

File No. 180240

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 22, 2018

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date March 16, 2018

Completed by: Linda Wong Date _____

1 [Master Lease - Shahina Holdings, LLC - 149-6th Street - Supportive Housing - Initial
2 Monthly Base Rent of \$39,000]

3 **Resolution authorizing the execution and acceptance of a Residential Master**
4 **Lease by and between the City and County of San Francisco and Shahina**
5 **Holdings, LLC, a California Limited Liability Company, for the real property**
6 **located at 149-6th Street, providing 51 units of supportive housing, for an initial**
7 **term of ten years with an initial base monthly rent of \$39,000; finding the**
8 **proposed transaction is in conformance with the General Plan, and the eight**
9 **priority policies of Planning Code, Section 101.1.; and adopting CEQA findings.**

10
11 WHEREAS, The property at Assessor's Parcel Block No. 3725, Lot No. 063,
12 also known as 149-6th Street (the "Property"), is a Single Room Occupancy
13 development of 51 units that includes lower level operational support space and
14 entertainment areas and separate commercial street-front spaces that are included
15 within the Property; and

16 WHEREAS, The owner is interested in master leasing the Property, and the
17 City, following extensive negotiations over almost two years has reached a tentative
18 agreement to lease the Property; and

19 WHEREAS, The City has determined the Property can be an excellent site for
20 supportive housing; and

21 WHEREAS, The Master Lease rate for the Property has been determined by
22 the Director of Property to be no greater than fair market rental value, pursuant to an
23 independent appraisal of fair market rent; and

24 WHEREAS, The Department of Homelessness and Supportive Housing
25 (HSH) has negotiated a Master Lease of the Property with the Landlord, subject to

1 the conditions described in the Residential Master Lease (the "Lease"), a copy of
2 which is on file with the Clerk of the Board of Supervisors in File No. 180240; and

3 WHEREAS, The Planning Department, through General Plan Referral letter
4 dated June 5, 2016, ("Planning Letter"), which is on file with the Clerk of the Board of
5 Supervisors under File No. 180240, has verified that a City lease of 149-6th Street
6 would be consistent with the General Plan, and the eight priority policies under
7 Planning Code, Section 101.1; and

8 WHEREAS, The Planning Letter also states that on April 28, 2016, the
9 Environmental Planning Division of the Planning Department determined that the
10 project is categorically exempt under CEQA Guidelines, Section 15301; and

11 WHEREAS, The Lease includes: (i) an initial term of ten years with two
12 extension options for five additional years each, and such extension options shall be
13 subject to future Board approval; (ii) an initial base annual rent of \$765/unit/month, or
14 \$39,000/month, or \$468,000/year; (iii) an annual increase in base rent during the
15 initial term and extension terms of no less than 2% and no more than 6% per year;
16 (iv) a determination that base rent in each extension term shall be set at the greater
17 of 95% of then fair market rent as determined by an appraisal or 103% above the
18 previous year; (v) a cap on the City's maintenance and repair obligations of Major
19 Systems as defined in the Lease to not exceed \$22,500 in any year, subject to
20 annual cap increases and damages that the City is responsible for under the Lease;
21 (vi) a payment to the Landlord for each residential sublease assumed at the end of
22 the term equal to two months of the sublease rent; and (vii) other commercially
23 reasonable lease terms, including tenant and landlord indemnification provisions;
24 now, therefore, be it
25

1 RESOLVED, That the Board of Supervisors hereby finds that the lease of
2 149-6th Street is consistent with the General Plan, and the eight priority policies of
3 Planning Code, Section 101.1 and adopts CEQA findings and hereby incorporates
4 such findings by reference as though fully set forth in this Resolution; and, be it

5 FURTHER RESOLVED, That in accordance with the recommendation of the
6 Director of HSH, the execution, delivery and performance of the Lease is hereby
7 approved and the Director of Property (or his designee) are hereby authorized to
8 execute the Lease, in substantially the form of Lease referenced herein, on behalf of
9 the City and any such other documents that are necessary or advisable to complete
10 the transaction contemplated by the Lease and effectuate the purpose and intent of
11 this Resolution; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director
13 of Property (or his designee), in consultation with the City Attorney and Director of
14 HSH, to enter into any additions, amendments or other modifications to the Lease
15 and any other documents or instruments necessary in connection therewith, that the
16 Director of Property determines are in the best interests of the City, do not materially
17 decrease the benefits to the City with respect to the Property, do not materially
18 increase the obligations or liabilities of the City, and are necessary or advisable to
19 complete the transaction contemplated in the Lease and that effectuate the purpose
20 and intent of this Resolution, such determination to be conclusively evidenced by the
21 execution and delivery by the Director of Property (or his designee) of any such
22 additions, amendments, or other modifications; and, be it

23 FURTHER RESOLVED, That all actions authorized and directed by this
24 Resolution and heretofore taken are hereby ratified, approved and confirmed by this
25 Board of Supervisors; and, be it

1 FURTHER RESOLVED, That the Director of Property shall provide the Clerk
2 of the Board of Supervisors a fully executed copy of the Lease within thirty (30) days
3 of signature of same.

4
5
6 \$156,000 Available
(for 3 months of rent and security deposit in
FY17-18)

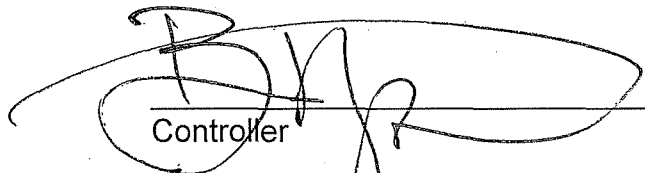
7 Fund ID: 10000

8 Department ID: 203646

9 Project ID: 10026740

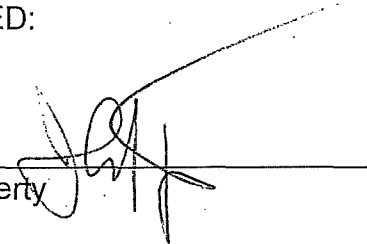
10 Authority ID: 10000


11 Account ID: 527000

12
13 
14 _____
Controller

15 Availability of funds for future fiscal years
16 subject to the enactment of the annual
17 appropriation ordinance.

18 RECOMMENDED:

19
20 _____
Director of Property 

21
22 _____
23 
24 Director of Homelessness and Supportive Housing

<p>Item 4 File 18-0240</p>	<p>Department: Department of Homelessness and Supportive Housing</p>
--	---

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a residential master lease between the Department of Homelessness and Supportive Housing as tenant and Shahina Holdings, LLC, as landlord, for the Minna Lee Hotel property located at 149 6th Street, providing 51 units of permanent supportive housing for an initial term of ten years.
- The proposed resolution would also find the transaction in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1.; and adopting CEQA findings.

Key Points

- The Department of Homelessness and Supportive Housing currently operates approximately 7,400 units of permanent supportive with only approximately 800 units becoming vacant each year. The master lease for the Minna Less Hotel would provide an additional 51 units of permanent supportive housing. The initial lease term is for 10 years from approximately May 2018 through April 2028 with two (2) five-year options to extend the lease term through April 2038.
- The landlord would make all repairs to the hotel to prepare it for occupancy. The Department expects the hotel to be available for occupancy by summer 2108. The landlord is responsible for other maintenance and repairs defined in the master lease; both the City and the landlord are responsible for extraordinary repairs and maintenance.
- The first year rent is \$468,000, adjusted annually based on the Consumer Price Index (CPI). The rent was determined to be below fair market rent, based on an independent appraisal.
- The Department of Homelessness and Supportive Housing will pay operating and service costs for the hotel, estimated to be \$1.75 million in the first year.

Fiscal Impact

- The estimated potential cost to the City through the General Fund for the lease and operation of the Minna Lee Hotel is \$25,723,856.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval. If the base rent is more than \$45 per square foot, the Director of the City's Real Estate Division must obtain an independent appraisal; if the base rent is more than \$60 per square foot, the Director of the City's Real Estate Division must obtain an appraisal review.

BACKGROUND

Since 2016, the Department of Homelessness and Supportive Housing provides assistance and support to homeless and at-risk youth, adults and families to prevent imminent episodes of homelessness and end homelessness. The Department currently operates approximately 7,400 units of permanent supportive housing for chronically homeless adults, youth and families with only approximately 800 units becoming vacant each year.

Minna Lee Hotel is an 11,160 square foot building located at 149 6th street in South of Market that contains 51 single resident occupancy (SRO) units, lower-level operational support space, and commercial space. The Department of Public Health learned in early 2015 that the Minna Lee Hotel property, owned by Shahina Holdings, LLC, was potentially available for a master lease,¹ and informed the Real Estate Division. The Real Estate Division and Shahina Holdings, LLC entered into formal negotiations in the summer of 2015. The Department of Public Health was initially intended to master the lease the hotel for supportive housing; however, with the formation of the Department of Homelessness and Supportive Housing, new negotiations began in June 2017 in which the Department of Homelessness and Supportive Housing would master lease the hotel.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the execution and acceptance of a residential master lease between the City and County of San Francisco as tenant and Shahina Holdings, LLC, as landlord, for the Minna Lee Hotel property located at 149 6th Street, providing 51 units of permanent supportive housing. The master lease would be for an initial term of ten years.

The proposed resolution would also find the transaction in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1.; and adopting CEQA findings.

Residential Master Lease

The terms of the proposed lease are summarized in Table 1 below.

¹ Since 2001, the City has had a master lease with Shahina Holdings, LLC, at another residential hotel called the Star Hotel.

Table 1: Proposed Lease Provisions

	Proposed Lease Provisions
Lease term	Approximately May 1, 2018 through April 30, 2028 (120 months)
Square feet	51 residential units; approximately 2,100 square feet of commercial space plus basement.
Base rent paid by City	\$31.20 per square foot per year, \$765 per unit per month, \$468,000 per year
Options to extend	Two (2) five-year options to extend through April 30, 2038
Rent on exercise of option	Greater of 95 percent of fair market rent or a three percent increase of previous year's rent
Annual rent adjustments to base rent	60 percent of CPI (minimum of 2 percent, maximum of 6 percent per year)
Tenant improvements paid by City	None
Estimated operations and services in first full year paid by City	\$1,753,405

Leasehold Improvements

According to the lease, the landlord is obligated at its sole cost to make repairs to the premises. Appendix C of the proposed lease defines the repairs to be made by the landlord and the schedule for making the repairs. These include cleaning the premises, removing plywood from windows, installing and repairing lavatories, provide replacement of light fixtures, and repairing walls, floors and ceilings. Real Estate Division and the Department of Homelessness and Supportive Housing estimate the value of this work to be approximately \$25,000. In addition, Appendix C lists the metal bed frames, mattresses, dressers, night tables, and chairs to be provided by the landlord.

Lease Term and Timeline

The lease is expected to commence on May 1, 2018. The rent will commence after the City has (a) begun using the premises or (b) substantial completion of the landlord's work, which must be completed 90 days after May 1, 2018. The Department of Homelessness and Supportive Housing expects to begin moving people into the Minna Lee Hotel in the summer of 2018.

The two (2) five-year options to extend the lease through 2038 are subject to future Board of Supervisor approval. At that time, the rent increase will be the greater of (a) 95 percent fair market rent;² or (b) 103 percent above the previous year's rent.

² The parties will first attempt to negotiate fair market rent. If not successful, each party shall procure an individual appraisal. If necessary, a third independent appraiser may then be selected to finally determine the market rent by averaging the independent appraisal with the closer of the two previous appraisals.

The City has a termination right with 210 days' notice, which can be exercised at any time.

Use of the Hotel for Supportive Housing

The Department of Homelessness and Supportive Housing plans on using the Minna Lee Hotel as permanent supportive housing for adults exiting chronic homelessness. The Department will provide on-site services to stabilize people in their housing and provide client-specific support for physical and mental health needs through case management, care coordination and linkages to outside service and medical providers. The Department anticipates using the commercial space located on the ground floor as a community space and for delivering onsite social services to tenants.

Supportive housing is permanent housing, and the current turnover rate of units is approximately 12 percent annually. In 2016, the Department of Homeless and Supportive Housing launched the Moving On Initiative to support people who no longer need onsite support services to move into affordable housing in the community.³

FISCAL IMPACT

Rent

The rent paid to Shahina Holdings, LLC by the City is \$468,000 annually with annual rent increases between 2 percent and 6 percent annual. According to the November 2017 appraisal report prepared by Associated Right of Way Services, Inc.,⁴ the fair market rent is greater than the negotiated rent. According to Mr. Joshua Keene, Real Estate Project Manager at the City's Real Estate Division, the City tried to request a purchase option, as well as a right of first refusal. Neither option was accepted by Shahina Holdings, LLC.

Maintenance

The landlord is responsible for maintaining, replacing and repairing portions of the premises including the foundation, the roof, structural walls and support system, repairs to the sprinkler system, sewer system, and sidewalks.

In addition, the City and the landlord are jointly responsible for any extraordinary maintenance, replacement or repair. The City's shared obligation is limited to a not to exceed amount of \$22,500 per year. This not to exceed amount will be increased annually based on the percent increase in the CPI.

Operations and Services

The City is responsible for procuring and paying for property management and operation of the hotel. The City expects to contract property management and operations to non-profit organizations to provide property management, operation, and supportive services. The Board of Supervisors approved an ordinance in February 2018 (File 18-0032) waiving competitive

³ The Moving On Initiative provides tenants who no longer need the intensive services offered to move out of supportive housing with a rental subsidy or preference into a project-based affordable or public housing unit. Moving On has already opened up 92 adult units and 19 family units in permanent supportive housing for chronically homeless people who need intensive support. Moving On is largely funded with private resources from The Tipping Point Community.

⁴ Associated Right of Way Services, Inc. was selected by the Real Estate Division through a competitive process.

solicitation procedures to select a contractor to provide these services. According to Ms. Emily Cohen, Manager for Policy and Special Projects at the Department of Homelessness and Supportive Housing, the Department does not yet have the contract with the non-profit organization(s), and therefore does not have a precise budget for the services.

However, the Department expects the budget to be similar to the cost at the Auburn Hotel, another recent master lease SRO hotel used for permanent housing. The Auburn has an annual services budget of \$539,436 and an annual operations budget of \$1,213,969, for a total of approximately \$1,753,405.

The estimated potential cost to the City for the lease from May 1, 2018 through April 30, 2028 is \$25,723,856, which are General Fund costs, as seen in Table 2 below.

Table 2: Projected Potential Cost of the City for Lease and Operations of the Minna Lee Hotel

Year	Rent	Operations and Services	Extraordinary Maintenance	Yearly Amount
FY2018-19	\$468,000	\$1,753,405	\$22,500	\$2,243,905
FY2019-20	482,040	1,806,007	23,175	2,311,222
FY2020-21	496,501	1,860,187	23,870	2,380,559
FY2021-22	511,396	1,915,993	24,586	2,451,976
FY2022-23	526,738	1,973,473	25,324	2,525,535
FY2023-24	542,540	2,032,677	26,084	2,601,301
FY2024-25	558,816	2,093,657	26,866	2,679,340
FY2025-26	575,581	2,156,467	27,672	2,759,720
FY2026-27	592,848	2,221,161	28,502	2,842,512
FY2027-28	610,634	2,287,796	29,357	2,927,787
Total	\$5,365,096	\$20,100,823	\$257,937	\$25,723,856

The Department of Homelessness and Supportive Housing has \$863,000 budgeted for the Minna Lee Hotel in FY 2017-18 to cover partial year of lease and services costs. According to Ms. Cohen, the \$863,000 covers the one month security deposit, as well as rent, operations and services if the contract begins on April 1st, and not the expected start date of May 1st. The Department plans to encumber the full amount for lease and service costs. Estimated General Fund costs of \$2,243,905 in FY 2018-19 are subject to Board of Supervisors approval.

POLICY CONSIDERATIONS

The Mayor's Office of Housing and Community Development and the Office of Community Investment and Infrastructure have 1,367 permanent supportive housing units for adults, families, and transitional age youth in the development pipeline between FY2018-22. However, the Department of Homelessness and Supportive housing needs an approximately 800 additional units to meet the goal of reducing chronic homelessness by fifty percent by 2022. According to Ms. Cohen, the Department does not currently have the funding for all of the needed units.

RECOMMENDATION

Approve the proposed resolution.



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Date: June 5, 2016
Case No. Case No. 2016-005236GPR
New 10-year lease of building, approximately 45 rooms for
programmatically and short-term tenancies administered by the
Department of Public Health
Block/Lot No.: 3725//063
Project Sponsor: John Updike
San Francisco Real Estate Department
25 Van Ness Ave. Suite 400
San Francisco, CA 94102

Applicant: Same as Above

Staff Contact: Maria De Alva – (415) 575-8729
Maria.F.DeAlva@sfgov.org

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

Recommended
By: 
John Rahaim, Director of Planning

PROJECT DESCRIPTION

The Project is the City's proposed new 10-year lease of a building located at 149 6th Street that is currently vacant. The property will be used for homeless and transitional services administered by the Department of Public Health through program uses and short-term tenancies, this use will actually create affordable housing options for program participants.

The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.52 and 2A.53 of the Administrative Code.

ENVIRONMENTAL REVIEW

On April 28, 2016 the Environmental Planning Division of the Planning Department determined that the project is categorically exempt under CEQA Guidelines Section 15301 (Planning Case No. 2016-005236ENV).

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

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

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

HOUSING ELEMENT

OBJECTIVE 3

PROTECT THE AFFORDABILITY OF THE EXISTING HOUSING STOCK, ESPECIALLY RENTAL UNITS.

POLICY 3.5

Retain permanently affordable residential hotels and single room occupancy (SRO) units.

The former SRO Hotel is currently vacant, and proposed lease will provide homelessness services, residencies, and other programmatic and public services.

OBJECTIVE 4

FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.

POLICY 4.2

Provide a range of housing options for residents with special needs for housing support and services.

The proposed lease will provide additional housing options and services to people undergoing transitions, such as those trying to exit homelessness.

OBJECTIVE 6

REDUCE HOMELESSNESS AND THE RISK OF HOMELESSNESS.

POLICY 6.1

Prioritize permanent housing and service-enriched solutions while pursuing both short- and long-term strategies to eliminate homelessness.

The proposed lease will provide homeless and transitional services administered by the Department of Public Health through program uses and short-term tenancies.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

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

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

The proposed lease will not affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

The Project would have no adverse effect on the City's housing stock or on neighborhood character; the applicant is not proposing any modifications to the exterior of the building.

3. That the City's supply of affordable housing be preserved and enhanced.

The Project would have no adverse effect on the City's supply of affordable housing; the Project will provide housing and services. The proposed lease will provide additional housing options and services to people undergoing transitions, such as those trying to exit homelessness.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

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

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

The Project would not affect the existing economic base in this area. A goal of the programs is to provide future opportunities for DPH program participants.

