resolution as if
9 set forth fully herein; and, be it

10 FURTHER RESOLVED, The monthly base rent for the initial five year term shall be
11 \$7,800 (\$2.60 per square foot), net of utilities and janitorial services, subject to annual CPI
12 adjustments of no less than three (3%) percent and no more than five (5%) percent; and, be it

13 FURTHER RESOLVED, The City shall have one additional option term of five years at
14 95% of the then prevailing fair market rent subject to the enactment of a resolution by the
15 Board of Supervisors and the Mayor, in their respective sole and absolute discretion,
16 approving and authorizing the same; and, be it

17 FURTHER RESOLVED, The City agrees to indemnify, defend, and hold harmless
18 Landlord and its agents from and against any and all claims, costs, and expenses, including
19 without limitation, reasonable attorney fees, incurred as a result of (a) City's use of the
20 Premises, (b) any default by the City in the performance of any of its obligations under the
21 lease, or (c) any acts or omissions of City or its agents, in, on or about the Premises or the
22 property on which the Premises are located, provided however City shall not be obligated to
23 indemnify Landlord or its agents to the extent any claim, cost and expense arises out of
24 active gross negligence or willful misconduct of Landlord or its agents; and be it

1 FURTHER RESOLVED, That any action heretofore taken by any City employee or
2 official with respect to the exercise of the lease as set forth herein is hereby approved,
3 confirmed and ratified; and, be it

4 FURTHER RESOLVED, The Board of Supervisors approves the lease in substantially
5 the form in the Board's File and authorizes the Director of Property to take all actions, on
6 behalf of City, to enter into any amendments or modifications (including without limitation, the
7 exhibits) to the lease on the terms and conditions herein and form approved by the City
8 Attorney that the Director of Property determines, in consultation with the City Attorney, are in
9 the best interest of the City, do not increase the rent or otherwise materially increase the
10 obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of
11 the lease and are in compliance with all applicable laws, including City's Charter; and, be it

12 FURTHER RESOLVED, The City shall occupy the entire Premises for the full term of
13 the lease unless funds for the City's rental payments are not appropriated in any subsequent
14 fiscal year at which time City may terminate the lease with reasonable advance written notice
15 to Landlord. Such termination shall then be effective upon surrender of the Premises. Said
16 lease shall be subject to certification of funds by the Controller pursuant to Section 3.105 of
17 the Charter of the City and County of San Francisco; and, be it

18 FURTHER RESOLVED, That within thirty (30) days of the lease agreement being fully
19 executed by all parties the Director of Property shall provide a copy of the lease agreement to
20 the Clerk of the Board to include into the official file.

21 ////

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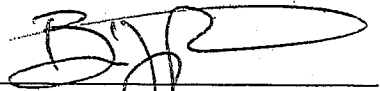
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RECOMMENDED:

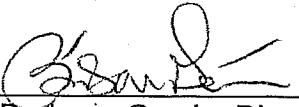
\$39,000 Available for Fiscal Year 2014-2015
Index Code No. HMHMCB731943, encumbered under PO#DPHM15000055-01



Controller


✓ FUNDS AVAILABLE AT
CHARACTER LEVEL

RECOMMENDED:



Barbara Garcia, Director
Department of Public Health

RECOMMENDED:



John Updike
Director of Property
Real Estate Division

Item 3 File 15-0176	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • The proposed resolution would authorize a new four year and eight month lease at 100 Blanken Avenue, with one five-year extension option, between the Department of Public Health (DPH), as Tenant, and Celestina and Alan Salvador Jimenez, Co-Trustees of the Trust of Salvador Jimenez and Celestina Jimenez-Surviving Spouses Trust, as Landlord, to continue to provide 3,000 square feet of space for DPH's Southeast Child/Family Therapy Center. 	
Key Points	
<ul style="list-style-type: none"> • In 2001, the Board of Supervisors approved a five-year lease between DPH, as Tenant, and Salvador Jimenez, Jr. and Celestina Jimenez, as Landlord for 3,000 square feet of ground floor space, at 100 Blanken Avenue to operate DPH's Southeast Child/Family Therapy Center. The initial annual base rent was \$36,000 (\$12 per square foot per year), subject to annual increases based on the Consumer Price Index (CPI) of no less than three percent and no more than six percent. • The lease has been extended since 2007 on a month-to-month basis because DPH was pursuing other facility consolidations and staff workload limitations precluded DPH from initiating a new long-term lease at 1099 Blanken Avenue. DPH's rent increased 100% from \$36,000 in 2002 to \$72,000 in 2015, reflecting an average annual rent increase of 7.7%. 	
Fiscal Impact	
<ul style="list-style-type: none"> • Annual base rent for the proposed lease will increase from the current rate of \$72,000 to \$93,600, an increase of \$21,600, or 30 percent. Funds were appropriated by the Board of Supervisors in DPH's Fiscal Year 2014-15 and 2015-16 budgets to cover this annual rental cost. Rent costs for DPH to lease 100 Blanken Avenue are projected to total \$1,073,019 for the entire ten year term, including the five-year initial lease and five-year extension period. 	
Recommendations	
<ol style="list-style-type: none"> 1. Urge the Director of Public Health to work with the Director of Real Estate to ensure that all DPH leases are negotiated prior to the expiration of the lease term, such that no City leases extend beyond six months on a month-to-month basis from their expiration of the original lease terms. 2. Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 23.27 requires Board of Supervisors approval of leases with a term of one year or longer or with rent of \$5,000 or more in which the City is the tenant.