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

The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake. The project will comply with any regulatory requirements regarding future tenant improvements.

7. That landmarks and historic buildings be preserved.

This site and building is listed as Category A, a Historical Resource under CEQA. The applicant is not proposing any modifications to the exterior of the building.

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

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

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

cc: John Updike, Real Estate Division

I:\Citywide\General Plan\General Plan Referrals\2016\2016-005236GPR 149 6th St\2016-005236GPR - 149 6th St.doc

MASTER LEASE

between

SHAHINA HOLDINGS, LLC

as Owner/Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,

on behalf of the Department of Homelessness and Supportive Housing,

as Tenant

For the lease of

Minna Lee Hotel

149 6th Street

San Francisco, California 94103

Dated for reference purposes only as of March 13, 2018

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EXHIBIT F – Form of Appraisal Request and Instructions

MASTER LEASE

THIS MASTER LEASE (this "**Lease**"), dated for reference purposes only as of March 13, 2018, is by and between SHAHINA HOLDINGS, LLC as Owner ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, as tenant ("**City**" or "**Tenant**"), on behalf of the Department of Homelessness and Supportive Housing ("**HSH**"). The City and Landlord are at times referred to herein as a "**Party**" and collectively as "**Parties**." Refer to **Section 24.17** (Definitions) for definitions and locations of defined terms used in this Lease.

1. BASIC LEASE INFORMATION

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

Landlord:	Shahina Holdings, LLC
Tenant:	City and County of San Francisco
Building (Article 2):	Minna Lee Hotel 149 6th Street San Francisco, California 94103
Premises (Article 2):	The entire Building (consisting of approximately 11,160 usable sq. ft.), excluding the roof, as more particularly shown on the Premises Floor Plans attached as <i>Exhibit A</i> , consisting of: <ul style="list-style-type: none">○ 51 units (one unit is a manager's suite);○ restrooms, lobby and common areas;○ offices;○ storage facilities;○ ground floor commercial premises consisting of approximately 2,100 +/- usable sq. ft. of first floor space (19% of the Premises) ("Commercial Premises");○ interior courtyard; and○ basement.
Term (Section 3.1):	10 years, beginning on the Rent Commencement Date.

Rent Commencement Date (**Section 3.1**)

The earlier of when (1) Landlord delivers the Premises to Tenant with the Landlord's Work substantially completed by Landlord and accepted by City pursuant to **Section 6.1** or (2) Tenant engages in material use of the Premises, as more specifically provided in **Section 3.1**.

Expiration Date (**Section 3.1**):

See **Section 3.1**.

Extension Options (**Section 3.4**):

Two seriatim options to extend the Lease, each for an additional 5-year term, subject to the provisions of **Section 3.4**. Each Extension Option, if available, must be exercised by City's notice to Landlord given not more than 455, nor less than 365 days before the then expiring Term, with Base Rent for each Extension Option to be determined under **Section 4.3**.

Security Deposit (**Section 4.7**):

\$39,000.

Base Rent (**Section 4.1**):

Monthly Base Rent: **\$39,000**, proportionately allocated at as \$7,410 (19%) for the Commercial Premises and the balance of \$31,590 (81%) allocated to the remaining Premises, payable monthly in advance on the first day of the applicable month (or partial month);

Annual Rent: **\$468,000** (allocated in the same proportion as for monthly Base Rent). Base Rent will be adjusted annually on the anniversary of the Rent Commencement Date (each, a "**Rent Adjustment Date**"), as further provided under **Sections 4.2** and **4.3**.

Permitted Uses (**Section 5.1**):

Tenant may use the Premises for any lawful use under applicable Laws, and as permitted by zoning or other regulatory agencies, including, without limitation:

- occupancy as residential rental dwelling units;
- program participant rooms for short term, non-residential uses, including but not limited to programs for the City's homeless population under care of HSH;
- related administrative services;
- supportive services, including a drop-in social services program;
- Social, medical, and property management office and service delivery space; and
- Social, medical, and employment services delivery and activities space.

Utilities (**Section 9.1**):

Tenant will be responsible for all utilities serving the Premises (subject to Landlord's obligations under **Section 8.1**).

Services (**Section 9.2**):

Tenant will be responsible for the payment and performance of all services to the Premises, subject to the terms of **Section 9.2**.

Notice Address for Landlord (**Section 24.1**):

Shahina Holdings, LLC
860 Eddy Street
San Francisco, CA 94109
Attn: Pete Patel
email: hotelgm101@yahoo.com

With a copy (which shall not constitute notice) to:

Rory J. Campbell
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105
email: rcampbell@hansonbridgett.com

Key Contact for Landlord:

Pete Patel

Landlord Contact Telephone No.:

(415) 902-5718

Notice Address for Tenant (**Section 24.1**):

Real Estate Department
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

with a copy to:

Department of Homelessness and Supportive
Housing
City and County of San Francisco
1650 Mission Street, Suite 302
San Francisco, CA 94103
Attn: Nina Marinkovich
email: nina.marinkovich@sfgov.org

and with a copy to (which copy shall not
constitute notice):

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

Key Contact for Tenant:

Real Estate Department
Director of Property

2. PREMISES

Landlord leases to Tenant and Tenant leases from Landlord, subject to the provisions of this Lease, the entire building identified in the Basic Lease Information (the "**Building**"), which consists of certain residential hotel premises and the Commercial Premises (as defined in **Section 24.17** below), as indicated in the Basic Lease Information (collectively, the "**Premises**") and shown on the floor plans attached as **Exhibit A** (Premises Floor Plans).

3. TERM

3.1. Term of Lease.

(a) This Lease will be effective as of the Effective Date, determined under **Section 24.15** below. As of the Effective Date, the Premises are leased for a term (the "**Term**") expected to commence on May 1, 2018 ("**Estimated Commencement Date**"), or such later date (or earlier date, with Tenant's written acceptance) as Landlord shall have delivered the Premises to Tenant with the Landlord's Work (as defined below) having been Substantially Completed (as defined in **Section 6.1**, below) or otherwise accepted by Tenant under **Section 6.1** (the "**Rent Commencement Date**"). The Lease will end 10 years after the Rent Commencement Date (the "**Expiration Date**"), unless Tenant elects early termination under **Section 3.5** or this Lease otherwise terminates under its terms. Tenant shall have the right to extend the initial Term pursuant to **Section 3.4** below. Tenant will not incur or be obligated to pay any Base Rent under its terms until the Rent Commencement Date. Neither Landlord nor Tenant shall have any obligations to the other under this Lease until the Effective Date.

(b) The Rent Commencement Date shall be the date that is the earlier of (i) when Tenant is making material use of the Premises (defined below), or (ii) Substantial Completion of Landlord's Work (as defined below) and delivered these improved Premises to Tenant pursuant to **Section 6.1**. The term "**material use**" means any use that includes permitting members of the public to use or access the Premises; excluding, however, incidental matters, such as showing the Premises to insurance agents, moving in furniture, or measuring the interior space, or like de minimis preparation of the Premises for its use under the Lease. Tenant will use commercially reasonable efforts not to materially interfere with Landlord's Work during any immaterial use before the Rent Commencement Date.

3.2. Confirmation of Rent Commencement Date. Within ten (10) days of the Rent Commencement Date, the Parties shall execute the confirmation notice substantially in the form of **Exhibit B** attached hereto, confirming the actual Rent Commencement Date. However, a Party's failure to do so shall not affect the commencement of the Term.

3.3. Delay in Delivery of Possession. Landlord shall use commercially reasonable efforts to deliver possession of the Premises with all of the Landlord Work substantially completed pursuant to **Section 6.1** on or before the Estimated Commencement Date. The Parties agree that "commercially reasonable efforts" does not require the Landlord to schedule evening or weekend work shifts or otherwise expose itself to overtime charges. If Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If Landlord is unable to deliver possession of the Premises to Tenant as required hereunder within ninety (90) days after the Estimated Commencement Date, subject to **Section 24.3** (Force Majeure), then City may, at its option, terminate this Lease by notice to Landlord, and such termination shall take immediate effect. Upon any such termination, Tenant will remove any of Tenant's Personal Property Tenant may have placed in the Premises and Landlord shall timely return any portion of the Security Deposit it has received, and, other than any indemnity obligations that have accrued from Tenant's entry on the Property, Tenant will have no other obligation or liability under this Lease.

3.4. Extension Options. Tenant will have the right to extend the initial Term of this Lease (the "**Extension Options**") for two successive 5-year terms (each, an "**Extended Term**"). The terms and conditions of this Lease will apply during the Extended Terms, except that Rent will be adjusted as provided in **Section 4.3** (Fair Market Rent Adjustments for Extended Terms). Tenant may exercise the Extension Options by giving notice to Landlord not sooner than 455 days, nor later than 365 days, before expiration of the initial Term or first Extended Term, as applicable (the "**Option Notice**"). Time is of the essence. Tenant will not have any right to exercise an Extension Option if Tenant has elected Early Termination under **Section 3.5**, or it has received notice that a Tenant default has occurred and it has not been cured by the deadline for exercising the Extension Option, or if an Event of Default exists as of the deadline for exercising the Extension Option. Landlord may reject Tenant's Option Notice solely on the grounds that a Tenant Event of Default exists or an Early Termination has been exercised by Tenant. Landlord's notice of rejection to Tenant must recite the bases upon which a rejection is based. Landlord acknowledges and agrees that Tenant's Option Notice will be subject to

approval by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, and Tenant will use commercially reasonable efforts to seek approval after Base Rent is determined, as set forth under **Section 4.3** (Fair Market Rent Adjustments for Extended Terms) and approved by the Director of Property. If Tenant validly enters into an Extension Term under this Section, the "Term" will include the Extended Term and the "Expiration Date" shall mean the day that the last Extended Term expires.

3.5. Termination. Notwithstanding **Section 3.3** (Delay in Delivery of Possession), once the Premises have been delivered and accepted by Tenant pursuant to **Section 6.1.e** (Construction), Tenant will have the right to terminate this Lease ("**Early Termination**") in its entirety for any reason upon no less than 210 days' prior notice to Landlord (a "**Early Termination Notice**"). This Lease, and the Parties' rights and obligations under this Lease (except for obligations that expressly survive termination of this Lease), will terminate as of the date indicated in the Termination Notice, which must be at least 210 days after the effective date of the Termination Notice (the "**Early Termination Date**") unless expiration of the Term precedes it and no Extension Option has been exercised.

4. RENT

4.1. Rent.

(a) Tenant will pay to Landlord during the Term the Base Rent specified in the Basic Lease Information, as adjusted as provided in this Lease ("**Base Rent**") beginning on the Rent Commencement Date. Annual Base Rent will be payable in equal consecutive monthly payments for each Lease Year, and is due on or before the 1st day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or any other place that Landlord designates in writing upon not less than 30 days' prior notice. Tenant will pay Base Rent without any prior demand (except as provided in **Section 4.2** below, relating to Base Rent) and without any deductions or setoff except as expressly provided for in this Lease. Any charges or other amounts Tenant must pay to Landlord under this Lease besides Base Rent ("**Additional Charges**") will be considered "**Rent**," including when determining Landlord's remedies for nonpayment.

(b) City's failure to pay Rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs is impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges that may be imposed on Landlord by any mortgage or deed of trust encumbering the Premises. Therefore, if Landlord does not receive any Base Rent payment on or before the 10th day of each month it becomes due, or Other Charges that are not paid within thirty (30) days of invoicing, the City shall pay Landlord a late charge equal to five percent (5%) of overdue amount; provided, however, that notwithstanding the foregoing, City will not be subject to a late charge for Base Rent delinquencies unless City fails to pay Base Rent on or before the 10th day of the month more than twice in any twelve (12) month period. The Parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

4.2. Annual Rent Increases. Base Rent during each year of the initial Term will be increased annually on the Rent Adjustment Date, which shall be (i) on each anniversary of the Rent Commencement Date during the initial 10-year Term, and (ii) on each anniversary of the start of any applicable Extended Term. The increase in annual Base Rent on such Rent Adjustment Date (for the applicable Lease Year in question) shall equal 60% of the increase in the Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area (the "CPI") during the preceding Lease Year, based on the 12-month CPI figures most recently published before the Rent Adjustment Date (for example, as of the Lease Date the CPI is published only in even months, so if the Rent Adjustment Date is January 1, then the increase would be calculated using the December-to-December CPI increase). Notwithstanding, these limitations, the Rent Adjustment on the Rent Adjustment Date shall in all cases increase by at least 2% above the prior Lease Year's Base Rent, but not more than 6% above the prior Lease Year's Base Rent. Landlord must notify Tenant of the Base Rent increase at least 2 weeks before the Rent Adjustment Date. If Landlord does not timely notify Tenant of the increased Base Rent, then the Base Rent continues to be payable at the rate applicable under the prior Lease Year, but any such increase in the Base Rent is not waived. Tenant will be obligated to pay the increase accrued since the Rent Commencement Date once (i) Landlord has invoiced Tenant for such increased amount ("**Delayed Notice**") and (ii) if the Delayed Notice is provided not later than the fourteenth (14th) day of the then pending month, then the full increased Base Rent payment (including any amount shortfall in payments since the Rent Adjustment Date) will be due on the first day of the first month that follows the Delayed Notice, otherwise it will be due on the first day of the second month. Until such Delayed Notice is given, and the payment is due, the unpaid amount of the increase will not be considered late or delinquent, will not be subject to interest or late fees, and will not constitute a default or a Tenant Event of Default.

4.3. Fair Market Rent Adjustments for Extended Terms.

(a) The Base Rent for the first year of each Extended Term will be the greater of (i) ninety-five percent (95%) of the Fair Market Rent or (ii) one hundred three percent (103%) of the annual Base Rent payable in the immediately prior Lease Year (the "**Extended Term Base Rent**"). On each anniversary of the start of the first Lease Year of an Extended Term (which is a Rent Adjustment Date), the Extended Term Base Rent will be increased pursuant to **Section 4.2**. Whenever the approval of the Director of Property or the Board of Supervisors is required by Article 4, or the approval of both is required, Tenant shall be promptly pursue such approvals in good faith. If approvals are not secured within ninety (90) days of the start date for securing such approvals, the Board of Supervisors and/or the Director of Property shall be deemed to have refused to approve the item.

(b) Within ten (10) days following Tenant's exercise of the Extension Option, Tenant shall notify Landlord of Tenant's determination of the Fair Market Rent for the Premises for the first year of the Extended Term and the Extended Term Base Rent ("**ET Rent Notice**"). If Tenant does not timely give its ET Rent Notice, then the Tenant's proposed Extended Term Base Rent will be deemed to be one hundred three percent (103%) of the annual Base Rent payable in the Lease Year ending as of the start of the Extended Term ("**Default ET Base Rent**"), and the Default ET Base Rent is presumptively deemed approved by the Director of Property ("**Tenant's Proposed ETBR**"). If Landlord disputes Tenant's Proposed ETBR, then Landlord shall so

notify Tenant within twenty (20) days of when Tenant exercised its Extension Option, and name its proposed Extended Term Base Rent ("**Landlord's ETBR Counterproposal**"). If Landlord fails to timely object, the greater of the ET Rent Notice or the Default ET Base Rent shall be the Extended Term Base Rent, and such a determination shall then be subject to approval by the Board of Supervisors. If Landlord timely objects and submits Landlord's ETBR Counterproposal, Tenant shall have twenty (20) days thereafter to object to Landlord's ETBR Counterproposal, and if it timely objects, then the determination of the Extended Term Base Rent shall go through the appraisal process described below. If the Tenant fails to timely object, then the Extended Term Base Rent shall be set at the Landlord's ETBR Counterproposal, and such a determination shall then be subject to approval by the Director of Property and the Board of Supervisors. If there is a dispute over the Extended Term Base Rent, it shall go to an appraisal and shall be resolved as follows:

(i) Within sixty (60) days of the Tenant's exercise of the Extension Option, Landlord and City shall attempt in good faith to meet not less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any disagreement over the Extended Term Base Rent.

(ii) If within this sixty (60)-day period Landlord and Tenant cannot reach agreement as to the Extended Term Base Rent, then they shall each select one appraiser to determine the Fair Market Rent and resulting Extended Term Base Rent. Each such appraiser shall arrive at a determination of the Extended Term Base Rent and submit his or her conclusions to Landlord and Tenant within one hundred and five (105) days of the exercise of the Extension Option.

(iii) If only one appraisal is submitted within the requisite time period, it shall determine the Extended Term Base Rent. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than five percent (5%) of the higher of the two, then the Extended Term Base Rent will be determined based on an average of the two appraisals. If the two appraisals differ by more than five percent (5%) of the higher of the two, then the two appraisers shall select a third appraiser. The third appraiser will be the lowest qualified (as provided under subsection (v) below) bidder responding to the request for proposal for an appraisal based on the request and instructions substantially in the form attached as Exhibit F ("**Neutral Appraiser**"). Once selected, City will immediately notify and engage the Neutral Appraiser, and the Neutral Appraiser will prepare an appraisal to independently determine the Fair Market Rent and resulting Extended Term Base Rent and deliver the appraisal to the Parties. In preparing his or her appraisal, the Neutral Appraiser shall not have access to any data (other than a full copy of the Lease, inclusive of addenda, exhibits, amendments and materials noted in the Request for Appraisal referenced in Exhibit F), guidance or communication provided to either of the Party appraisers, nor shall there be any direct or indirect ex parte communications with such Neutral Appraiser; any Party violating the "no ex parte communication" requirement shall be deemed to have acquiesced to the other Party's proposed Extended Term Base Rent proposal and no further appraisal by the Neutral Appraiser shall be necessary. The Neutral Appraiser shall issue his or her appraisal not later than one hundred and fifty-five (155) days after the Extension Option is exercised (i.e., 45 days after selection). The Neutral Appraiser's determination of Fair Market Rent will be averaged with the closer of the

two previous appraisals and that average shall be the Fair Market Rent and the Extended Term Base Rent shall be determined on that basis.

(iv) The Extended Term Base Rent so determined by the above appraisal process shall be subject to approval by the City's Director of Property, the Board of Supervisors, and Mayor within ninety (90) days of the date the Neutral Appraiser's appraisal is issued, and if not timely approved, the Extension Option shall be deemed automatically revoked by Tenant and of no further force or effect and the Term will expire as if no such Extension Option had been exercised.

(v) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience as an MAI member appraising leases of commercial properties (including substantial experience appraising properties similar to the Premises in the City and County of San Francisco). Landlord and Tenant shall each pay its own appraiser, and one-half of the cost of the Neutral Appraiser, plus one-half of any other third party costs that the Neutral Appraiser requires to be incurred by the Parties in his or her appraisal process. The Neutral Appraiser shall be selected through a competitive bidding process from the list of approved vendors of MAI appraisals maintained by the City as of the date of the selection is made.

4.4. Interest on Past Due Obligations. Any amount owed by City to Landlord which is not paid when due shall bear interest at the rate of five percent (5%) per annum ("**Interest Rate**") from the date on which City received notice from Landlord that such amount was owed to Landlord. However, interest shall not be payable on late charges to be paid by the City under this Lease, including those in **Section 4.1**. The payment of interest on such amounts shall not excuse or cure any default by City under this Lease. If the Interest Rate is higher than the maximum non-usurious rate permitted by Law, the Interest Rate will automatically adjust to be fifty (50) basis points below the maximum legal interest rate then permitted by Law.

4.5. Payment of Real Estate Taxes. During the Term, Landlord will be solely responsible for the Real Estate Taxes for the Premises, other than taxes described in **Section 4.6** (Payment of Other Taxes) and any taxes assessed against the Premises to the extent of any increase in an assessment attributable solely to completion of Alterations by Tenant or its Agents after the Rent Commencement Date.

4.6. Payment of Other Taxes. During the Term, Tenant is solely responsible for paying all taxes, fees, franchise taxes, and charges attributable or due to Tenant's use and operation of Premises imposed by any political subdivision of the United States of America, the State of California, or the City and County of San Francisco, including but not limited to City's business license fees and renewal fees, transient taxes and other similar taxes, fees and charges, Vector Control, Healthy Housing, Hotel License, Rent Stabilization Board, Area Improvement Fees and Taxes, but only to the extent attributable to Tenant's use and operation of the Premises or its Alterations. In addition, Tenant is responsible for paying all personal property taxes attributable to Tenant's Property and any Provided FF&E, and any privilege tax, excise tax, gross receipts tax and commercial rent tax. If Tenant fails to pay any amounts due under this Section within 30 days after they are due, then Landlord may pay those amounts on Tenant's

behalf. Tenant will reimburse Landlord for the amounts paid with the next monthly payment of Base Rent due after receiving notice of the payment made by Landlord.

4.7. Security Deposit. Prior to or upon the Rent Commencement Date, City shall deposit with Landlord the sum specified as the security deposit in the Basic Lease Information (the “**Security Deposit**”), in cash, to secure Tenant’s faithful performance of all terms, covenants and conditions of this Lease. Landlord shall hold the Security Deposit in a separate account (which may be non-interest bearing) until it is used in accordance with the terms of this Lease. Landlord shall hold the Security Deposit as security for the performance by Tenant of all of its obligations under this Lease. If Tenant fails to pay Base Rent or other charges when due hereunder, or is otherwise in default under any provision of this Lease, then if such default becomes an Event of Default (i.e. following the expiration of any applicable notice and cure period) the Landlord may use, apply or retain portions of the Security Deposit in the amounts necessary to offset actual costs incurred by Landlord in responding to or remedying any Tenant Event of Default. Tenant will replenish the Security Deposit if drawn upon by Landlord to respond to or remedy any Tenant Event of Default, or as otherwise permitted by this Lease or the Law. Except as otherwise provided in **Section 14**, below, within the time prescribed by Law, Lessor agrees to return to Lessee the portion of the Security Deposit remaining after deducting all damages, charges and other amounts permitted by the Lease or Law.

5. USE

5.1. Permitted Use. This Lease is subject to existing easements, agreements and encumbrances of record, if any, relating to the Premises. Tenant has satisfied itself that the use of the Premises contemplated by Tenant is compatible with Law, and is not relying on any assurances from Landlord regarding permitted uses at the Property. Tenant may use the Premises for the Permitted Uses specified in the Basic Lease Information, and for no other use without Landlord’s prior written consent, which will not be unreasonably withheld or delayed. Tenant may not use the Commercial Premises as a dwelling unit(s).

5.2. Manner of Use. Tenant will not cause or permit the Premises to be used in any way that constitutes a violation of any Laws or that constitutes a nuisance or waste.

5.3. Tenant’s Property Manager. Landlord acknowledges that Tenant may elect to engage a property manager, who will act as Tenant’s representative in communications with Landlord regarding Tenant’s operations at the Premises. Prior to engaging any such property manager, Tenant will (i) notify Landlord of the name of the entity, its address, and provide appropriate contact information, and (ii) provide proof that the property manager is insured with coverage that includes Landlord as an additional insured on all commercial general liability policies. Tenant shall be solely responsible for the qualifications of the property manager and its appointment of the property manager shall not alter its obligations under the Lease. Notwithstanding Tenant’s appointment of a property manager, the property manager shall have no authority to alter the Lease and all communication under the Lease will be through Tenant, unless Tenant provides written notice to Landlord to contact Tenant’s property manager directly for certain specified items in which case, the property manager will have the authority to act as provided in the notice.

6. LEASEHOLD IMPROVEMENTS

6.1. Landlord's Obligation to Construct Improvements. Landlord, through its general contractor, shall perform the work and make the installations in the Premises identified in **Exhibit C**, at Landlord's sole cost (unless otherwise expressly provided in this Lease), and in accordance with the provisions of this **Section 6.1**. Such work and installations are referred to as the "**Landlord's Work**" and/or "**Leasehold Improvements.**" To the extent Landlord's Work expressly requires Landlord to provide any furniture, furnishings, equipment, and like articles of movable personal property in the Premises (the "**Provided FF&E**"), upon the Rent Commencement Date the Provided FF&E will become Tenant's Property (as defined in **Section 7.2(a)** below), and Tenant will have no obligation to Landlord to repair, replace, or account for the Provided FF&E. Notwithstanding the foregoing, within the 30 days before the end of the Term or immediately before any earlier expiration or termination of this Lease and before Tenant has removed the Provided FF&E from the Premises in accordance with its surrender obligations under this Lease, Landlord may request to enter the Premises to inspect the Provided FF&E and identify in writing that all or any portion of the Provided FF&E remain on the Premises and be conveyed back to Landlord as provided below. If the Landlord timely requests in writing that all or an identified portion of the Provided FF&E remain on the Premises, then Tenant will have no obligation to remove it from the Premises, notwithstanding the provisions of **Section 7.2** (Tenant's Property), **Section 19** (Holdover; Surrender of the Premises), or any other provision of this Lease to the contrary, and upon the expiration or termination of this Lease such Provided FF&E left at the Premises at Landlord's written request shall become and remain the property of Landlord in its then as-is condition and Tenant shall have no obligation or liability therefor or in any way related thereto.

(a) Plans and Specifications. Landlord shall undertake to complete the Landlord Work identified in **Exhibit C** in accordance with its provisions. Landlord Work shall be completed diligently and competently in a good and workmanlike manner.

(b) Permits. Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Landlord's Work. Promptly following the Effective Date, Landlord shall apply for any permits, approvals, or licenses necessary to complete such construction and shall provide copies to Tenant promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by City's Bureau of Building Inspection. If securing building or any other required permits or approvals for the Landlord's Work to all or any part of Commercial Premises would require additional changes or improvements outside of the commercial premises (or applicable portion of the commercial premises), then Tenant may, at its election, either (i) elect to pay for such additional changes or improvements, or (ii) terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

(c) Construction. Immediately upon Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all Laws, building restrictions, and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Landlord's Work shall

comply with all applicable disabled access Laws, including the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and Tenant's requirements for program accessibility and all applicable provisions of this Lease, including, without limitation, those contained in **Article 23**, below.

(d) Construction Schedule. Landlord shall keep Tenant apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. From time to time during the design and construction of the Leasehold Improvements, Tenant shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany Tenant during any such inspection. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify Tenant of the approximate date on which the Landlord's Work will be substantially completed in accordance with this **Article 6**. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notify Tenant when the Landlord's Work is in fact substantially completed and the Premises are ready for occupancy by Tenant. On such date or other mutually agreeable date as soon as practicable thereafter, Tenant and its authorized representatives shall have the right to accompany Landlord or its architect on an inspection of the Premises.

(e) Substantial Completion. For purposes of this Lease, Landlord's Work shall be deemed to be "**Substantially Completed**" or has achieved "**Substantial Completion**" when the Leasehold Improvements shall have been sufficiently completed in accordance with this Lease and all applicable Laws so that Tenant can physically and legally occupy the Premises and conduct its business for its intended uses.

(i) If Landlord tenders the Premises to Tenant as Substantially Completed, and Tenant objects to the completed work, then Tenant shall itemize what Landlord Work is incomplete, inadequate or remains to be done within ten (10) business days of such tender, and Landlord shall promptly address any such deficiencies.

(ii) If Tenant approves the condition of the Premises as Substantially Completed (which allows Tenant to use them in a material way, and thus trigger the Rent Commencement Date), Tenant may also require Landlord to complete a punch list of incomplete or deficient portions of Landlord's Work, and in such cases, Landlord shall diligently pursue to completion all such details within 30 days after Tenant provides Landlord with the punch list.

(iii) In addition, Tenant shall have a one-time right to present to Landlord an additional written punch list of any latent defects in the Premises first discovered after the Rent Commencement Date, provided it is submitted not later than thirty (30) days after the Rent Commencement Date, and if so submitted, Landlord shall complete all defective or incomplete items identified in such punch list within sixty (60) days after Tenant's submittal, subject to Force Majeure. The obligation to pay Rent shall not be affected by the issuance of this punch list unless the defect renders the Premises or a portion of it unsuitable for Tenant's intended use of the Premises (in which case, Rent shall be equitably abated proportional to the impairment of use). Tenant's failure to include any item on such list shall not alter the

Landlord's responsibility hereunder to complete all Landlord's Work in accordance with this Lease and all applicable Laws, nor constitute any waiver of any latent defects.

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

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

7. ALTERATIONS

7.1. Alterations by Tenant.

(a) The term "Alterations" is not intended to supersede the provisions for each Party's maintenance and repair obligations under **Article 8**, although any repairs that Tenant must do under this Lease shall be subject to the provisions of this **Article 7** as well. During the Term, Tenant may make Alterations to the Premises without notice to or the consent of Landlord if they (i) cost less than \$15,000, (ii) are cosmetic, (iii) are entirely within the interior of the Premises, and (iv) do not require any permit. For any other Alterations, Tenant shall not

undertake such Alterations without Landlord's prior consent, which Landlord shall not unreasonably withhold or delay. For the sake of clarity, Tenant's mere installation of FF&E or removable personal property are not Alterations requiring Landlord's consent, and, conversely, any Alterations that require a permit, or that will require changes to a Major System, penetrate floors or ceilings, or impact a moisture barrier or the structural integrity of the Building must be submitted for approval to Landlord (the submission must include information reasonably needed for Landlord to evaluate the proposed Alterations). Any Tenant Alterations will be made at Tenant's cost, with duly licensed contractors for the trades involved, in a competent and professional manner, and in compliance with applicable Laws.

(b) Landlord agrees to cooperate with Tenant in securing building and other permits and authorizations needed in connection with any Alterations. Tenant will provide Landlord upon request with copies of final permits and authorizations, plans and specifications and as-built drawings, if any, for the Alterations, and proof of either Tenant's financial responsibility for the Alterations or payment made to third parties for the Alterations within 30 days after Landlord's written request to Tenant. Landlord will not be required to incur any costs by cooperating with Tenant, nor will Landlord be entitled to any construction or other administrative fee in connection with any Alteration unless such Alterations materially affect the Major Systems, the roofing or structural integrity of the Building, in which case, Landlord shall be entitled to be reimbursed for any reasonable costs incurred in consulting Major Systems, roofing, or engineering professionals to evaluate the proposed Alterations.

(c) Tenant will have no obligation to and may not remove any Alterations upon the expiration or sooner termination of this Lease unless (i) Landlord approved the installation of the Alterations and (ii) at the time of Landlord's approval, Landlord notified Tenant that the Alterations must be removed upon the Expiration Date or other termination of the Lease. Tenant will not be required to remove any Alterations that did not require Landlord's consent.

(d) To the extent that individuals or entities performing any Alterations to the Premises for Tenant are not covered by City's self-insurance, as described in **Section 17.1** (City's Self-Insurance), Tenant will require these individuals or entities to obtain and maintain commercially customary and reasonable insurance naming Landlord and its lender(s) (as identified by Landlord) as additional insureds.

7.2. Tenant's Property.

(a) All FF&E, trade fixtures and articles of movable personal property installed in the Premises by or for Tenant's account and that can be removed without structural or other substantial damage to the Premises will be and remain Tenant's property (collectively, "**Tenant's Property**"). At any time during or at the expiration of the Term, Tenant may remove any of Tenant's Property, but must repair any damage to the Premises resulting from removal. By the Expiration or Early Termination Date, Tenant will remove Tenant's Property from the Premises in accordance with **Article 19** (Holdover; Surrender of Premises).

(b) Landlord acknowledges that some of Tenant's Property may be purchased by secured financing, or owned by an equipment company and leased to Tenant. Landlord, upon

Tenant's reasonable request, will execute and deliver any document reasonably required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of Tenant's Property, under which Landlord waives any rights it may have or acquire with respect to Tenant's Property, so long as the supplier, equipment lessor or lender agrees to: (i) remove Tenant's Property from the Premises on or before the Expiration or Early Termination Date and repair any damage caused by the removal of Tenant's Property; or (ii) if not so removed in a timely manner, automatically waive any rights it may have had to Tenant's Property. With regard to any access agreement reasonably required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of Tenant's Property it shall be reasonable for Landlord to require, in exchange for Landlord's agreement to grant access to such lender, supplier, lessor or lienholder ("**Claimant**"), that (1) Claimant will indemnify, defend, and hold harmless Landlord against any Claims by Tenant arising from Claimant's exercise of the rights so granted, (2) Tenant waive any duty of Landlord to protect Tenant's interests in the Tenant's Property or to protect it from the Claimant's exercise of its rights under such agreement, (3) Landlord is not obligated to obtain Tenant's permission before granting access or to notify Tenant of Claimant's exercise of any rights under such document, and (4) Tenant hold harmless, defend and indemnify Landlord from any Claims against Landlord arising from granting such access to the Premises by the Claimant or its Agents. Subject to these requirements, Landlord will recognize the rights of a Claimant who has an interest in any items of Tenant's Property to enter the Premises and remove the property at any time during the Term under such access document. Nothing in this Section will require Landlord to subordinate its interest in the Premises.

7.3. Alteration by Landlord. Landlord will use commercially reasonable efforts to minimize interference with or disruption to Tenant's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Premises. Landlord must remedy, to the extent commercially reasonable, any interference or disruption promptly following notice from Tenant.

7.4. Title to Improvements. Except for Tenant's Property and the Provided FF&E, all appurtenances, fixtures, improvements, equipment, additions, and other property installed in the Premises during the Term will be and remain Landlord's property. Tenant may not remove Landlord's property without Landlord's consent except to replace it in the performance of Tenant's repair and maintenance obligations or as permitted under this Lease.

7.5. Signs/Structures.

(a) Tenant 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 sign before its erection or posting and agrees that approval will not be unreasonably withheld or delayed. Tenant's signage must be removed from the Premises upon Lease termination.

(b) Landlord may erect a satellite dish and other communication devices on the roof of the Premises, provided that the installation and operation of such device does not materially and adversely interfere with the Tenant's use of the Premises. Landlord may place advertising signs on the southern and western exterior walls of the Premises subject to the

Tenant's prior written consent, which consent will not be unreasonably withheld or delayed. Tenant may not be compelled to consent to any advertisement that would in Tenant's reasonable judgment be incompatible with Tenant's use and Subtenants' occupancy of the Premises or City ordinances.

8. REPAIRS AND MAINTENANCE

8.1. Landlord's Obligations.

(a) At Landlord's sole cost, and regardless of the cost, except and to the extent any such maintenance or repair is required due to Tenant Damages, Landlord must do all of the following:

(i) maintain, replace, repair and keep the following portions of the Premise in water-proof, leak-free, good condition and repair in accordance with all applicable Laws and this Lease: (1) the foundation, including all points of access to the foundation; (2) the roof, excluding lightwells, but including all points of access to the roof and all roof structures such as parapets; (3) structural trusses and support system, structural walls, the structural elements of all exterior walls and surfaces leading to the street or public areas (but not cosmetic damages such as damages caused by graffiti or other vandalism); (4) repairs to the fire safety/sprinkler system not covered under Tenant's maintenance contract under **Section 8.3(c)**, including the fire escape structure and dry stand pipes; (5) the maintenance and repair of the main sewer and water and gas pipes connecting to the utility delivery system and electric wiring and conduit connecting to the utility delivery system; (6) the sidewalks; and (6) damage to other parts of the Premises caused by Landlord's failure to meet its obligations under this Section; and

(ii) promptly and diligently make any structural seismic, engineering, and other upgrades or improvements to the Premises as required by any existing or future Laws.

(iii) Notwithstanding the foregoing, Landlord's obligation under this subsection shall not extend to repairs required due to Tenant Damage (except to the extent covered by insurance), or any other uninsured costs or repair or replacement of Major Systems or facilities where such uninsured costs are required on account of due to a casualty event including, but not limited to, earthquake, flood, act of terrorism, or war. As used in this subsection, "**uninsured costs**" shall not include deductibles or self-insured retention in any applicable insurance policy. To the extent deductibles or self-insured retention are applicable, Landlord must pay for such costs or repair or replacement to the extent of such deductibles or retention in addition to the available insurance proceeds. Moreover, this provision shall not insulate Landlord to the extent of any uninsured costs that are caused by Landlord's failure to carry the insurance required by **Section 17.2**, and any insurance proceeds that would have been available under such policies shall be imputed in determining the Landlord's obligations under this **Section 8.1**. In the event that Landlord fails or refuses to repair or replace systems or facilities damaged or destroyed by such casualty event on account of uninsured costs, Tenant may, in addition to its rights pursuant to **subsection 8.1(b)** below, in its sole discretion terminate this Lease within thirty (30) days of the casualty event, with no obligation to restore, make repairs, remove any Alterations or any other obligation of Tenant related to condition of the Premises whether during the Term or upon surrender.