BACKGROUND

In 2001, the Board of Supervisors approved a five-year lease between the Department of Public Health (DPH), as Tenant, and Salvador Jimenez, Jr. and Celestina Jimenez, as Landlord for 3,000 square feet of ground floor space, at 100 Blanken Avenue to provide counseling and office space for DPH's Southeast Child/Family Therapy Center. DPH currently has 11 employees (8.5 FTEs) at this location, or an average of 273 per square feet per employee. DPH services provided at this location include: comprehensive psychotherapy and counseling, school consultations, and parent training. The initial annual base rent in 2002 was \$36,000 (\$12 per square foot per year), subject to annual increases based on the Consumer Price Index (CPI) of no less than three percent and no more than six percent.

The lease commenced in 2002 for a five-year term expiring in 2007, with no options to extend the lease. According to Ms. Claudine Venegas, Senior Real Property Officer at the Real Estate Division, the lease has been extended since 2007 on a month-to-month basis. Section 23.13 of the lease states that the City may hold over possession of the premises on a month-to-month basis with the landlord's consent after the lease term expires. Mr. John Updike of the Real Estate Division advises that although the Real Estate Division requested that DPH enter into a new lease for their existing space, DPH advised that they were not ready to commit to a new lease at 100 Blanken Avenue.

According to Mr. Tyrone Navarro, Facilities and Operations Manager at DPH, DPH chose to continue the lease on a month-to-month basis because DPH was pursuing other facility consolidations at the time and staff workload limitations precluded DPH from initiating a new long-term lease at 1099 Blanken Avenue. DPH's current annual base rent for this lease is \$72,000 (\$24 per square foot per year). Therefore, DPH's rent at 100 Blanken Avenue increased 100% from \$36,000 in 2002 to \$72,000 in 2015, a period of 13 years, reflecting an average annual rent increase of 7.7%.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new lease at 100 Blanken Avenue between DPH, as Tenant, and Celestina and Alan Salvador Jimenez, Co-Trustees of the Trust of Salvador Jimenez and Celestina Jimenez-Surviving Spouses Trust, as Landlord, to continue to provide 3,000 square feet of ground floor space for DPH's Southeast Child/Family Therapy Center. The term of the lease will be approximately four years and eight months, commencing with approval of the proposed resolution and expiring on January 31, 2020, with one five-year option to extend the lease through January 31, 2025. Base rent for the lease is \$7,800 per month, or \$93,600 annually (\$31.20 per square foot per year), which is a 30 percent increase from the current annual base rent cost of \$72,000. Key provisions of the lease are summarized in Table 1 below.

Table 1: Key Provisions of 100 Blanken Ave. Lease

Lease Provision	Proposed Lease
Premises	Approximately 3,000 sq. ft. of ground floor space
Permitted use	Counseling and office space for DPH
Initial Term	5 years
Extension Options	One five-year option
Base Rent	Annual Rent - \$93,600, \$31.20 per sq. ft. Monthly Rent - \$7,800, \$2.60 per sq. ft.
Rent Adjustments	Annual adjustments based on the Consumer Price Index (CPI). Annual increases will be no less than 3 percent, and no more than 5 percent. Initial rent for the extension period will be set at 95% of the prevailing market rate, as specified in the proposed lease.
Utilities & Services	City pays for separately metered utilities and janitorial services, approximately \$6,000 per year.
Repairs	Landlord is responsible for exterior and structural portions of the premises. City is responsible for interior portions of the premises.