(b) The provisions of this **subsection 8.1(b)** do not supersede the provisions of the Lease applicable to repairs required due to a casualty or condemnation; if those circumstances apply then the duties of the Parties are subject those provisions. In all other instances, if Tenant's use of or access to any portion of the Premises is materially and adversely interrupted as a result of the Premises being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease, then Landlord must immediately undertake all commercially reasonable steps to correct such deficient condition. If the deficient condition continues for 30 days or more after Tenant notifies Landlord of the condition, Rent will be equitably abated in proportion to the impairment of Tenant's use until Landlord corrects the condition rendering any portion of the Premises untenable or unsuitable for continued use by Tenant for its intended purposes or otherwise materially adversely affects Tenant's normal operations in the Premises. If Landlord allows the condition to continue for 30 days or more after receipt of Tenant's notice, and the condition materially impairs Tenant's ability to carry on its business in the Premises, at Tenant's election, Tenant shall have the option to correct the condition and offset the reasonable cost thereof against the Rent. If Landlord commences corrective activities within 30 days after receipt of Tenant's notice of the deficiency and supplies Tenant with evidence reasonably satisfactory to Tenant that Tenant's normal and safe use will be restored within 75 days after the date Tenant's use was interrupted, Tenant's right to elect this remedy will be suspended for the 75-day period and will be void if Tenant's full use is actually restored within the 75-day period. If Tenant's full use is not restored within the 75-day period, then Rent will be abated thereafter until Tenant's full use is restored and, at Tenant's election, Tenant shall additionally have the option to correct the condition and offset the reasonable cost thereof against the Rent. Nothing in this Section will limit Tenant's rights with respect to any disruption due to casualty under **Article 12** (Damage and Destruction).

(c) Unless expressly provided to the contrary in this Lease, Landlord has no obligation to maintain, repair or replace any other Building operating systems (for example, CCTV, computer/communications systems or cabling, etc.) any Tenant Alterations, or any Tenant's Property unless caused by Landlord's or Landlord's Agent's gross negligence or willful misconduct.

8.2. Shared Obligations

(a) All of the provisions of this **Section 8.2** are subject to the obligations set forth in **Section 8.1** and **Section 8.3**. During each Lease Year, Tenant will be solely responsible for up to a cumulative total of \$22,500 ("**Tenant Cap**"), of the cost of any extraordinary maintenance, replacement or repair ("**R&M costs**") for the Major Systems, including but not limited to HVAC system (including without limitation boiler), electrical system, and plumbing system (including without limitation fire safety/sprinkler systems), and for reimbursing Landlord for the costs of its compliance with Safety Laws, to the extent specifically provided in in **Section 10.2** (Landlord's Compliance with Law), below. The Tenant Cap will be increased annually on the Rent Adjustment Date by the percent increase in the CPI for the immediately preceding 12-month period most recently published before the Rent Adjustment Date, but in no event shall the Tenant Cap increase by less than 3% or more than 6%. During each Lease Year, and subject to **Section 8.3**, Landlord will be solely responsible for R&M costs exceeding the Tenant Cap for the Major Systems. For Major System R&M costs caused by Tenant Damages, Tenant will be solely responsible for such costs, and such costs will not be subject to or counted

against the Tenant Cap. A repair shall be deemed extraordinary if it is a capital expenditure or it is otherwise of a non-routine nature.

(b) Except as provided in **subsection (c)** below, or if the damage is due to a casualty or condemnation (in which case those provisions shall govern), Landlord must commence any maintenance or repairs for R&M costs above the Tenant Cap within 30 days after receipt of Tenant's notice and notify Tenant of Landlord's anticipated schedule for completing the work. Landlord must use commercially reasonable efforts to complete all the maintenance or repairs as promptly as possible, and, in consultation with Tenant but at Landlord's sole cost, must take commercially reasonable interim measures to ensure the habitability of the affected portions of the Premises pending completion of the maintenance activities or repairs.

(c) If any R&M costs that will exceed the Tenant Cap involve a Major System necessary to maintain the life safety of the Premises, such as the fire safety/sprinkler system, utilities and plumbing, then Tenant may notify Landlord telephonically and/or by Landlord's active email address of such deficiency. Tenant shall follow such telephone or email contact with written notice. Notice is deemed complete as of the time of the successful phone connection with either Pete or Kiran Patel, or either of them respond to the email. If Landlord receives such a phone call or email, then Landlord must (i) commence the required life safety Major System maintenance or repairs within 24 hours of receipt of such notice or (ii) notify Tenant within two (2) hours of Tenant's notice of such condition that it is unable to find resources to do so. If Landlord timely confirms to Tenant that it has the resources to timely commence the repairs, then Landlord must take all commercially reasonable measures to ensure that the life safety Major System maintenance or repairs are completed promptly. If Landlord notifies Tenant that it cannot timely respond to the deficient life safety issues and repair the same within the 24 hour period, or if Tenant is unable to reach either Pete or Kiran Patel by either phone or email, despite commercially reasonable efforts to do so, and the need for repairs poses a material health or safety risk, Tenant shall make the required life safety Major Systems maintenance or repairs and will be entitled to a Rent credit equal to Tenant's cost of repair.

(d) In addition to any other obligation of City under this Lease, City shall, at its sole cost and expense, employ a licensed pest control vendor to provide pest control services to the Premises on a monthly basis, and shall provide to landlord upon request with a copy of its vendor's contract and such other reasonable evidence of compliance as Landlord may reasonably request.

8.3. Tenant's Obligations.

(a) Tenant will be solely responsible for the costs of any claims, liability, damage, or destruction in or about the Premises if it was caused by the acts or omissions (including, for example, the negligence or willful misconduct, but excluding ordinary wear and tear, as defined in Section 24.17 (Definitions)) of Tenant or any Tenant Invitees during the Term ("**Tenant Damages**"). Except to the extent covered by insurance required by this Lease, Tenant will be solely responsible for all Tenant Damages caused at the Property, and shall hold harmless, defend and indemnify the Landlord against Claims to the extent arising from any such Tenant Damages. The Parties acknowledge that certain of Tenant's Invitees that may participate in Tenant's programs are formerly homeless individuals requiring a high level of supportive

services to adapt to living in a housed environment, which supportive services are Tenant's responsibility, and, therefore, Tenant Damages are the sole responsibility of Tenant, although Tenant Damages, by themselves shall not be the basis for an Event of Default unless Tenant fails to meet its obligations (after notice and the expiration of applicable cure periods) when Tenant Damages occur.

(b) Except for obligations assigned to Landlord under this **Article 8**, Tenant, at Tenant's cost, will: (i) keep the Premises in good repair, in a clean condition (ordinary wear and tear and damage by casualty excepted) and properly maintained at all times; (ii) be responsible for: (1) all necessary and routine maintenance and non-extraordinary repair of systems, Major Systems, including annual inspections of fire escapes and platforms, sprinklers and fire alarms and facilities in the Premises, and on all Alterations installed by or on Tenant's behalf in the Premises (collectively, "**Non-Major Repairs**"). Tenant's duties for Non-Major Repairs do not extend to the extraordinary maintenance, replacement or repair of Major Systems or facilities to the extent the Tenant Cap specified in **Section 8.2(a)** (Shared Obligations) is exhausted, except to the extent the cause for extraordinary maintenance, replacement or repair is a casualty that is covered under the insurance policies (or self-insured standards) that are required of Tenant under this Lease, and then Tenant's obligations shall extend as far as the coverage would go. In all events, Tenant shall be responsible to the extent of any extraordinary maintenance, replacement or repair caused by Tenant Damages or where and to the extent the extraordinary maintenance, replacement or repair are the result of Tenant's failure to obtain and keep in full force and effect the maintenance contracts required under **subsection (b)**.

(c) Tenant, at Tenant's cost, will: (i) obtain and keep in full force and effect maintenance contracts for the Premises' HVAC system, fire alarm system and sprinklers with licensed maintenance companies (on standard commercial terms or better); (ii) obtain annual inspections and certifications or permits for the backflow prevention valves for both fire and water supply, the boiler and the hot water heater serving the Premises; and (iii) maintain records of its performance of its obligations under this **Section 8.3**, and will make those records available to Landlord for inspection and copying at Landlord's reasonable request.

(d) Tenant will have the sole right to select contractors to perform maintenance and repairs for which Tenant is responsible, provided that any contractor is licensed (if required) and insured, and was selected according to commercially reasonable property management practices.

(e) Landlord hereby grants to Tenant a license to access and use the roof to the extent required for Tenant to perform its obligations under this Lease and for no other purpose whatsoever. Tenant will use commercially reasonable efforts to provide Landlord prior notice before accessing the roof.

8.4. Liens.

(a) Tenant will keep the Premises free from liens arising out of any work performed, material furnished, or obligations incurred by Tenant during the Term. Landlord will have the right to post on the Premises any notices permitted or required by Law or that are needed for the protection of Landlord or the Premises from mechanics' and material suppliers'

liens. Tenant will give Landlord at least 10 days' prior written notice of commencement of any repair or construction by Tenant on the Premises that costs more than \$2,500 per repair or construction.

(b) Should any claim or lien be filed against, or should Tenant learn of any intention of any third party to file any claim or lien against, or should any action be commenced affecting the Premises and/or Landlord's interest in the Premises, Tenant will give Landlord notice of the lien or intention or action within 10 days after Tenant receives notice of the same. If Tenant does not, within 30 days following the imposition of any lien, cause the lien to be released of record by payment or posting a bond, Landlord will have the right but not the obligation to cause the same to be released by any means it deems proper, including payment of the claim giving rise to the lien or filing of a bond in favor of any lien claimant. All sums paid by Landlord and all costs incurred in connection therewith, including any reasonable and actual attorneys' fees and costs, will be payable to Landlord by Tenant as Additional Charges with the next monthly payment of Base Rent payable no more than 30 days after delivery to Tenant of evidence of Landlord's payment.

8.5. Loss or Damage. Landlord will not be liable for any third party Claims due to: (a) fire, earthquake, flood or explosions, or other casualty (unless caused by Landlord's gross negligence or willful misconduct); (b) Act of God or force majeure; (c) theft or vandalism; or (d) lack of habitability or other physical condition of the Premises, unless Landlord is in breach of its obligations under this Lease or the Claim is covered by insurance (then, only to the extent of such coverage).

8.6. Dispute Resolution. Landlord and Tenant agree to engage in good faith efforts to resolve any disputes over repair and maintenance obligations on an informal basis as promptly as practicable. If the Parties are unable to resolve the dispute informally, either Party may submit the dispute to mediation, followed by binding arbitration if mediation does not resolve the dispute, by written demand for selection of a neutral mediator or arbitrator, as the case may be, according to the dispute resolution procedures and qualifications set forth in **Exhibit E** (Dispute Resolution Procedures).

9. UTILITIES AND SERVICES

9.1. Utilities. Tenant will be responsible, at Tenant's cost, for contracting directly with and paying or causing to be contracted with and paid all service providers for all utilities necessary for Tenant's intended uses, including but not limited to gas, electricity, water, sewer service, garbage collection, cable, wi-fi, and telephone.

9.2. Services. Tenant is responsible for contracting for and paying the cost of linen service, custodial/janitorial service, security, and any other services necessary for Tenant's use of the Premises under this Lease. Except as provided in **Section 9.3** (Disruption in Essential Utilities or Services), Landlord will not be responsible or liable for any damages resulting from any failure or interruption of services.

9.3. Disruption in Essential Utilities or Services. If any of the Essential Services are disrupted due to Landlord's failure to meet its obligations under **Article 8** or due to gross negligence or willful misconduct of Landlord, the provisions of **Section 8.1(b)** shall apply.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1. Premises Condition.

(a) Subject to the matters identified in **Exhibit C**, Landlord represents and warrants to Tenant, that as of the Lease Date, to Landlord's Actual Knowledge, as follows: (i) the following areas along the path of travel to the Premises comply with Disabilities Laws: (1) the entryway to the Premises; (2) the ground floor bathroom in the Premises; and (3) the ground floor common area in the Premises, except the original registration desk and offices located on the ground floor; (ii) the Building is an unreinforced masonry building that has been seismically upgraded in compliance with all applicable Seismic Safety Laws; (iii) the Premises, the common areas and Major Systems serving the Premises comply with all other applicable Laws, including Life Safety Laws; and (iv) the Premises and the Major Systems have no material physical or mechanical defects that would materially adversely affect Tenant's intended use of the Premises.

(b) Landlord hereby advises Tenant that the Building and Premises have not undergone an inspection by a certified access specialist, and except to the extent expressly set forth in this Lease, Lessor shall have no liability or responsibility to make any repairs or modifications to the Premises in order to comply with accessibility standards. The following disclosure is hereby made pursuant to applicable California law:

A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises. [Cal. Civ. Code Section 1938(e)].

10.2. Landlord's Compliance with Laws. Subject to Tenant's obligations under **Section 8.2** (Shared Obligations), **Section 8.3** (Tenant's Obligations), and **Section 10.3** (Tenant's Compliance with Laws), and unless the compliance obligation is brought about after the Rent Commencement Date by Tenant's particular use of the Premises during the Term (in which case Tenant shall cause the Premises to be in compliance to the extent those obligations arise from Tenant's particular use), Landlord must maintain, at its cost at all times during the Term, the Property and the Major Systems serving the Premises in compliance with applicable present or future Life Safety Laws and Seismic Safety Laws, hereinafter collectively referred to as "**Safety**

Laws.” If Landlord is required to comply with future Safety Laws not in effect as of the Rent Commencement Date (and provided these are not Tenant’s responsibility due to Tenant’s particular use of the Premises), then Landlord shall be able to bill for the costs of complying with the new Safety Laws against the Tenant Cap in the current and future Lease Years (and carry forward any amount not covered by the available Tenant Cap in any Lease Year). To clarify: (1) the available Tenant Cap in any Lease Year shall be reduced to the extent Landlord’s bill for the costs of complying with the new Safety Law is reimbursed by Tenant and thus applied against the Tenant’s Cap; (2) if Landlord is reimbursed for the costs of compliance with new Life Safety Laws and the Tenant Cap for that Lease Year is exhausted, then Tenant shall have no obligation to pay for repairs or replacements to Major Systems in that Lease Year, subject to Tenant’s obligations for Non-Major Repairs and Tenant Damages. If Landlord’s costs of compliance with new Life Safety Laws exceeds the amount available in the Tenant Cap for that Lease Year, then Landlord may draw the shortfall from the Tenant Cap in the following Lease Years, until Landlord is fully reimbursed or the Term expires or otherwise terminates, whichever is first.

10.3. Tenant’s Compliance with Laws. Tenant must use the Premises during the Term in compliance with applicable Laws. Subject to Landlord’s obligations under **Article 6** (Leasehold Improvements) and **Section 10.2** (Landlord’s Compliance with Laws), Tenant must make any Alterations, additions or other modifications required to comply with applicable Laws where the modifications are due to the Tenant’s particular use and it is not otherwise Landlord’s responsibility under this Lease. Subject to **Section 8.2** (Shared Obligations), **Section 8.3** (Tenant’s Obligations), and **Section 10.2** (Landlord’s Compliance with Laws), Tenant must maintain, at its cost at all times during the Term, the Premises in compliance with all applicable Laws, but only to the extent that compliance is required due to Tenant’s use and operation of the Premises, or required because of Tenant’s Alterations to the Premises. Notwithstanding anything to the contrary contained in this Lease, if, prior to the Commencement Date, if the City’s Mayor’s Office on Disability determines that the Premises does not, and upon completion of Landlord’s Work will not, comply with applicable Disabilities Laws, then Tenant shall have the right to terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

11. SUBORDINATION

At Landlord’s election, this Lease is and will be subject and subordinate to the following (each an “**Encumbrance**”): (a) any reciprocal easement agreements and ground leases or other underlying leases that may now exist or hereafter be executed affecting any portion of Landlord’s interest in the Premises; and (b) the lien of any mortgage or deed of trust that may now exist or hereafter be executed by Landlord in any amount for which any part of the Premises, any ground leases or underlying leases, or Landlord’s interest or estate in this Lease, is security. Landlord will have the right to subordinate or cause to be subordinated to this Lease any Encumbrance, provided that Landlord provides from the holder of the Encumbrance to Tenant a nondisturbance and attornment agreement in form and substance approved by Tenant, which approval will not be unreasonably withheld or delayed. The agreement must provide that, if any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason: (x) the successor landlord will recognize this Lease and will not disturb Tenant’s possession of the Premises under this Lease except as provided in this Lease; and (y) Tenant will pay subsequent

Rent and attorn to and become the tenant of the successor landlord, at the option of the successor-in-interest, provided that Tenant has received proper written notice of the succession and the name and address of the successor landlord. The provisions of this Article will be self-operative and no further instrument will be required other than as provided in this Article. Tenant agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to Tenant, any additional documents evidencing the priority or subordination of this Lease with respect to an Encumbrance.

12. DAMAGE AND DESTRUCTION

If the Premises or any Major Systems are damaged by fire or other casualty, Landlord must repair the same without delay if (i) it is not due to Tenant Damages; (ii) permits for the repairs are not required under applicable Laws; (iii) the casualty is insured and there are sufficient proceeds (when adding in any applicable deductible under the policy) to pay for the costs of such repair, and (iii) the repairs can be completed within two hundred ten (210) days of the date of casualty. If the damage is due to Tenant Damages, the entire cost of repair shall be Tenant's responsibility (however, Tenant shall be entitled to any actual proceeds covered by insurance to the extent it is devoted to restoring the Premises).

Where Landlord is obligated to make the required repairs, Landlord must promptly repair the damage by fire or other casualty to restore the Premises to condition existing immediately prior to the fire or other casualty after Landlord obtains all necessary permits for the repairs and insurance proceeds attributable to the damage, but not later than 210 days after the date of the damage (the "**Repair Period**"). During any repair under this Article, this Lease will remain in full force and effect, except that Tenant will be entitled to abatement of Rent while the repairs are being made. The abatement in Rent will be based upon the extent to which the damage and the making of the repairs renders the Premises untenable or unsuitable for continued use by Tenant for its intended purposes or otherwise materially adversely affects Tenant's normal operations in the Premises, equitably adjusted, but it shall exclude any rent abatement if caused by Tenant Damages (except to the extent covered by insurance required under Section 17). Landlord's obligations to complete repairs will not include any damage by fire or other cause to Tenant's Property, or any damage caused due to Tenant Damages, except to the extent actually covered by insurance (or supplemented by Tenant to cover the shortfall).

If permits for the repairs are required under applicable Laws, within 20 days after the date of the damage by fire or other casualty, Landlord must notify Tenant whether or not, in Landlord's reasonable judgment made in good faith, the repairs can be made within the Repair Period. If in Landlord's judgment the repairs cannot be made within the Repair Period, then either Party, by written notice to the other given within 30 days after the date of the damage, may terminate this Lease as of the date specified in the notice, which date may be not less than 30 or more than 60 days after notice is given by Landlord. In case of termination, Rent will be reduced from the date of the damage by a proportionate amount based upon the extent to which the damage renders the Premises untenable or unsuitable for continued use by Tenant for its intended purposes or otherwise materially adversely affects Tenant's normal operations in the Premises, and Tenant will pay the reduced Rent up to the date of termination, and Landlord will refund to Tenant any Rent previously paid in excess of the amount discussed in this Paragraph or for any period of time subsequent to the date of termination. In the alternative, if Landlord has

elected to terminate, Tenant may notify Landlord of Tenant's intent to make the repairs within ten (10) days of Landlord's notice and complete the repairs as an Alteration, but the same shall be at Tenant's sole cost, plus any available insurance proceeds, and Rent will only abate to the extent of insurance coverage required under Section 17.

If Landlord has provided notice of intent to make the repairs during the Repair Period and (i) has used commercially reasonable efforts to commence the repairs within 90 days after Landlord obtains all necessary permits for the repairs and insurance proceeds for the damage, or (ii) within 90 days after the damage occurs if no permits are required, then the Repair Period will be extended for any longer period as reasonably necessary for Landlord to complete required repairs, if and to the extent that Landlord demonstrates that despite its reasonable good faith efforts, it is unable to complete a required repair within the Repair Period.

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

The Parties intend that the provisions of this Article will govern fully their rights and obligations in the event of damage or destruction, and Landlord and Tenant each hereby waives and releases any right to terminate this Lease in whole or in part under California Civil Code sections 1932(2), 1933(4), 1941, and 1942, or under any similar Law, to the extent the statutory rights are inconsistent with this Lease.

13. EMINENT DOMAIN

13.1. General. If during the Term a Taking or Partial Taking of the Premises or any interest in this Lease occurs, the rights and obligations of the Parties will be determined under this Article. Tenant and Landlord intend that this Article will govern fully in the event of a Taking or Partial Taking and accordingly, the Parties each waive any right to terminate this Lease in whole or in part under California Code of Civil Procedure sections 1265.110, 1265.120, 1265.130, and 1265.140, or under any similar Law.

13.2. Total Taking; Automatic Termination. If a total Taking occurs, then this Lease will terminate as of the Date of Taking.

13.3. Partial Taking; Election to Terminate.

(a) If a Partial Taking occurs, then this Lease will terminate in its entirety if all of the following exist: (i) the Partial Taking, in Tenant's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by Tenant for its intended purposes or otherwise materially adversely affects Tenant's normal operations in the Premises; (ii) the condition rendering the Premises untenable or unsuitable either is not

curable or is curable but Landlord is unwilling or unable to cure the condition; and (iii) Tenant elects to terminate.

(b) If a Partial Taking occurs, and the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure the condition, then Tenant and Landlord will each have the right to terminate this Lease.

(c) Either Party electing to terminate this Lease under the provisions of this Section may do so by giving written notice to the other Party before or within 30 days after the Date of Taking, and thereafter this Lease will terminate upon the later of the 30th day after the written notice is given or the Date of Taking.

13.4. Rent; Award. Upon termination of this Lease under **Section 13.3** (Partial Taking; Election to Terminate), then: (a) Tenant's obligation to pay Rent will continue up until the date of termination, and thereafter will cease, except that Rent will be reduced to the extent of any partial taking, as provided in **Section 13.5** (Partial Taking; Continuation of Lease) for any period during which this Lease continues in effect after the Date of Taking; and (b) Landlord will be entitled to the entire Award in connection with the Partial Taking, except that portion of the Award, if any, made specifically for Tenant's relocation costs or the interruption of or damage to Tenant's business or damage to Tenant's Property. Under no circumstances shall any award be given to Tenant based on a determination that the Rents under the Lease are below prevailing Fair Market Rents.

13.5. Partial Taking; Continuation of Lease. If a Partial Taking occurs under circumstances where this Lease is not terminated in its entirety under **Section 13.3** (Partial Taking; Election to Terminate), then this Lease will terminate as to the portion of the Premises so taken, but will remain in full force and effect as to the portion not taken, and the rights and obligations of the Parties will be as follows: (a) Base Rent will be reduced by an equitable amount (for example, by the same ratio to the Base Rent as the area of the Premises taken bears to the area of the Premises before the Date of Taking; but calculated separately for the residential and commercial portions of the Premises); and (b) Landlord will be entitled to the entire Award in connection with the Partial Taking, except that portion of the Award, if any, made specifically for Tenant's relocation costs or the interruption of or damage to Tenant's business or damage to Tenant's Property.

13.6. Temporary Taking. If a Taking occurs with respect to the Premises for a period of time not in excess of 60 consecutive days, this Lease will be unaffected, and Tenant will continue to pay Rent and to perform all of the terms, conditions, and covenants of this Lease. In the event of a temporary Taking, Tenant will be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the proportion of the total Base Rent owing by Tenant for the period of the Taking, where the proportion is equal to the proportion of the square footage of the Premises subject to the Taking.

14. ASSIGNMENT AND SUBLETTING

14.1. General.

(a) Excepts as specifically provided in this Lease to the contrary, Tenant has no rights to sublet the Premises or assign the Lease without the Landlord's prior written consent, which Landlord agrees to exercise in a commercially reasonable manner and not unreasonably withhold, condition, or delay.

(b) During the Term, Tenant will have the right, without Landlord's consent or approval, to sublet all or any portion of the Premises as set forth in **Section 14.2** (Subtenants), so long as such subleases are for residential uses, the subtenancy is made pursuant to a written sublease that is substantially in the form attached hereto as **Exhibit F**, and it always provides that all increases in rents allowed by Law shall automatically apply or shall be banked if not invoked, and that any subsidy provided by Tenant will not continue if the subtenancy becomes a direct tenancy with Landlord (an "**Approved Sublease**"). A sublease not substantially in the form of **Exhibit F** or that does not meet the above requirements shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld or delayed. Whenever a residential sublease is approved by Landlord, it shall qualify as an "Approved Sublease"; furthermore, if the residential sublease form is changed or updated, upon receipt of Landlord's written approval of the changed or updated form, that sublease form shall then become the Approved Sublease form. Tenant shall obtain the consent of Landlord for any material change in an Approved Sublease.

(c) Any sublease of the Commercial Premises, requires Landlord's consent, as provided above. The term of any sublease of the Commercial Premises may not extend beyond the Surrender Date (as defined in **Section 19.3** (Status of Subtenants on Surrender), below. If the Commercial Premises are subleased to any third party that is not an entity providing supportive services related to Tenant's use of the Premises, namely that the sublease is a "for profit" enterprise unrelated to Tenant's use (a "**Commercial Subtenant**"), then Landlord shall be entitled to receive fifty percent (50%) of any "net consideration" (as defined below) paid by the Commercial Subtenant to Tenant under the sublease. "**Net consideration**" shall mean all monetary consideration paid to Tenant in exchange for the rights granted by the Tenant to the subtenant for or under the sublease, less Tenant's Rent, costs, and expenses. Net consideration shall be determined by taking the gross value of any such consideration and deducting from it the portion of the Base Rent payable by Tenant proportionate to the Commercial Premises, all normal and reasonable costs incurred by Tenant to prepare the Commercial Premises for sublease, together with all commissions paid to market and complete the subletting transaction, and Landlord's fee for reviewing the proposed sublease. Net consideration is payable to Landlord within thirty (30) days of receipt by Tenant from the Commercial Subtenant.

(d) Subject to Landlord's prior written consent, which consent may not be unreasonably withheld or delayed, Tenant will have the right to sublet the entire Premises as a whole ("**Premises Sublease**"), or to assign its rights and obligations under this Lease, to any person or entity: (a) whose activities and business at the Premises are comparable in nature to the activities of Tenant at the Premises before the Premises Sublease or assignment; (b) who will conduct the activities and business at the Premises under an agreement with Tenant or another governmental entity; and (c) who has experience in the operation and maintenance of affordable

housing consistent with the use of the Premises described in this Lease. In connection with a Premises Sublease for the Commercial Premises, then Tenant will pay Landlord's reasonable actual fees, not to exceed \$3,000, and amount shall increase annually at the same rate as Rent increases under **Section 4.2**, incurred in connection with the request for consent. Landlord's approval may duly require proof of operating experience and financial capacity to perform under the Lease. No subletting of all or any portion of the Premises or assignment will release Tenant's obligation or alter the primary liability of Tenant to pay Rent and to perform all other obligations to be performed by Tenant under this Lease, except as otherwise expressly permitted by Landlord in writing. Tenant will deliver to Landlord promptly upon request a fully executed copy of any assignment or Premises Sublease. Any Premises Sublease or assignment between Tenant and a third party must explicitly state that the agreement is subject to and controlled by all terms of this Lease. Tenant acknowledges that it shall be reasonable for Landlord to withhold its consent if any of the following are true: (i) the transferee is not financially competent to meet the obligations under the Lease, (ii) the effect of the transfer will materially increase the Landlord's costs or risks; or (iii) the transferee has a history of bankruptcy or has been held found liable in litigation related to leased premises.

14.2. Subtenants.

(a) During the Term, Tenant will have the right to sublet the residential units in the Premises to Subtenants under an Approved Sublease, provided the starting monthly rent is set at the market rates prevailing as of the start of the Approved Sublease (pursuant to HUD guidelines). Except as provided in this **Section 14**, Landlord will have no right to determine the amount of the residential Sublease payments from residential Subtenants or receive any portion of the residential Sublease payments. In addition, Landlord will have no right to determine the eligibility of residential Subtenants. Tenant's Subleases with Subtenants will advise all Subtenants that Tenant is master leasing the Premises under this Lease, and that the Subtenants may have to attorn to the Landlord upon any termination of the master lease if they remain as tenants.

(b) If applicable, Tenant's Subleases for residential Subtenants receiving rent subsidies from City will specify the extent to which City subsidizes their rent payments, and advise subsidized residential Subtenants that, upon expiration or earlier termination of this Lease, subsidized residential Subtenants who still occupy units at the Premises will become direct tenants of Landlord and will no longer receive the rent subsidy from Landlord. Nothing in this Lease will prevent the City from providing rent subsidies to any persons through any available City program.

(c) Tenant's Subleases for residential Subtenants who do not receive rent subsidies from City will advise those residential Subtenants that, upon expiration or earlier termination of this Lease, residential Subtenants who still occupy units at the Premises will become direct tenants of Landlord.

15. **DEFAULT; REMEDIES**

15.1. Events of Default by Tenant. Any of the following will constitute an event of default by Tenant under this Lease (each, a "**Tenant Event of Default**"):

(a) Tenant fails to make any timely payment of Rent and to cure the nonpayment within 5 days after the date when due; provided that with respect to the first monthly payment of Base Rent after the beginning of each new fiscal year of City, Tenant will have 20 days to cure any nonpayment; or

(b) Tenant abandons the Premises (within the meaning of California Civil Code section 1951.3); or

(c) Tenant fails to perform any other covenant or obligation of Tenant under this Lease (not involving the payment of money) and to cure the non-performance within 30 days after the date of receipt of notice from Landlord, provided that if more than 30 days are reasonably required for the cure, no Tenant Event of Default will occur if Tenant commences the cure within the 30-day period and completes the cure within 90 days.

15.2. Landlord's Remedies. Upon the occurrence of any Tenant Event of Default, Landlord will have all rights and remedies available under Law or granted under this Lease, including:

(a) Landlord will have the right to terminate Tenant's right to possession of the Premises by any lawful means, and in such case, Tenant will surrender possession of Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including:

(i) The worth at the time of award of the unpaid Rent Landlord would have earned at the time of termination; plus

(ii) The worth at the time of award of the amount by which the unpaid Rent Landlord would have earned after termination until the time of award exceeds the amount of any rental loss that Tenant proves could have been reasonably avoided by Landlord; plus

(iii) The worth at the time of award of the amount by which the unpaid Rent Tenant would have paid for the balance of the Lease Term after the time of the award exceeds the amount of the loss of Rent that Tenant proves could be reasonably avoided by Landlord; plus

(iv) Any other amounts necessary to compensate Landlord for the detriment proximately caused by Tenant's default, or that, in the ordinary course of events, would likely result, including, but not limited to, attorneys' fees and costs of suit, the costs of carrying the Premises, such as repairs, maintenance, taxes and insurance premiums, utilities, security precautions, and the reasonable costs and expenses incurred by Landlord in (1) retaking possession of the Premises; (2) cleaning and making repairs necessary to return the Premises to good condition and preparing the Premises for reletting; (3) removing, transporting, and storing any of Tenant's property left at the Premises (although Landlord will have no obligation so to do); and (4) reletting the Premises, including brokerage commissions, advertising costs, and attorneys' fees. Landlord's efforts to mitigate the damages caused by Tenant's breach of the Lease will not waive Landlord's rights to recover damages upon termination.

(v) The “**worth at the time of award**” of the amounts referred to in **clauses (i) and (ii)** above will be computed by allowing interest at an annual rate equal to the lesser of 10% per annum or the maximum non-usurious rate Landlord is permitted by Law to charge. The “**worth at the time of award**” of the amount referred to in **clause (iii)** will be computed by discounting the amount at the rate of 1% above the discount rate of the Federal Reserve Bank of San Francisco at the time of award.

(b) Landlord will have the right to maintain Tenant’s right to possession, in which case this Lease will continue in effect whether or not Tenant has abandoned the Premises, and Landlord will be entitled to enforce all of Landlord’s rights and remedies under this Lease, including the right to recover Base Rent and Additional Charges as they become due.

(c) If Tenant has abandoned the Premises, Landlord will have the option of (i) retaking possession of the Premises and recovering from Tenant the amounts specified in **Subdivision (a)**; or (ii) proceeding under **Subdivision (b)**.

15.3. Landlord’s Default. Subject to more specific provisions elsewhere in this Lease, if Landlord fails to perform any of its obligations under this Lease, then (without limiting any of Tenant’s other cure rights under this Lease) Tenant, at its sole option, may cure the default at Landlord’s cost if the default continues after 90 days from the date Tenant gives notice to Landlord of Tenant’s intention to perform the cure and Landlord has not promptly commenced pursuit of a cure. However, 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 the 90-day period, the 90-day period will be extended if Landlord, promptly upon receipt of Tenant’s notice, advises Tenant of Landlord’s intention to take all steps required to cure the default, and Landlord promptly commences the cure and diligently prosecutes the same to completion.

15.4. Tenant’s Remedies. Tenant will have all rights and remedies available under Law or granted under this Lease, including:

(a) If Landlord fails to cure any default within the cure period provided above, then, whether or not Tenant elects to cure Landlord’s default as provided in this Lease, Rent will be abated to the extent to which the default renders all or any portion of the Premises untenantable or unsuitable for continued use by Tenant for its intended purposes or otherwise materially adversely affects Tenant’s normal operations in the Premises.

(b) If any default by Landlord continues for 90 days and impairs Tenant’s ability to carry on its business in the Premises, then Tenant will have the right to terminate this Lease upon written notice to Landlord within 60 days after the expiration of the 90-day period.

16. GENERAL INDEMNITIES

16.1. Tenant’s Indemnification. In addition to its indemnification obligations under other provisions of this Lease, Tenant must indemnify, defend, protect and hold Landlord and its Agents free and harmless from and against any and all third party Claims: (a) resulting from any breach of this Lease by Tenant; (b) by Subtenants arising from events that occur during the Term of this Lease; (c) arising from Tenant’s occupancy or use of the Premises, or occasioned wholly or in part by any act or omission of Tenant or its Agents, or any accident, injury or damage to

any person or property, occurring in or about the Premises during the Term; or (d) reasonably and actually incurred or suffered by Landlord as a direct result of Tenant's holding over.

16.2. Landlord's Indemnification. Subject to any limitations in this Lease, in addition to its indemnification obligations under other provisions of this Lease, Landlord must indemnify, defend, protect and hold Tenant and its Agents free and harmless from and against any third party Claims: (a) resulting from any breach of this Lease by Landlord; (b) caused by any gross negligence or willful misconduct of Landlord or its Agents in, on or about the Premises or the Property and (c) arising from any assertion that would interfere with Tenant's right to quiet enjoyment of the Premises under this Lease.

16.3. Scope of Indemnity. Indemnification obligations under this Lease will not apply to damages resulting from the indemnified Party's (or its Agents') gross negligence or willful acts or omissions. Each Party 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 the allegation is or may be groundless, fraudulent or false, and the obligation arises at the time the claim is tendered to the indemnitor by the indemnitee and continues at all times until finally resolved. Whether or not a judicial or nonjudicial proceeding is initiated, the indemnitor will have the right, at its sole option, to defend the indemnitee and its Agents by attorneys selected by the indemnitor, which in Tenant's case may include the City Office of the City Attorney, other attorneys, or both. The indemnitor will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, and the indemnitee will have the right, but not the obligation, to participate in its defense at its sole cost.

16.4. Survival of Indemnities. Termination of this Lease will not affect the right of either Party to enforce any and all indemnities under this Lease.

17. INSURANCE

17.1. City's Self-Insurance. City maintains a program of self-insurance. Landlord agrees that Tenant is not obligated to carry any third-party comprehensive general liability insurance or other insurance with respect to this Lease, but if there is a Premises Sublease to an entity unrelated to Tenant, or if the Property is master managed by a third party, then Tenant shall require the subtenant under the Premises Sublease or the third party carry commercially reasonable insurance as is then typically required by the City's Risk Manager for similarly situated third party vendors, including an obligation to name Landlord as an additional insured on any commercial general liability policy. Subject to the foregoing, Tenant assumes the risk of damage to any of Tenant's and (if applicable) Subtenant's Property as regards the Tenant and its self-insured program.

17.2. Landlord's Insurance. At all times during the Term, Landlord must keep the Premises (excluding the land upon which it is located) and insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under an all risk insurance policy in an amount equal to 100% of replacement value in accordance with current Laws, excluding coverages for earthquake or flood. Before the

Commencement Date and thereafter within 30 days before the expiration of the policy, Landlord must provide to Tenant an original certificate of insurance issued by the insurance carrier, evidencing the required insurance. The certificate must expressly provide that coverage may not be reduced and the policy may not be cancelled or otherwise modified without 30 days' prior written notice to Tenant. Landlord hereby waives any rights against Tenant for loss or damage to any part of the Premises, to the extent covered by Landlord's property insurance.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); (b) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident; and (c) to the extent not covered under the commercial general liability policy, coverage for business interruption insurance sufficient to provide coverage for rental losses for up to one Lease Year arising from a casualty event, which coverage shall be secondary to any coverage required of Tenant or any Tenant Invitees (and shall only contribute upon exhaustion of such coverage by Tenant and Tenant Invitees. All insurance policies required to be maintained by Landlord hereunder shall be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord.

17.3. Waiver of Subrogation. Notwithstanding anything to the contrary in this Lease, each Party hereby waives any right of recovery against its counter-Party for any loss or damage relating to the Premises or any operations or contents therein (whether or not such loss is caused by the fault or negligence of the Party so waiving the right) to the extent such loss or damage is covered by insurance that the Party is required to purchase under this Lease or is otherwise actually recovered from insurance held by such Party or recoverable through its Agents. Each Party agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Premises. A Party's failure to do so shall not affect the above waiver.