According to Ms. Venegas, base rent for the proposed lease was negotiated by the City's Real Estate Division to be fair market value based on a report by the CoStar Group¹, which found that annual rents were \$33.37 per square foot per year for comparable properties. However, Ms. Venegas could not provide an example at a specific address of a comparably priced lease in the area.

¹ The CoStar Group is a commercial real estate information company that is frequently cited by Real Estate Division for their analyses of property valuations. The comparable rent amount of \$33.37 is inclusive of utilities and janitorial services, which will be paid by the City under the proposed lease.

FISCAL IMPACT

Annual base rent for the proposed lease will increase from the current rate of \$72,000 to \$93,600, an increase of \$21,600, or 30 percent. As noted above, base rent will then be subject to annual increases between three and five percent. According to Ms. Jenny Louie, Budget Director at DPH, sufficient funds to cover the total new lease costs were appropriated by the Board of Supervisors in DPH's Fiscal Year 2014-15 and 2015-16 budgets. Based on three percent annual CPI adjustments over a ten year period, base rent costs to lease 100 Blanken Avenue are projected to total \$1,073,019 for the five-year initial lease term and five-year extension period as shown in Table 2 below.

Table 2: Rent costs for 100 Blanken Avenue Lease

Lease Year	Rent Costs*
Lease Year 1	\$93,600
Lease Year 2	96,408
Lease Year 3	99,300
Lease Year 4	102,279
Lease Year 5	<u>105,348</u>
<i>Subtotal 5 Year Initial Rent</i>	<i>\$496,935</i>
Lease Year 6	108,508
Lease Year 7	111,763
Lease Year 8	115,116
Lease Year 9	118,570
Lease Year 10	<u>122,127</u>
<i>Subtotal 5 Year Extension rent</i>	<i>\$576,084</i>
Total	\$1,073,019

*Annual increases calculated at 3 percent

POLICY CONSIDERATION

As noted above, the original five-year lease has been extended since 2007 on a month-to-month basis, an extension period of eight years, or three years longer than the original five-year lease. While Section 23.13 of the lease allowed the City to hold over on a month-to-month basis during this eight-year period, DPH's rent at 100 Blanken Avenue increased 100% from \$36,000 in 2002 to \$72,000 in 2015; reflecting an average annual rent increase of 7.7%.

Furthermore, without a long-term contractual lease agreement for important DPH services, in contrast to extending the lease on a month-to-month basis for eight years, DPH could be subject to eviction and/or other changes to conditions in terms. Mr. Updike acknowledged that his office wanted to negotiate a new lease for DPH, but DPH chose to continue the lease at Blanken Avenue on a month-to-month basis. The Board of Supervisors should urge the Director

of Public Health to work with the Director of Real Estate to ensure that all DPH leases are negotiated prior to the expiration of the lease term, such that no City leases extend beyond six months on a month-to-month basis from their expiration.

RECOMMENDATIONS

1. Urge the Director of Public Health to work with the Director of Real Estate to ensure that all DPH leases are negotiated prior to the expiration of the lease term, such that no City leases extend beyond six months on a month-to-month basis from their expiration of the original lease terms.
2. Approve the proposed resolution.



February 12, 2015



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

John Updike
Director of Real Estate

Through Naomi Kelly, 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: Lease of 100 Blanken Avenue, San Francisco

Dear Board Members:

Attached for your consideration is a Resolution authorizing the lease renewal for a portion of the ground floor comprising approximately 3,000 square feet at 100 Blanken Ave, San Francisco, for the Department of Public Health's Southeast Child Family Therapy Center.

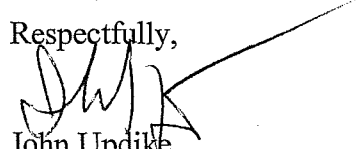
The proposed lease continues the Department of Public Health's occupancy for an initial term of five (5) years commencing upon approval of the transaction. In addition, City shall have one five (5) year option term to extend the lease term based on the same terms and conditions except that the rent shall be adjusted to 95% of the then prevailing rent for similar Premises subject to the enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same.

On behalf of the Department of Public Health, the Real Estate Division negotiated the lease at a fair market rent of \$7,800 per month (\$2.60 psf), subject to annual CPI adjustments of no less than three (3%) percent and no more than five (5%) percent. The base fair market monthly rent is net of utilities and janitorial services.

The Department of Public Health and the Real Estate Division recommend approval of the proposed lease. We are advised that funds are available in index code HMHMCB731943 with funds encumbered for FY 2015 under PO #DPHM15000055-01.