18. ESTOPPEL CERTIFICATES

Either Party, from time to time during the Term upon not less than 10 days' prior written notice from the other Party, agrees to execute, acknowledge and deliver to the other Party, or the persons or entities designated by the other Party, a certificate stating: (a) the Commencement Date and Expiration Date of this Lease; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that 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); (d) the date to which Base Rent has been paid, and (e) any other information that may be reasonably required.

19. **HOLDOVER; SURRENDER OF PREMISES**

19.1. Holding Over. If Tenant holds over in possession of the Premises after the expiration of the Term with the written consent of the Landlord, the holding over shall be based on the terms agreed to, and shall not otherwise be deemed to further extend the Term or renew this Lease. If holding over occurs without Landlord's written consent, and it constitutes an unlawful detainer, then Landlord shall have all of the remedies at Law, and Tenant shall be liable for all damages (including consequential damages) reasonably and actually incurred or suffered by Landlord. Upon a consensual holdover, (i) Tenant shall continue as a month-to-month tenant until either Party terminates the tenancy by giving the other Party at least 30 days' prior written notice of termination, and (ii) such tenancy shall be on the terms agreed upon for such holdover, or if not expressly modified from those in the Lease, then on the terms and conditions set forth in this Lease, except monthly Base Rent will be 150% of the monthly Base Rent in effect during the last month of the Term.

19.2. Surrender of Premises. On the Expiration or Early Termination Date, Tenant must surrender the Premises to Landlord in good order and condition as reasonably determined by Landlord, ordinary wear and tear, and damage by fire or other casualty excepted; the Parties agree that reasonable wear and tear and casualty does not include Tenant Damages, and any such Tenant Damages are to be remedied at Tenant's cost. On or before the Expiration or Early Termination Date or within thirty (30) days after any earlier termination of this Lease, Tenant must remove from the Premises all of Tenant's Property and any Alterations Tenant desires or is required to remove from the Premises under **Section 7.1** (Alterations by Tenant). Tenant will repair or pay the cost of repairing any damage to the Premises resulting from the removal. If such work is performed after an earlier termination date, then Base Rent during such holdover period will be 150% of the monthly Base Rent in effect during the last month of the Term. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. Tenant's obligations under this Section will survive the expiration or termination of this Lease.

19.3. Status of Subtenants on Surrender.

(a) The Expiration Date or Early Termination Date, or the date of any other termination of this Lease is herein referred to as the "**Surrender Date**." Before the Surrender Date, Tenant will use its best efforts to relocate residential Subtenants off the Premises. For purposes of this **Section 19.3** only, "**best efforts**" means good faith efforts, pursued with diligence, to relocate the residential Subtenants to any locations available to Tenant for appropriate housing of such Subtenants through cooperative agreements, funding agreements, or other then-existing arrangements with housing and supportive service providers, or under the direct control of Tenant or its agencies, without regard to the cost of such relocation, and in conjunction with each successful relocation, to lawfully terminate the Subtenant's Sublease.

(b) Landlord and Tenant agree that, upon the expiration or any other termination of the Lease, any Existing Subtenants who are residential tenants under an Approved Sublease who cannot be relocated using best efforts by Tenant will become direct tenants of Landlord automatically and shall attorn to Landlord under this Lease as of the expiration or

termination date, and Tenant will transfer to Landlord any Existing Subtenant's security deposits held by Tenant.

(c) For any residential Subtenant that becomes a direct tenant of Landlord under the terms of this Lease, Tenant shall pay to Landlord a sum equal to twice the maximum non-default monthly rent that can be charged under the residential Subtenant's Approved Sublease as of the Surrender Date (the "**Surrender Date Sublease Rent**"). For example, if the residential Subtenant has an Approved Sublease with an initial rent of \$800 per month and, over the term of the Approved Sublease, that initial rent has either increased or the increases have been banked for a cumulative total of \$200, then the Surrender Date Sublease Rent would be \$1,000 and the payment to Landlord for the transfer of the residential Sublease would be \$2,000 (2 x \$1,000). Any subsidies, forgiveness of, or abatement of a Subtenant's rent before the Surrender Date will not decrease the calculation of the Surrender Date Sublease Rent or Tenant's payment to Landlord for the transfer of the Sublease.

(d) Landlord and Tenant agree that not less than ten (10) days before the Surrender Date, Tenant shall provide to Landlord: (i) a current rent roll for all Existing Subtenants, (ii) a full copy of all agreements between Tenant and its Existing Subtenants respecting their occupancy at the Premises (provided, however, that Tenant may redact any personal information included in any Sublease that Tenant is required by Law to keep confidential or that does not pertain to the Tenant's obligations under the Sublease); (iii) an accounting or all payments by and credits for such Existing Subtenants as of the Surrender Date, and (iv) an explanation of any default by any such Existing Subtenant(s) or by Tenant. Tenant shall be solely responsible for curing any Tenant default under such subtenancy agreements as of the Surrender Date, and will hold harmless, defend and indemnify Landlord from and against any Claims arising from such default. Tenant shall exercise good faith efforts to ensure that the terms and conditions of the Approved Sublease that will continue as a direct lease with Landlord have not been waived or altered in a material way.

(e) Tenant will hold harmless, defend and indemnify Landlord or its Agents from any Claims advanced by any Subtenant to the extent the Claims reference events or occurrences prior to the Surrender Date (except to the extent the Claim is caused by a breach by Landlord of its duties under the Lease or is a Claim against Landlord not arising from Subtenant's subtenancy in or use of the Premises (for example, a dispute regarding an unrelated debt of Subtenant to Landlord or a vehicle accident between a Subtenant and an Agent of Landlord)). If there are any proceedings pending by Tenant against any Subtenant on or before the Surrender Date, Tenant shall hold Landlord harmless, and defend and indemnify Landlord from and against those Claims, unless Landlord is liable for such Claims under this Lease.

(f) Such transfer of Existing Subtenants will not affect any remedies that Landlord may have against Tenant for any Event of Default due to Tenant's failure to perform its obligations under the Sublease, including, for example, the failure to use an Approved Sublease form or to maintain the sublease rents as required by this Lease.

20. HAZARDOUS MATERIALS

20.1. Landlord's Representations and Covenants. Landlord represents and warrants to Tenant that to Landlord's Actual Knowledge, and except as otherwise disclosed to Tenant in a "Tank Closure Report" dated March 8, 1999, and a Phase I Environment Assessment dated February 10, 1999 (Report No. 7716), each prepared by Golden Gate Tank Removal, the following statements are true and correct as of the Lease Date: (a) the Property is not in violation of any Environmental Laws; (b) the Property is not now and has not been used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of the substances in limited quantities as is customary in office, restaurant/retail, or residential use, 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 Property does not consist of any non-encapsulated asbestos-containing materials or building materials that contain any other Hazardous Material; (e) the Property does not contain any lead-based paints that have not been painted over by non-lead-based paint; (f) no Release of any Hazardous Material exists or has occurred in, on or under the Property; and (g) the Property is not subject to any claim by any Environmental Regulatory Agency or third party related to the Release of any Hazardous Material, or any inquiry by any Environmental Regulatory Agency with respect to the presence of Hazardous Material in, on, or under the Property, or the migration of Hazardous Material from or to other real property. In performing its obligations under this Lease, Landlord agrees to comply with all Environmental Laws that could affect the health, safety, and welfare of Tenant's employees or Tenant's use, occupancy or enjoyment of the Premises for their intended purposes.

20.2. Landlord's Environmental Indemnity. In addition to Landlord's other indemnity obligations under this Lease, Landlord shall indemnify Tenant and its Agents against any and all Claims arising: (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding **Section 20.1**; or (b) in connection with any presence or Release of Hazardous Material in, on or under the Property, but only to the extent it is shown that Landlord or its Agents caused the Release. Landlord's obligations under this Section shall survive the expiration or termination of this Lease.

20.3. Tenant's Covenants. Tenant agrees to comply with all Environmental Laws related to its use of the Premises. Neither Tenant nor its Agents may cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or throughout the Premises, or transported to or from the Premises, in violation of any Environmental Laws, provided that Tenant may use substances containing Hazardous Materials in limited amounts as is customary and commonly required to maintain, operate or repair the Premises (including the Major Systems) in office or residential use so long as the use is in compliance with all applicable Laws. If Landlord, in its reasonable judgment, has reason to believe that any Hazardous Substances have been brought upon, used or Released in or about the Premises by Tenant or its Subtenants or Agents with or without Landlord's consent, Landlord will be entitled, at reasonable intervals during the Term, in Landlord's sole discretion, to have an environmental audit report, including a Phase I and Phase II report, performed, the costs of which will be the sole responsibility of and paid by Landlord. Tenant will reimburse Landlord for the reasonable and actual costs of the report(s) if and to the extent Tenant has caused or permitted the Hazardous Substances to have been brought upon, used or Released in or about the Premises.

Tenant shall copy Landlord on any official communication between Tenant and any governmental agency relating to Hazardous Materials located on the Property concurrently or as soon as reasonably practicable thereafter.

20.4. Tenant's Environmental Indemnity. If Tenant breaches its obligations under **Section 20.3** (Tenant's Covenants), or if Tenant, Tenant's Invitees, or its Agents cause the Release of Hazardous Material from, in, on or about the Premises (collectively, a "**Hazardous Materials Violation**"), then Tenant must indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of any Hazardous Materials Violation, except to the extent Landlord or its Agents are responsible for the Hazardous Materials Violation. Tenant's obligations under this Section will include defending Landlord against any cost, loss, demand, claim, or liability, including reasonable and actual attorneys' fees and disbursements and costs incurred in connection with any investigation of site conditions or any cleanup, remediation, removal or restorative work required by any Environmental Regulatory Agency resulting from a Hazardous Materials Violation. Tenant's obligation under this Section will not include any Claims resulting from the non-negligent aggravation by Tenant or its Agents, Invitees or Subtenants of physical conditions of the Premises existing before Tenant's occupancy.

21. SPECIAL PROVISIONS

21.1. Landlord's Right to Assign. Landlord will have the right to transfer its interest in the Property, the Premises, or the Lease to any other financially responsible person or entity, subject to the conditions set forth in this **Section 21.1**. Following a transfer, Landlord will be relieved of any obligations accruing under this Lease from and after the date of the transfer, provided that Landlord has provided timely notice to Tenant of the name and address of Landlord's successor(s) and a copy of an executed contract (redacted of all extraneous information, such as the economic terms of the transaction) under which the transferee assumes all of Landlord's obligations under this Lease.

22. LANDLORD'S REPRESENTATIONS AND RESERVED RIGHTS

22.1. Authority; Knowledge. Landlord represents and warrants to Tenant that the execution and delivery of this Lease by Landlord has been duly authorized and does not violate any provision of any agreement or Law to which Landlord or the Premises is subject, including all agreements, easements and encumbrances and any other title matters affecting the Premises. Landlord owns the Provided FF&E without any claim by any other party and Landlord has the right and authority to transfer the Provided FF&E to Tenant. Landlord represents and warrants to Tenant that Pete Patel and Kiran Patel are the persons most knowledgeable on behalf of Landlord about the Property.

22.2. Quiet Enjoyment and Title. Subject to the express provisions of this Lease, Landlord covenants that Tenant, upon paying the Rent and performing its other obligations under this Lease, will 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.

22.3. Bankruptcy. Landlord represents and warrants 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 for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no filing is threatened. Landlord and Tenant agree that Tenant's leasehold estate includes all rights to receive and enjoy all services, facilities and amenities of the Premises as provided in this Lease, and that if any of the services, facilities or amenities are terminated, or materially limited or restricted on account of an insolvency case or proceeding, or for any other reason, then in addition to any other remedies provided in this Lease, Tenant will have the right to contract directly with any third-party provider of the services, facilities or amenities to obtain the same.

22.4. Right of Entry. 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 must use commercially reasonable efforts, but will not be required, to give any prior notice), after giving Tenant at least 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 tenants, purchasers, mortgagees, insurers, appraisers and claims adjusters, or; (d) posting notices of non-responsibility; and (e) altering, improving or repairing the Premises and any portion of the Premises in accordance with this Lease, 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 these structures may not block the entrance to, or unreasonably interfere with Tenant's access to the Premises.

23. SPECIAL CITY PROVISIONS

23.1. Applicability of Ordinances.

(a) Tenant (i) acknowledges that during the Term, each of the units in the building will be exempt from the Residential Rent Stabilization and Arbitration Ordinance (S.F. Admin. Code Ch. 37) (the "**Rent Control Ordinance**"), if the rents for those units are "controlled or regulated by [a] governmental unit, agency or authority" under the Rent Control Ordinance 37.2(r)(4); and (ii) represents and warrants that in its capacity as tenant under this Lease, Tenant will not initiate any regulatory or legal action that would change the designation of units in the Premises as "tourist units" or "residential units" in effect on the Effective Date, as those terms are defined in the Residential Hotel Unit Conversion and Demolition Ordinance (S.F. Admin. Code Ch. 41) (the "**Residential Hotel Conversion Ordinance**").

(b) Landlord acknowledges that: Tenant cannot assure Landlord that Tenant's representations and acknowledgments in this Section will remain valid throughout the Term, as Tenant, in its capacity as tenant under this Lease, may in no way limit the discretion of the Board of Supervisors in considering or approving any amendments to the Residential Hotel Conversion Ordinance and the Rent Control Ordinance or predict any change in the legal interpretation of either ordinance.

23.2. Lease Approval. Landlord acknowledges and agrees that no officer or employee of City has authority to commit City to this Lease unless and until the Board of Supervisors has

duly adopted a resolution approving this Lease, and the Mayor has signed the resolution. Therefore, City's obligations or liabilities under this Lease are contingent until the Effective Date, and this Lease will be null and void unless the Mayor and the Board of Supervisors approve this Lease, in their respective sole and absolute discretion, and in accordance with all applicable Laws. Approval of this Lease by any City department, commission, or agency may not be deemed to imply that the resolution will be adopted or create any binding obligations on City. If the Board of Supervisors and Mayor have not adopted a resolution authorizing the Tenant to enter into the Lease and the Director of Property has not then signed the Lease within forty-five (45) days of the Lease Date, either Party may terminate the Lease and it will be null and void. Until approved by the Board of Supervisors and the Mayor has signed the resolution, no rights will accrue to either Party under this Lease.

23.3. Approvals. All approvals, consents or other determinations permitted or required by Tenant under this Lease will be made by or through City's Director of Property, or his or her designee, unless otherwise provided in this Lease, subject to any applicable limitations in City's Charter and Administrative Code.

23.4. Management. Tenant intends to contract with a management agent for the management of the Premises in accordance with this Lease. However, Tenant's obligations under this Lease are not contingent on the existence or validity of such an arrangement, nor shall any such property management arrangement alter Tenant's obligations under the Lease. In the event of any inconsistency between the terms of this Lease and any management contract, the terms of this Lease will control.

23.5. Non-Liability of City Officials, Employees and Agents. No elective or appointive board, commission, or Agent of City will be personally liable to Landlord, its successors and assigns, in the event of any default or breach by City or for any amount that may become due to Landlord, its successors and assigns, or for any obligation of Tenant under this Lease, except and to the extent of any gross negligence or willful misconduct of the individual or entity.

23.6. Controller's Certification of Funds. The terms of this Lease will be governed by and subject to the budgetary and fiscal provisions of the Charter of the City and County of San Francisco. Any City obligation for the payment or expenditure of money under this Lease is contingent on the Controller of the City and County of San Francisco first certifying, under section 3.105 of the Charter of the City and County of San Francisco, 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. Accordingly, 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 cost of any kind to City, as of the last date on which sufficient funds are appropriated. City will use its reasonable efforts to give Landlord reasonable advance notice of the termination.

23.7. Nondiscrimination in City Contracts and Benefits Ordinance.

(a) Covenant Not to Discriminate: In the performance of this Lease, Landlord covenants and agrees not to discriminate on the basis of the fact or perception of a person's race,

color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, height, weight, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee or, any City employee working with, or applicant for employment with, Landlord in any of Landlord's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Landlord.

(b) **Subcontracts:** Landlord must include in all subcontracts relating to the Premises a non-discrimination clause applicable to the subcontractor in substantially the form of **Subsection (a)** above. In addition, Landlord must 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 must require all subcontractors to comply with the provisions. Landlord's failure to comply with the obligations in this subsection must constitute a material breach of this Lease.

(c) **Nondiscrimination in Benefits:** Landlord does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving costs, pension and retirement benefits specified above within the United States, between employees with domestic partners and employees with spouses, and/or between domestic partners and spouses of the employees, where the domestic partnership has been registered with a governmental entity under state or local Law authorizing the registration, subject to the condition set forth in section 12.B2(b) of the San Francisco Administrative Code.

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

(e) **Incorporation of Administrative Code Provisions by Reference:** The provisions of 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 Agreement as though fully set forth in this Lease. Landlord must comply fully with and be bound by all of the provisions that apply to this Lease under any chapters of the Administrative Code, including the remedies provided in such chapters. Landlord understands that under section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which the 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.

23.8. MacBride Principles - Northern Ireland. The City and County of San Francisco 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 sections 12F.1 et seq. The City and County of San Francisco

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 the City and County of San Francisco concerning doing business in Northern Ireland.

23.9. Tropical Hardwood and Virgin Redwood Ban. Except as expressly permitted by the application of sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors must provide any items to City in the construction of Landlord's Work or otherwise in the performance of this Lease that are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood, or virgin redwood wood products.

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

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

23.11. Resource-Efficient Facilities and Green Building Requirements. Landlord acknowledges that City has enacted San Francisco Environment Code sections 700 to 710 relating to resource-efficient buildings and green building design requirements. Landlord hereby agrees to comply with all applicable provisions.

23.12. Tobacco Products Advertising Ban. Landlord acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of City, including the property that is the subject of this Lease. This prohibition includes the placement of the name of a company producing, selling, or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

23.13. Prohibition of Alcoholic Beverages Advertising. Landlord acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this Section, “**alcoholic beverage**” is defined as set forth in California Business and Professions Code section 23004, and does not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling, or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit, or other entity designed to: (a) communicate the health hazards of alcoholic beverages; (b) encourage people not to drink alcohol or to stop drinking alcohol; or (c) provide or publicize drug or alcohol treatment or rehabilitation services.

23.14. 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 any land or building to or from City whenever the transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for the contract until the termination of negotiations for the contract or a specified period (currently 6 months) has elapsed from the date the contract is approved by City elective officer, or the board on which that City elective officer serves. San Francisco Ethics Commission Regulation 1.126-1 provides that negotiations are commenced when a prospective contractor first communicates with a City officer or employee about the possibility of obtaining a specific contract. This communication may occur in person, by telephone or in writing, and may be initiated by the prospective contractor or a City officer or employee. Negotiations are completed when a contract is finalized and signed by City and the contractor. Negotiations are terminated when City and/or the prospective contractor end the negotiation process before a final decision is made to award the contract.