If you have any questions in this regard, please contact Claudine Venegas of my staff at 554-9872 or Tyrone Navarro with the Department of Public Health at 255-3405.

Respectfully,


John Updike
Director of Property

cvh:\100BlankenBOSfinal2015

Attachments

cc: Tyrone Navarro, Lisa Zayas-Chien, Department of Public Health

RECEIVED
BOARD OF SUPERVISORS
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150176

OFFICE LEASE

between

CELESTINA JIMENEZ AND ALAN SALVADOR JIMENEZ,
CO-TRUSTEES OF THE TRUST OF
SALVADOR JIMENEZ AND CELESTINA JIMENEZ-SURVIVING SPOUSE'S TRUST,
as Landlord,

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant,

For the lease of
100 Blanken Avenue
San Francisco, California

January __, 2015

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EXHIBIT A -- Floor Plan of Premises

EXHIBIT B -- Notice of Commencement Date

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of January __, 2015, is by and between CELESTINA JIMENEZ AND ALAN SALVADOR JIMENEZ, CO-TRUSTEES OF THE TRUST OF SALVADOR JIMENEZ AND CELESTINA JIMENEZ-SURVIVING SPOUSE'S TRUST, as sole owner(s) (collectively, "Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

RECITALS

A. Salvador Jimenez, Jr. and Celestina Jimenez, as landlord, and City, as tenant, are parties to that certain Office Lease dated as of July 2, 2001 (the "Former Lease") with respect to leased premises consisting of a portion of the ground floor of the building known as 100 Blanken Avenue, San Francisco, California. Since the effective date of the Former Lease, Salvador Jimenez has died and Landlord has acquired and succeeded to all of Salvador Jimenez, Jr.'s and Celestina Jimenez's interests in the leased premises and all of their interests under the Former Lease.

B. Although the term of the Former Lease has expired, City continues to occupy the leased premises on a month-to-month basis as a holdover tenant pursuant to Section 23.13 of the Former Lease.

C. Subject to and in accordance with the terms and conditions of this Lease, Landlord and City wish to replace the Former Lease with a new lease that provides for an additional extended term.

LEASE

Accordingly, Landlord and City hereby agree as follows:

1. SUPERSESSION, REPLACEMENT, AND REVOCATION OF PRIOR LEASE; BASIC LEASE INFORMATION

1.1 Supersession, Replacement, and Revocation Of Prior Lease

The parties acknowledge that effective as of the Commencement Date (defined in Section 3.2 below), this Lease shall immediately supersede, replace, and revoke the Former Lease and the terms and conditions of the Former Lease shall have no further force or effect. If the terms and conditions of the Former Lease conflict with the terms and conditions of this Lease, the terms and conditions of this Lease shall prevail.

1.2 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. If there is 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:

January __, 2015

Landlord: CELESTINA JIMENEZ AND ALAN SALVADOR JIMENEZ, CO-TRUSTEES OF THE TRUST OF SALVADOR JIMENEZ AND CELESTINA JIMENEZ- SURVIVING SPOUSES TRUST

Tenant: CITY AND COUNTY OF SAN FRANCISCO

Building (Section 2.1): 100-110 Blanken Avenue, San Francisco, CA

Premises (Section 2.1): A portion of the ground floor of the Building known as 100 Blanken Avenue, San Francisco, CA

Rentable Area of Premises (Section 2.1): Approximately 3,000 rentable square feet

Term (Section 3.1):

Initial Term: Five (5) years

Estimated Commencement Date: February 1, 2015

Expiration date: January 31, 2020

Extension Options (Section 3.3): One additional term of five (5) years, exercisable by City by notice to Landlord given not less than one hundred eighty (180) days in advance prior to expiration of the Initial Term..

Base Rent (Section 4.1):

Initial Term: Annual Base Rent: \$93,600 (\$31.20 per sq. ft.)
Monthly payments: \$7,800 (\$2.60 per sq. ft.)

Adjustment Dates (Section 4.2): The Base Rent is subject to annual CPI adjustments on each annual of no less than three percent (3%) and no more than five percent (5%).

Base Rent – Extension Term (Section 4.4): Ninety-five percent (95%) of the fair market value based on similar quality buildings in the southeast area of San Francisco

Use (Section 5.1): Counseling and office space for City's Department of Public Health

Leasehold Improvements NONE

Utilities (Section 9.1): City shall pay for separately metered utilities

Services (Section 9.2): City shall pay for janitorial services to the Premises.