23.15. 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.

23.16. 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 sections 87100 et seq. and sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts that would constitute a violation of those provisions, and agrees that if Landlord becomes aware of any such fact during the Term, Landlord will immediately notify Tenant.

23.17. Public Transit Information. Landlord will establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Landlord employed on the Premises, including the distribution to employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Landlord's sole cost.

23.18. Food Service Waste Reduction Ordinance. Landlord agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code chapter 16, including the remedies provided, and implementing guidelines and rules, which are incorporated in and made a part of this Lease by reference as though fully set forth. This provision is a material term of this Lease. By entering into this Lease, Landlord agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Landlord agrees that the sum of \$100 in liquidated damages for the first breach, \$200 in liquidated damages for the second breach in the same year, and \$500 in liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation(s), established in light of the circumstances existing at the time this Lease was made. These amounts will not be considered penalties, but rather agreed monetary damages sustained by City because of Landlord's failure to comply with this provision.

23.19. Prevailing Wages. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises that Landlord provides under this Lease and are paid for in whole or in part out of public funds, as defined in California Labor Code Section 1720 (including any construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling), shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Landlord shall include, in any contract for construction of such Leasehold Improvements or other improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of any Leasehold Improvements or other improvements to the Premises.

24. GENERAL PROVISIONS

24.1. Notices. Except as otherwise specifically provided in this Lease, any notice given under this Lease must be in writing and be given by personal delivery, by express mail or commercial overnight 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) Tenant 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) any other address either Landlord or Tenant designates as its new address for notice by notice given to the other in accordance with this Section. Any notice given in accordance with this Section will be deemed to have been given and received 2 days after the date when it is mailed if sent by first-class, certified mail, the business day after the date of deposit if sent by express mail or overnight courier, or on the date

personal delivery is made. In any case where delivery is attempted but refused, notice will be deemed delivered on the date of refusal.

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

24.3. Force Majeure. The occurrence of any of the following events will excuse, for the duration of the event, performance of any obligation under this Lease if rendered impossible to perform: strikes; lockouts; labor disputes; acts of nature; inability to obtain labor, materials or reasonable substitutes therefore; governmental restrictions, regulations or controls; judicial orders; enemy or hostile governmental actions; civil commotions; fire or other casualty; and other causes beyond the reasonable control of the Party obligated to perform. Performance will be excused only if the Party to be excused has provided notice to the other Party within 30 days after the occurrence or commencement of the event or events.

24.4. Amendments. Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged, or terminated, except by a written instrument signed by the Party against which the enforcement of the change, waiver, discharge, or termination is sought. No waiver of any breach will affect or alter this Lease, but each and every term, covenant and condition of this Lease will continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Any amendments or modifications to this Lease, including amendments to or modifications to the exhibits to this Lease, will be subject to the mutual written agreement of Landlord and Tenant and may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises; (b) increasing the Term; (c) increasing the Rent; (d) changing the general use of the Premises from the use authorized under **Section 5.1** (Permitted Use); and (e) any other amendment or modification that materially increases Tenant's liabilities or financial obligations under this Lease will additionally require the approval of the Board of Supervisors and the Mayor.

24.5. Standard for Approval. Except as otherwise specifically provided in this Lease, wherever in this Lease Landlord or Tenant is required or requested to give its consent or approval to any matter or action by the other, the consent or approval will not be unreasonably withheld or delayed and the reasons for disapproval of consent must be stated in reasonable detail in writing.

24.6. Successors and Assigns. Subject to the provisions of **Article 14** (Assignment and Subletting), the terms, covenants and conditions contained in this Lease will bind and inure to the benefit of Landlord and Tenant and, except as otherwise provided in this Lease, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease, including any management agent with which Tenant may contract for management of the Premises and any participants in Tenant's programs directed toward providing services and/or nonexclusive use of the Premises for temporary stabilization of homeless persons, and this Lease shall not be deemed to have conferred any rights, express or implied, upon any other person.

24.7. 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 in this Lease, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, will be the sole responsibility of Landlord under a separate written agreement between Landlord and the broker, and Tenant will have no liability therefor. If any other broker or finder perfects a claim for a commission or finder's fee based upon contact, dealings or communication, the Party through whom the broker or finder makes his claim will be responsible for the commission or fee and will indemnify the other Party from any and all Claims incurred by the indemnified Party in defending against the same. The provisions of this Section will survive any termination of this Lease.

24.8. Severability. If any provision of this Lease or the application thereof to any person, entity or circumstance is invalid or unenforceable to any extent, the remainder of this Lease, or the application of the provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, will not be affected thereby, and each other provision of this Lease will be valid and be enforceable to the full extent permitted by Law.

24.9. Governing Law. This Lease must be construed and enforced in accordance with the laws of the State of California and City's Charter.

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

24.11. Attorneys' Fees. If either Landlord or Tenant fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting Party or the Party not prevailing in the dispute, as the case may be, must pay any and all costs incurred by the other Party in enforcing or establishing its rights under this Lease (whether or not the action is prosecuted to judgment), including court costs and reasonable attorneys' fees.

24.12. Cumulative Remedies. All rights and remedies of either Party set forth in this Lease will be cumulative, except as may otherwise be provided.

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

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

24.15. Effective Date. This Lease will be effective on the date that both of the following are satisfied: (a) the City's Board of Supervisors and Mayor, in their sole and absolute discretion, adopt and approve, respectively, a resolution approving this Lease in accordance with all applicable Laws, as determined by the City's Board of Supervisors and Mayor; and (b) this Lease is duly executed by the Parties.

24.16. Interpretation of Lease.

(a) References in this Agreement to Tenant's acts or omissions will mean acts or omissions by Tenant and its Agents and Invitees unless the context requires otherwise.

(b) Whenever an exhibit or schedule is referenced, it means an attachment to this Agreement unless otherwise specifically identified. All exhibits and schedules are incorporated in this Agreement by reference.

(c) Whenever a section, article, or paragraph is referenced, it refers to this Agreement unless otherwise specifically provided. The captions preceding the articles and sections of this Agreement and in the table of contents have been inserted for convenience of reference only and must be disregarded in the construction and interpretation of this Agreement. Wherever reference is made to any provision, term, or matter "in this Agreement," "in this Agreement" or "hereof" or words of similar import, the reference will be deemed to refer to any reasonably related provisions of this Agreement in the context of the reference, unless the reference refers solely to a specific numbered or lettered section, subdivision, or paragraph of this Agreement.

(d) References to all Laws, including specific statutes, relating to the rights and obligations of either Party mean the Laws in effect on the effective date of this Agreement and as they are amended, replaced, supplemented, clarified, or superseded at any time during the term of this Agreement or while any obligations under this Agreement are outstanding, whether or not foreseen or contemplated by the Parties.

(e) The terms "include," "included," "including" and "such as" or words of similar import when following any general term, statement, or matter may not be construed to limit the term, statement, or matter to the specific items or matters, whether or not language of non-limitation is used, but will be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of the term, statement, or matter, and will be deemed to be followed by the phrase "without limitation" or "but not limited to."

(f) This Agreement has been negotiated at arm's length between persons sophisticated and knowledgeable in the matters addressed. In addition, each Party has been represented by experienced and knowledgeable legal counsel, or has had the opportunity to consult with counsel. Accordingly, the provisions of this Agreement must be construed as a whole according to their common meaning in order to achieve the intents and purposes of the Parties, without any presumption (including a presumption under California Civil Code § 1654) against the Party responsible for drafting any part of this Agreement.

(g) The Party on which any obligation is imposed in this Agreement will be solely responsible for paying all costs incurred in performing the obligation, unless the provision imposing the obligation specifically provides to the contrary.

(h) Whenever required by the context, the singular includes the plural and vice versa, the masculine gender includes the feminine or neuter genders and vice versa, and defined terms encompass all correlating forms of the terms (for example, the definition of "waive" applies to "waiver," waived," waiving").

24.17. Definitions. Definitions used in this Lease are found in the specified locations in this Lease or are set forth below.

"Additional Charges" is defined in **Section 4.1**.

"Adjustment Percentage" means the percentage increase in the CPI most recently published as of the end of the applicable Lease Year from the CPI most recently published as of the commencement of the applicable Lease Year.

"Agents" when used with reference to either Party to this Lease or any other person, means the officers, directors, employees, agents, and contractors of the Party or other person, and that Party's (or person's) respective heirs, legal representatives, successors, and assigns. The term "Agents" shall not apply so as to make a counterparty an "Agent" of a Party unless an express agency is in effect under the terms of this Lease.

"alcoholic beverage" is defined in **Section 23.13**.

"Alterations" means any alterations, installations, additions, or improvements to the Premises.

"Approved Sublease" is defined in **Section 14.1**.

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

"Basic Lease Information" means the terms and conditions to this Lease summarized in **Article 1** of this Lease.

"Building" means the building consisting of approximately 15,000 square feet, as described in **Article 2**.

“**business day**” means any weekday during which businesses are generally open for business, excluding local, state, and federal holidays observed by the City.

“**City**” means the City and County of San Francisco, a municipal corporation.

“**Claims**” means any of the following, or any combination thereof: all claims, demands, actions, arbitrations, judicial reference proceedings, damages, liability and expense incurred by a Party (including reasonable attorneys’ fees and costs of investigation with respect to any claim, demand or action).

“**CMD**” is defined in **Section 23.7(d)**.

“**Commercial Premises**” means a portion of the Premises as described in the Basic Lease Information and shown on **Exhibit A**.

“**Commercial Subtenant**” shall mean any Subtenant occupying the commercial premises.

“**cost**” means all cost and expense.

“**CPI**” is defined in **Section 4.2**.

“**Date of Taking**” means the earlier of the date upon which title to any portion of the Premises taken passes to and vests in the condemnor or the date on which Tenant is dispossessed.

“**Disabilities Laws**” means the Americans With Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq., 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.

“**HSH**” is defined in the preamble.

“**Early Termination Date**” is defined in **Section 3.5**.

“**Effective Date**” is defined in **Section 24.15**.

“**Encumbrance**” is defined in **Article 11**.

“**Environmental Law**” means any Law relating to industrial hygiene, environmental conditions, or Hazardous Material.

“**Environmental Regulatory Agency**” means any federal, state, local regulatory agency or political subdivision, including the United States Environmental Protection Agency, the California Environmental Protection Agency, the California Department of Toxic Substances Control, the Regional Water Quality Control Board, the San Francisco Department of Public Health, and any other regulatory body with the authority to regulate Hazardous Materials.

“Essential Services” means the sanitary, electrical, HVAC system, water, and other essential services serving the Premises.

“Estimated Commencement Date” is defined in **Section 3.1**.

“Existing Subtenants” are those Subtenants occupying units at the Premises as of any termination or expiration of the Lease Term.

“Expiration Date” is defined in **Section 3.1**.

“Extended Term” is defined in **Section 3.4**.

“Extension Options” is defined in **Section 3.4**.

“Fair Market Rent” means the rent that would be realized by offering the entire Premises for rent in the open market as a vacant building, unencumbered by the Lease, based on the prevailing market rental rate for space of comparable size and location to the Premises in other recently leased buildings similar in age, seismic condition, location and quality to the Premises, taking into account all relevant factors in the market, such as: (i) any cost adjustments such as utilities paid; (ii) any additional rent and all other payments and escalations payable; (iii) location, access to natural light, size of the premises, and comparable condition of the comparable space; (iv) the duration of the renewal term and the term of the lease for comparable space; and (v) free rent, tenant improvement allowances and other allowances offered for the comparable space, and any other tenant concessions offered for transactions relating to comparable space.

“FF&E” means furniture, fixtures, and equipment as described in **Section 6.1**.

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

“Hazardous Material Violation” is defined in **Section 20.4**.

“HVAC” means the heating, venting and air conditioning system (including the boiler) of the Premises.

“Interest Rate” is defined in **Section 4.7**.

“**Invitees**” means invitees, licensees, patrons, guests, contractors, Agents and any other person whose entry into the Premises is permitted (directly or indirectly) by a Party then in control of the Premises.

“**Landlord**” is defined in the preamble.

“**Landlord's Actual Knowledge**” means the actual knowledge of the principals of Landlord: Kiran Patel and Pete Patel (aka Ray Kumar), without any duty of investigation.

“**Landlord's Work**” is defined in **Section 6.1** and identified in **Exhibit C**.

“**Law**” means any present or future federal, state, local or administrative law, statute, ordinance, code, resolution, rule, regulation, judicial decision, requirement, proclamation, order, decree, policy of any governmental agency with jurisdiction over any portion of the Premises (including all equitable rules, remedies, and determinations of general application), whether in effect when this Lease is executed or at any later time and whether or not within the present contemplation of the Parties.

“**Lease**” is defined in the preamble.

“**Lease Date**” is the date that City Attorney has approved this Lease as to form, as provided on the signature page to this Lease.

“**Lease Year**” means the calendar year immediately following the Rent Commencement Date and any subsequent calendar year during the Term, as it may be extended.

“**Life Safety Laws**” means all Laws relating to fire and life safety.

“**MAI**” appraiser means an individual who holds an MAI designation conferred by, and is an independent member of, the Appraisal Institute (or its successor organization, or in the event there is no successor organization, the organization and designation most similar).

“**Major Systems**” means the HVAC (including the boiler and hot water storage), plumbing (other than the main sewer, water and gas pipes), and electrical systems of the Premises.

“**Non-Major Repairs**” is defined in **Section 8.3(a)**.

“**Non-Qualifying Subtenants**” is defined in **Section 19.3(b)**.

“**Option Notice**” is defined in **Section 3.4**.

“**ordinary wear and tear**” means the normal wear and tear to the Premises expected over the Term, assuming that Tenant complies with its repair, maintenance, and other obligations under this Lease, but does not include the effect of any Tenant Damages.

“**Partial Taking**” means a Taking of any portion (but less than all) of the Premises.

“Party” means Tenant and its authorized successors and assigns or Landlord and its successors or assigns.

“Permitted Use” means the uses specified in the Basic Lease Information.

“person” means any individual, partnership, corporation (including any business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture, Regulatory Agency, or any other entity or association.

“Premises” is defined in **Article 2** and shown on **Exhibit A**.

“Premises Sublease” is defined in **Section 14.1**.

“preservative-treated wood containing arsenic” is defined in **Section 23.10**.

“prevailing party” means the Party that substantially obtains or defeats, as the case may be, the relief sought in the action or proceeding, whether by compromise, settlement, judgment, or the other Party’s abandonment of its claim or defense.

“Property” means the Building, including the Premises, and the underlying land within Landlord’s legal parcel for the Premises.

“Provided FF&E” is defined in **Section 6.1**.

“Real Estate Taxes” means all taxes, assessments and charges levied upon or with respect to the Premises, including all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes, and any tax, fee, or excise on the act of entering into this Lease or any other lease of space in the Premises or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Premises, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and will also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes, whether or not now customary or in the contemplation of the Parties on the date of this Lease. Notwithstanding the above, Real Estate Taxes shall not include hotel tax or rent stabilization taxes or other taxes and charged assessed to the Premises which are directly attributable to the City’s occupancy of the Premises under this Lease, or taxes or assessments in lieu thereof.

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

“Rent” is defined in **Section 4.1(a)**.

“Rent Adjustment Date” is defined in the Basic Lease Information.

“Rent Commencement Date” is defined in **Section 3.1(a)**.

“Rent Control Ordinance” is defined in **Section 23.1(a)**.

“Repair Period” is defined in **Article 12**.

“Residential Hotel Conversion Ordinance” is defined in **Section 23.1(a)**.

“residential premises” means the portion of the Premises devoted to residential uses, as shown on **Exhibit A**.

“R&M costs” is defined in **Section 8.2(a)**.

“saltwater immersion” is defined in **Section 23.10**.

“Sublease” means any agreement by which Tenant leases, subleases, demises or grants to any person in conformity with the provisions of this Lease the right to occupy a portion of the Premises to the exclusion of other Persons, or for less than the full Term. “Subleases” shall not include licenses or other written agreements with participants in Tenant’s programs directed toward providing programmatic-related shelter, services and/or nonexclusive use of the Premises for temporary stabilization of homeless persons.

“Subtenant Costs” is defined in **Section 19.4(c)**.

“Substantial Completion” is defined in **Section 6.1(e)**.

“Subtenant” means any person leasing, using, or occupying any portion of the Premises under and by virtue of a legally enforceable occupancy agreement, including a Sublease. “Subtenants” shall not include licensees under a revocable license (for example, participants in Tenant’s programs directed toward providing services support services involving the temporary stabilization of homeless persons who will have no rights to residential tenancy at the Premises).

“Surrender Date” is defined in **Section 19.3**.

“Taking” means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under Law of all of the Premises or the interest under this Lease, and is consummated by recording a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

“Tenant” means the Party identified as Tenant in the preamble.

“Tenant Cap” is defined in **Section 8.2(a)**.

“Tenant Damages” is defined in **Section 8.3(a)**.

“Tenant Event of Default” is defined in **Section 15.1**.

“Tenant’s Invitees” means Tenant’s clients, licensees, invitees, patrons, guests, Subtenants, and any other person whose entry into the Premises is permitted or allowed by Tenant or its Subtenants or invitees, or whose rights of access arise through any of them, but shall exclude Landlord and Landlord’s Agents.

“Tenant’s Property” is defined in **Section 7.2(a)**.

“Term” is defined in **Section 3.1**.

“Termination Notice” is defined in **Section 3.3(a)**.

“uninsured costs” is defined in **Section 8.1(c)**.

“worth at the time of the award” is defined in **Section 15.2(a)(v)**.