("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.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "**Initial Term**") commencing on the later of the date (a) specified in the Basic Lease Information as the estimated commencement date (the "**Estimated Commencement Date**"), and (b) City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, at 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 3.3 (Extension Option), below. The word "**Term**" as used herein shall refer to the Initial Term and any Extended Term(s) 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 the attached Exhibit B, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term.

3.3 Extension Option

City shall have the right to extend the Initial Term of this Lease (the "**Extension Option**") for the additional term specified in the Basic Lease Information (the "**Extended Term**"). Such Extension Option shall be on all of the terms and conditions contained in this Lease except that the Base Rent for the Extended Term shall be adjusted as provided in Section 4.4 below. City may exercise the Extension Option, if at all, by giving written notice to Landlord no later than one hundred (180) days prior to expiration of the Initial Term; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice of such rejection to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise the Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, at their respective sole and absolute discretion, approving and authorizing the same, within sixty (60) days after the date such notice of exercise is given.

4. RENT

4.1 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.

4.2 Adjustments in Base Rent

On each date specified in the Basic Lease Information for the adjustment of Base Rent (an "**Adjustment Date**"), the Base Rent payable under Section 4.1 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 in April 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 one hundred three percent (103%) nor more than one hundred five percent (105%) 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.

4.3 Additional Charges

All taxes, assessments, operating costs, and other charges are included in the Base Rent. City shall not be required to pay any additional charges for the use of the Premises or for the services provided by Landlord under the Lease except as expressly set forth herein to the contrary. Notwithstanding the foregoing, City (acting through City's Director of Property) reserves the right to request that Landlord perform, at City's cost, lease-related services or incur additional expenses not covered under this Lease. If City requests any such additional services, Landlord and City shall agree, in writing and in advance of any work, on the charges or amounts City shall reimburse Landlord for Landlord's performance of such work. If the parties do not agree upon such amount, then Landlord shall not be required to perform the requested work. If the parties do agree on the amount, then Landlord shall perform the requested work and City shall reimburse Landlord upon completion at the agreed upon costs.

4.4 Determination of Base Rent for the Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal ninety-five percent (95%) of the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location, and quality to the Premises situated within the southeast 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 (a) any additional rental and all other payments and escalations payable under this Lease, (b) floor location and size of the premises covered by leases of such comparable space, (c) the duration of the renewal term and the term of such comparable leases, (d) free rent given under such comparable leases and any other tenant concessions, and (e) 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:

(i) 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.

(ii) 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.

(iii) 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 by written notice to Landlord.

(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 southeast area 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.

5. USE

5.1 Permitted Use

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

5.2 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 ("**Daily Basis**"), together with uninterrupted access to the Premises to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that, after consultation with City's Administrator, Landlord may interrupt City's access to the Premises or the Building if there is an immediate threat of the Premises or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access to the Premises is interrupted as a result of the Premises or any other portion of the Building being rendered unsafe for human occupancy because of Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default under this Lease, then Landlord shall immediately undertake all necessary steps to correct such condition. If such condition impairs City's ability to carry on its business in the Premises, the Rent payable pursuant to this Lease 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) of this Lease.

6. LEASEHOLD IMPROVEMENTS

None.

7. ALTERATIONS

7.1 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 under this Lease shall be made at City's cost in compliance with applicable Laws (as defined below). Without cost to itself, Landlord shall 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.

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Premises by or for 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 its expiration, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting from such removal. 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. Upon City's reasonable request, Landlord 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 (a) 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 (b) 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.

7.4 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.

8. REPAIRS AND MAINTENANCE

8.1 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**"). 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 anything that is illegal, is dangerous to persons or property, or constitutes a nuisance.

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's repair and maintenance obligations pursuant to this Lease, 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 (a) at City's cost, (b) by contractors or mechanics selected by City and reasonably approved by Landlord,

(c) so that same shall be at least substantially equal in quality, value, and utility to the original work or installation prior to damage thereof, (d) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (e) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Lease, upon City's reasonable notice, Landlord shall afford City and its Agents with access to those portions of the Building that are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

City 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.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall furnish and City shall pay for the following utilities and services to the Premises: (a) heating, air conditioning, and ventilation in amounts required for City's comfortable use and occupancy of the Premises, during the period from 8:00 a.m. to 6:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a Daily Basis; and (c) water for lavatory, kitchen, and drinking purposes on a Daily Basis.

9.2 Services

At its cost, City shall provide janitorial service to the Premises.

9.3 Conservation

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

9.4 Disruption in Essential Utilities or Services

If there is any failure, stoppage, or interruption of any utilities or services to be furnished by Landlord under this Lease, 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. If Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video, or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and 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 of such services 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. If such failure to provide any Essential Services continues for any reason for thirty (30) days, however, and such failure interferes with City's ability to carry on its business in the Premises, then, without limiting any of its other rights or remedies under this Lease or at law or in equity, City may terminate this Lease 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.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1 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 (including, but not limited to, the Building entrances and restrooms) 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 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 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. At its sole cost, Landlord shall at all times during the Term maintain the Property, Building, and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local, and administrative laws, rules, regulations, orders, and requirements (collectively, "**Laws**"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. 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, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

10.2 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 of this Lease 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 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.

10.3 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.

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (i) any reciprocal easement agreements, ground leases, or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion of such interest, and (ii) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements, and extensions of any of the foregoing that may 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 such instrument or the recording of such instrument. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

(b) If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or if any ground lease or underlying lease to that 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 under this Lease be disturbed if City shall not then be in default in the payment of rental or other sums due under this Lease 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.

12. 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 that 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, 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, by written notice to the other party given within thirty (30) days after the date of such damage, either party may terminate this Lease as of the date specified in such notice, that 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 that 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, if 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 pursuant to this Lease (excluding any deductible, for that 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 pursuant to this Lease, 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 of this Lease.

13. EMINENT DOMAIN

13.1 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, 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 that title to the portion of the Property taken passes to and vests in the condemnor or (ii) the date on that 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.

13.2 General

If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Lease, the rights and obligations of the parties to this Lease shall be determined pursuant to this Section. City and Landlord intend that the provisions of this Article 13 govern fully if there is 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.

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease 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 13.4 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 (30th) day after such written notice is given or the Date of Taking.

13.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3, or pursuant to an election under Section 13.4 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.

13.6 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 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.

13.7 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. If there is such a 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.

14. 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 under this Lease or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, that shall not be unreasonably withheld or delayed. From time to time during the Term, upon notice to but without the consent of Landlord, City shall have the right to transfer this Lease or use and occupancy of all or any of the Premises to any City department, commission, or agency for uses permitted under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

Any of the following shall constitute an event of default by City under this Lease:

(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 of such failure from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City shall have twenty (20) days to cure any such nonpayment after written notice of such nonpayment 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 under this Lease (not involving the payment of money) and to cure such non-performance within thirty (30) days of the date of receipt of notice of such failure 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.

15.2 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 pursuant to this Lease, including the following:

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate City's right to possession of the Premises and to recover the worth at the time of award of the amount by that 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), that allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as Landlord does not terminate City's right to possession, if City has the right to sublet or assign, subject only to reasonable limitations.

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease), at its sole option, City may, cure 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. In the case of a default that for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, however, 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 under this Lease 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 under this Section and under Section 5.2 (Interference with Access), and Section 9.4 (Disruption in Essential Services) shall not limit in any way any of its other rights and remedies under this Lease or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City 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 under this Lease, at its sole option, City may 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.

16.2 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 pursuant to this Lease, at its sole option, Landlord may 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.

17. 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.

18. 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 under this Lease, (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.

19. ESTOPPEL CERTIFICATES

From time to time during the Term upon not less than ten (10) days' prior, written notice from the other party, either 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.

20. 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 leasehold improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 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 crude-oil fraction, 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.

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date: (a) the Property is not in violation of any Environmental Laws; (b) the Property is not

now, 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 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.

21.3 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.

21.4 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.

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, 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.

22. SPECIAL PROVISIONS

NONE

23. GENERAL PROVISIONS

23.1 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. A properly addressed notice transmitted by one of the foregoing methods shall be deemed received upon confirmed delivery, attempted delivery, or rejected delivery. Any fax numbers are provided for convenience of communication only; neither party may give official or binding notice by fax. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a faxed copy of a notice.

23.2 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 of such obligation 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 under this Lease shall constitute a waiver of such default by Landlord. No express written waiver of any default or the performance of any provision of this Lease 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 of this Lease 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.

23.3 Amendments

Neither this Lease nor any of its terms or provisions 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 of this Lease. Whenever this Lease requires or permits the giving by City of its consent or approval, the City's Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including City's Charter. 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 City's Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification that materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

23.4 Authority

Landlord represents and warrants to City that the execution and delivery of this Lease by Landlord has been duly authorized and does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

23.5 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 City's clients, customers, invitees, guests, licensees, assignees, or subtenants. 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 City's Charter.

23.6 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 in this Lease 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.

23.7 Successors and Assigns

Subject to the provisions of Section 14 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 in this Lease, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease.

23.8 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 for any such commission. If 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.

23.9 Severability

If any provision of this Lease or the application of any such provision 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.

23.10 Governing Law

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

23.11 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 of this Lease 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 of this Lease and changes from such drafts) may be introduced in any judicial, administrative, or other legal proceeding involving this Lease.

23.12 Attorneys' Fees

If either Landlord or City fails to perform any of its obligations under this Lease or if a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in 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 under this Lease (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of 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.

23.13 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.

23.14 Cumulative Remedies

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

23.15 Time of Essence

Time is of the essence with respect to all provisions of this Lease that specify a definite time for performance.

23.16 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 of this Lease. Each party to this Lease 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 that 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.

23.17 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 Landlord's approval shall not be unreasonably withheld or delayed.

23.18 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power, and authority to grant the leasehold estate pursuant to this Lease, and covenants that City, upon paying the Rent pursuant to this Lease and performing City's covenants under this Lease, 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.

23.19 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 pursuant to this Lease any and all reasonable costs and expenses incurred by City in obtaining such services, facilities, or amenities.

23.20 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. If there is any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor, of any obligations accruing under this Lease 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 under this Lease.

23.21 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 or its successors and assigns if there is any default or breach by City or for any amount that may become due to Landlord or its successors and assigns or for any obligation of City under this Lease.

23.22 MacBride Principles - Northern Ireland

City urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. City also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Landlord acknowledges that it has read and understands the above statement of City concerning doing business in Northern Ireland.

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of 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 City's Controller first certifies, pursuant to Section 3.105 of City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent 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.

23.24 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 Landlord, any City employee working with Landlord, any applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the

basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of 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 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) HRC Form

As a condition to this Lease, Landlord shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the "HRC"). Landlord hereby represents that prior to execution of the Lease: (i) Landlord executed and submitted to the HRC Form HRC-12B-101 with supporting documentation, and (ii) the HRC 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.

23.25 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.

23.26 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that City 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 shall comply with all applicable provisions of such code sections.

23.27 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.

23.28 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, at their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed and delivered by the parties hereto.

23.29 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined, or disbarred by, or prohibited from contracting with, any federal, state, or local governmental agency. If Landlord or any of its officers or members has been so suspended, disbarred, disciplined, or prohibited from contracting with any governmental agency, it shall immediately notify City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, disbarment, discipline, or prohibition may result in the termination or suspension of this Lease. Landlord acknowledges that this certification is a material term of this Lease.

23.30 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 that is covered by this Section will be made available to the public upon request.

23.31 Conflicts of Interest

Through its execution of this Lease, Landlord acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, 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 that 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.

23.32 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 City for the selling or leasing of any land or building to or from 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.

23.33 Preservative-Treated Wood Containing Arsenic

As of July 1, 2003, 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.

23.34 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 TO THIS LEASE UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS LEASE. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER THIS LEASE ARE CONTINGENT 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, AT THEIR

RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY CITY DEPARTMENT, COMMISSION, OR AGENCY 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:

By: Celestina Jimenez
CELESTINA JIMENEZ as Co-Trustee of the
Trust of Salvador Jimenez and Celestina Jimenez-
Surviving Spouse's Trust

By: [Signature]
ALAN SALVADOR JIMENEZ as Co-
Trustee of the Trust of Salvador Jimenez and
Celestina Jimenez-Surviving Spouse's Trust

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

RECOMMENDED:

Department of Public Health

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Richard Handel
Deputy City Attorney

EXHIBIT A

FLOOR PLAN OF PREMISES

CONSISTING OF ONE PAGE

JUL 27 2000 11:10:47 AM
JUL 20 00 11:54 AM

DMS ADMINISTRATION

NO. 599

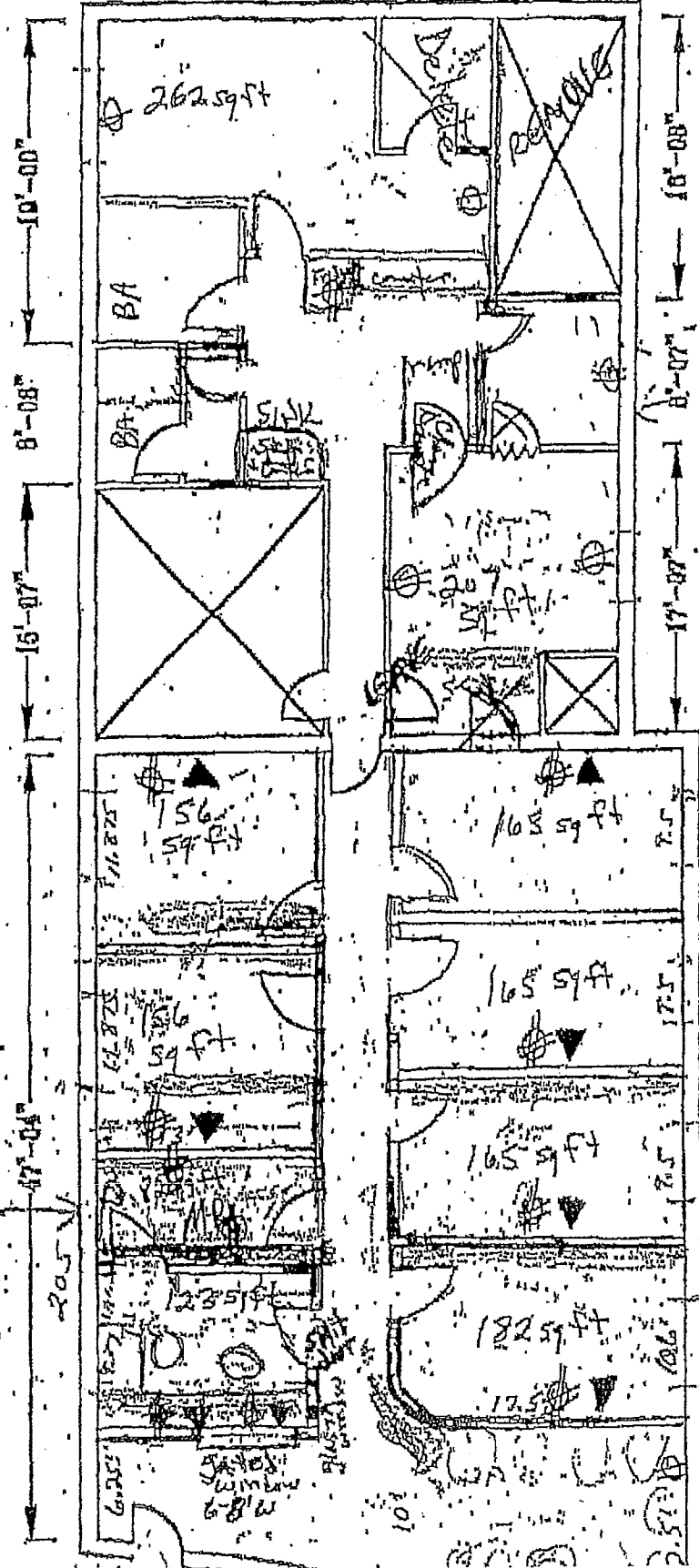
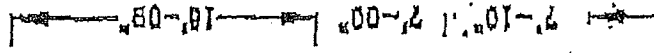
P. 1/1 2

MAY-24-2000 11:35

CCSF REAL ESTATE DEPT

415 552 9216

P. 02/02



Windows 8
to open
in all offices

MR. Michael
Cramer
Chick
Parker

FAX MEMO

DATE 7/27 11:52-2000
TO: CLAUDINE LANGRISH
FROM: LARRY J. CARROLL
CO. PHA 265-2000 FAX 265-2000

VERIFY WINDOW LOCATIONS

TUNNEL AVE.

100 Blanken Street

SCALE 1" = 10'

10.625

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 Between CELESTINA JIMENEZ AND ALAN SALVADOR JIMENEZ, as Co-Trustees of the Trust of Salvador Jimenez and Celestina Jimenez-Surviving Spouse's Trust (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 100 Blanken St., 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 _____, 201_.

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:

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

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Celestina Jimenez and Alan Salvador Jimenez, Co-Trustees of the Trust of Salvador Jimenez and Celestina Jimenez-Surviving Spouses Trust	
<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>	
Celestina Jimenez and Alan Salvador Jimenez, Co-Trustees of the Trust of Salvador Jimenez and Celestina Jimenez-Surviving Spouses Trust	
Contractor address: 110 Blanken Ave., San Francisco, CA 94134	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: Rent : \$7,800 per month
Describe the nature of the contract that was approved: Office Lease for a portion of the ground floor at 100 Blanken Ave., San Francisco, CA, comprising approximately 3,000 s.f.	
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

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: 415-523-5184
Address: San Francisco City Hall 1 Dr. Carlton B. Goodlett Place, Room 244 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