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

LANDLORD:

SHAHINA HOLDINGS, LLC

By: _____
Pravin ("Pete") Patel
Its: Manager

CITY:

CITY AND COUNTY OF SAN FRANCISCO
a municipal corporation

By: _____
John Updike
Director of Property

RECOMMENDED:

By: _____
Jeff Kositsky
Director
Department of Homelessness and
Supportive Housing

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

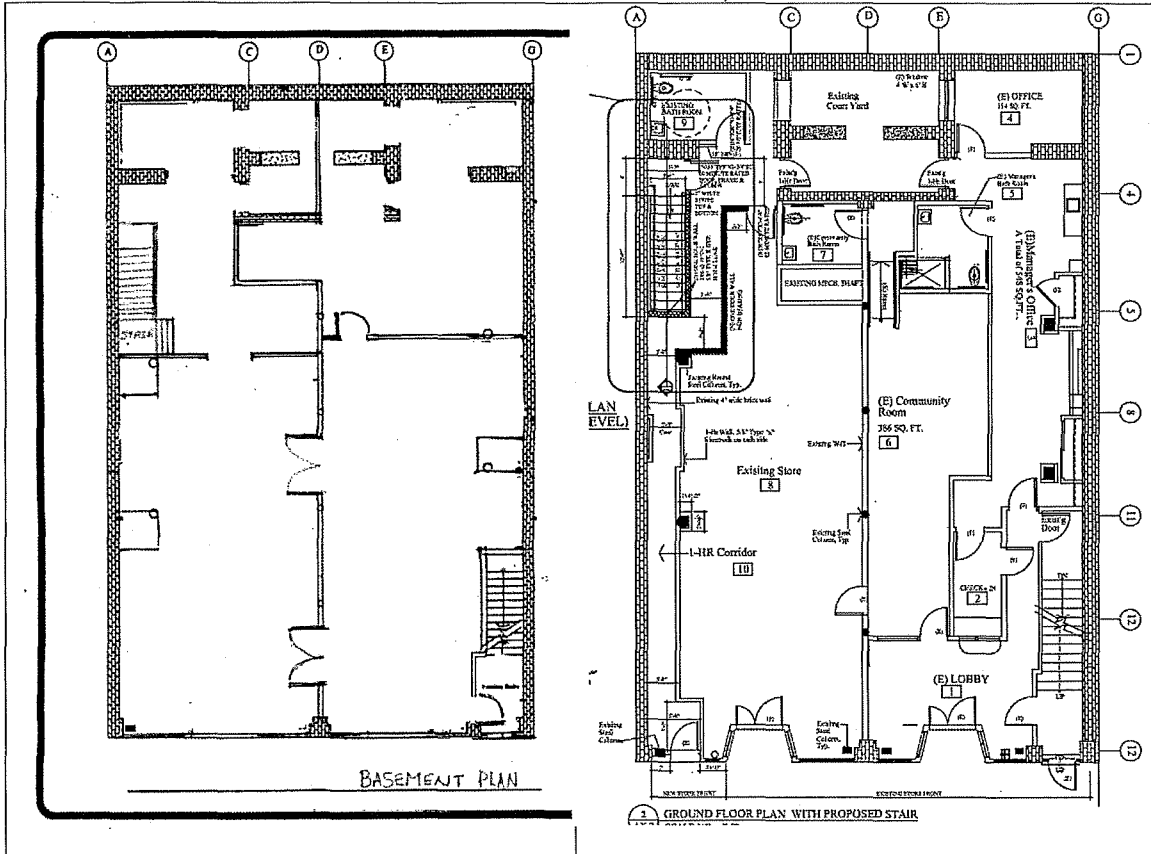
By: _____
Eileen K. Chauvet
Deputy City Attorney

Date: _____ ("Lease Date")

EXHIBIT A

Premises Floor Plans

(Consisting of 2 page(s), attached.)



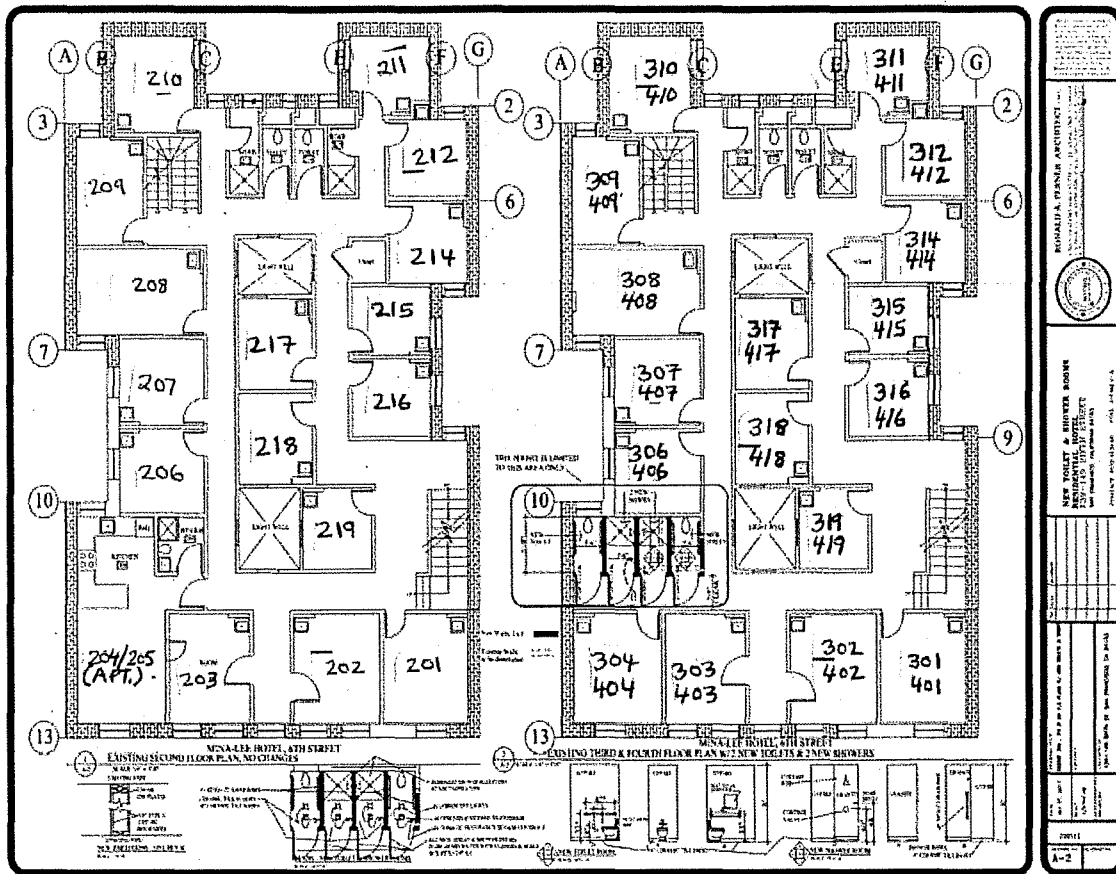


EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Rent Commencement Date, Lease Between SHAHINA HOLDINGS, LLC __ (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as _____ located at _____

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Rent 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:

CITY AND COUNTY OF SAN FRANCISCO

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

Landlord's Work

Landlord recognizes that the Premises currently have certain deficiencies that would adversely affect Tenant's operations at the Premises and require repairs and that these repairs fall under Landlord's responsibility as detailed in **Article 6** and **Section 8.1** of the Lease. At the same time, Tenant recognizes that repairs are substantial and costly and agrees that the following repairs may be performed according to an agreed upon schedule of repairs as further detailed in this **Exhibit C**. If any condition not listed in this **Exhibit C** is discovered in the course of any of the repairs that requires additional work to comply with any permit, regulatory requirement, or other Law required for Tenant to legally occupy the Premises for Tenant's intended use, those repairs will be deemed to be included on this **Exhibit C** and included as Landlord's Work to be completed by Landlord in accordance with this **Exhibit C** and **Article 6**.

The Parties understand that: (i) any Alterations to be made to the Commercial Premises are not tied to the timelines recited in **Section 6.1** and do not affect the determination of Substantial Completion of the Landlord Work on the remainder of the Premises, and such improvements may be completed by Landlord within _____ of obtaining final approval from Tenant of the scope and nature of such improvements; (ii) the costs of Alterations to the Commercial Premises is to be paid by Landlord; (iii) the Parties shall in good faith and promptly collaborate in determining the scope of work to be completed by Landlord for the Commercial Premises.

Landlord and Tenant agree to the attached schedule for completion of the specified repairs.

EXHIBIT D

Dispute Resolution Procedures

(a) It is the desire and intention of the Parties to agree upon a mechanism and procedure under which controversies and disputes arising out of this Lease or related to the Premises will be resolved in a prompt and expeditious manner. Accordingly, except with respect to actions for determination of a Tenant Event of Default, unlawful or forcible detainer, injunctive or provisional relief (for example, with respect to the prejudgment remedy of attachment), any action, proceeding or counterclaim brought by either Party hereto against the other (and/or against its officers, directors, employees, agents or subsidiaries or affiliated entities) on any matters arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Premises and/or any claim of injury or damage, whether sounding in contract, tort, or otherwise, shall be heard and resolved by a referee under the provisions of the California Code of Civil Procedure, Sections 638–645.1, inclusive (as same may be amended, or any successor statute(s) thereto) (the “**Referee Sections**”).

(b) Any fee to initiate the judicial reference proceedings and all fees charged and costs incurred by the referee shall be paid by the Party initiating such procedure (except that if a reporter is requested by either Party, then a reporter shall be present at all proceedings where requested and the fees of such reporter, except for copies ordered by the other Party shall be borne by the Party requesting the reporter); provided, however, that allocation of the costs and fees, including any initiation fee, of such proceeding shall be ultimately determined in accordance with **Section 24.11** of this Lease.

(c) The venue of the proceedings shall be San Francisco, California. Within ten (10) days after receipt by any Party of a written request to resolve any dispute or controversy pursuant to this paragraph, the Parties shall agree upon a single referee who shall try all issues, whether of fact or law, and report a finding and judgment on such issues as required by the Referee Sections. If the Parties are unable to agree upon a referee within such 10-day period, then any Party may thereafter file a lawsuit in San Francisco, California, for the purpose of appointment of a referee under the Referee Sections. If the referee is appointed by the court, the referee shall be a neutral and impartial retired judge with substantial experience in the relevant matters to be determined, from Jams/Endispute, Inc., the American Arbitration Association, or similar mediation/arbitration entity. The proposed referee may be challenged by any Party for any of the grounds listed in the Referee Sections. Any such challenge must be made within ten (10) days of the proposed appointment of such referee or it is waived.

(d) The referee shall have the power to decide all issues of fact and law and report his or her decision on such issues, and to issue all recognized remedies available at law or in equity for any cause of action that is before the referee, including an award of attorneys' fees and costs in accordance with this Lease. The referee shall not, however, have the power to award punitive damages, nor any other damages that are not permitted by the express provisions of this Lease, and the Parties hereby waive any right to recover any such damages. The Parties shall be entitled to conduct all discovery as provided in the California Code of Civil Procedure, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge, with rights to regulate discovery and to issue and enforce subpoenas, protective

orders and other limitations on discovery available under California law, and shall include the power to sanction the Parties for discovery misconduct to the same extent as a judge would in a civil action. The reference proceeding shall be conducted in accordance with California law (including the rules of evidence), and in all regards, the referee shall follow California law applicable at the time of the reference proceeding.

(e) The Parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms of this **Exhibit D**. In this regard, the Parties agree that the Parties and the referee shall use best efforts to ensure that (a) discovery be conducted for a period no longer than six (6) months from the date the referee is appointed, excluding delays due to motions regarding discovery, and (b) a trial date be set within nine (9) months of the date the referee is appointed. In accordance with Section 644 of the California Code of Civil Procedure, the decision of the referee upon the whole issue must stand as the decision of the court, and upon the filing of the statement of decision with the clerk of the court, or with the judge if there is no clerk, judgment may be entered thereon in the same manner as if the action had been tried by the court. Any decision of the referee and/or judgment or other order entered thereon shall be appealable to the same extent and in the same manner that such decision, judgment, or order would be appealable if rendered by a judge of the superior court in which venue is proper hereunder. The referee shall in his/her statement of decision set forth his/her findings of fact and conclusions of law.

(f) The Parties intend this general reference agreement to be specifically enforceable in accordance with the Code of Civil Procedure. Nothing in this paragraph shall prejudice the right of any Party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under the Code of Civil Procedure and/or applicable court rules. The provisions of this **Exhibit D** shall survive the expiration or earlier termination of this Lease.

APPROVED:

EXHIBIT E

Form of Residential Sublease

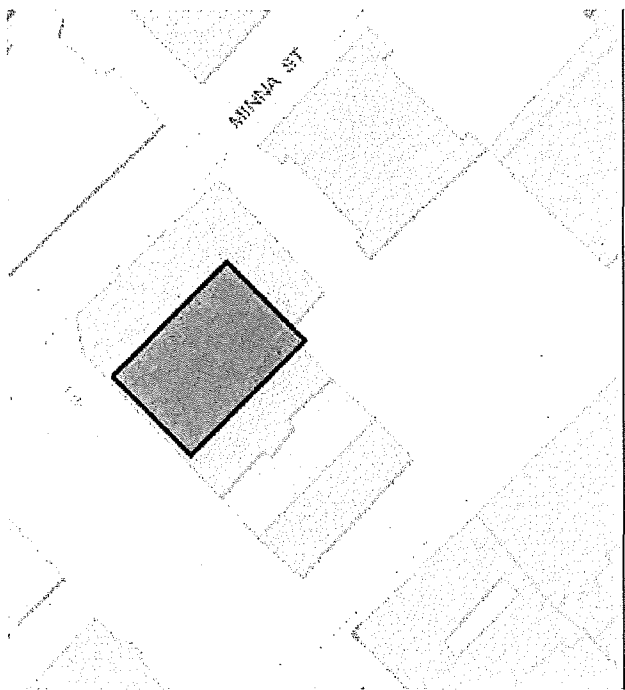
[ATTACHED]

EXHIBIT F

Form of Appraisal Request and Instructions

Dear Appraiser,

The City and County of San Francisco is seeking a Fair Market Rent (as defined below) appraisal for privately owned property located at 139-149 6th Street in San Francisco. The 4-story building is located on Assessor's Block/Lot: 3725/063 and zoned NCT in the SOMA Neighborhood Commercial District. The building was previously used as a residential hotel, formerly known as the Minna Lee Hotel. The building currently has approximately 50 residential units and 1 manager's suite. The manager's suite is the only unit that has a dedicated restroom. All other residential units share common facilities. There is no elevator and all units are located on floors 2-4. The ground floor contains no residential units and is outfitted for commercial uses. Below is a depiction of the parcel:



PARCEL HISTORY:

None

ADDRESSES:

139 06TH ST, SAN FRANCISCO, CA 94103

141 06TH ST, SAN FRANCISCO, CA 94103

143 06TH ST, SAN FRANCISCO, CA 94103

149 06TH ST, SAN FRANCISCO, CA 94103

NEIGHBORHOOD:

South of Market [View Neighborhood Groups Map](#)

[Find services nearby \(street cleaning, parks, MUNI, etc\)](#)

CURRENT PLANNING TEAM:

[SE Team](#)

PLANNING DISTRICT:

District 4: Downtown

The City and Landlord are currently in negotiations to set the Base Rent for a 5-year extension of the term of the Lease. The Base Rent for the Extended Term will be the greater of (i) ninety-five percent (95%) of the Fair Market Rent or (ii) one hundred three percent (103%) of the annual Base Rent payable in the immediately prior Lease Year.

Under the Lease, "Fair Market Rent" means the rent that would be realized by offering the entire Premises for rent in the open market as a vacant building, unencumbered by the Lease, based on the prevailing market rental rate for space of comparable size and location to the Premises in other recently leased buildings similar in age, seismic condition, location and quality to the Premises, taking into account all relevant factors in the market, such as: (i) any cost adjustments such as utilities paid; (ii) any additional rent and all other payments and escalations payable;

(iii) location, access to natural light, size of the premises, and comparable condition of the comparable space; (iv) the duration of the renewal term and the term of the lease for comparable space; and (v) free rent, tenant improvement allowances and other allowances offered for the comparable space, and any other tenant concessions offered for transactions relating to comparable space.

Some general assumptions that must be considered:

- Take into account any covenants conditions, restrictions, easements, and assessments benefiting or burdening the Property.
- The appraisal shall also take into account any unusual characteristics of the Property.
- Make a personal inspection of the Property.
- Present all pertinent information supporting your conclusions, including comparable sales data, photographs, area and property data, maps, plans, and other similar or pertinent documentation, as well as a clear and detailed description of the assumptions and any limiting conditions, qualifications or omissions, and of the method of analysis used in reaching the conclusions.

Additionally, please note the following:

- A copy of the complete Lease will be provided to the appraiser.
- All requests for clarification, questions, or other communications with the City or Landlord in response to this Appraisal Request or in the course of your engagement must include both the City and the Landlord; the appraiser must communicate with both parties concurrently.
- The appraisal must be completed and submitted to the City and Landlord within forty-five (45) days after the appraiser is engaged.

Please respond with your bid and time to complete upon a fully executed contract no later than close of business on _____.



DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

March 13, 2018

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: 51-UNIT SUPPORTIVE HOUSING PROPERTY – 10 YEARS

Dear Ms. Calvillo:

Attached please find the proposed resolution for Board of Supervisors approval, authorizing the master lease of the building located at 149 6th Street, San Francisco, California ("Building"), between the City and County of San Francisco ("City") and Shahina Holdings, LLC ("Landlord"), on behalf of the Department of Homelessness and Supportive Housing (HSH) for the purpose of creating supportive housing to serve adults experiencing homelessness in San Francisco. The Building contains 51 single occupancy units, lower-level operational support space, and commercial space. This proposed new lease was found to be in conformance with the City's General Plan via the enclosed letter dated June 5, 2016.

HSH seeks Board of Supervisors approval and authorization of the negotiated lease agreement for an initial ten (10)-year term at a base rent of \$765 per single occupancy unit per month (\$39,000 total per month or \$468,000 per year). The proposed lease terms state that annual rent shall increase at no less than two (2) percent and no greater than six (6) percent on each anniversary date of the lease. The lease includes two (2) options to extend the term for an additional five years each. The options to extend re-establish rent at the greater of either 95 percent of the fair market rent at the time of the extension or 103 percent above the previous year's rent amount. The total potential term under the proposed lease is twenty (20) years.

Please contact Nina Marinkovich, HSH Real Estate Development Analyst, at (415) 505-5139 if you need further information.

Sincerely,

Jeff Kositsky
Director


P. O. BOX 427400
SAN FRANCISCO, CA 94142-7400
415.252.3232
<http://hsh.sfgov.org>



OFFICE OF THE MAYOR
SAN FRANCISCO




MARK FARRELL
MAYOR

TO:  Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Farrell
RE: Master Lease - Shahina Holdings, LLC - 149 6th Street - Initial Monthly
Base Rent of \$39,000
DATE: March 13, 2018

Attached for introduction to the Board of Supervisors is a resolution authorizing the execution and acceptance of a Residential Master Lease of initial term of ten years by and between the City and County of San Francisco and Shahina Holdings, LLC, a California Limited Liability Company, for the real property located at 149 6th Street, providing 51 units of supportive housing; finding the proposed transaction is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1.; and adopting CEQA findings.

I respectfully request that this item be calendared in Budget & Finance Committee on March 22, 2018.

Should you have any questions, please contact Andres Power (415) 554-5168.

BY 
2018 MAR 13 PM 2:37
BOARD OF SUPERVISORS
SAN FRANCISCO

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: Shahina Holdings, LLC	
<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>	
(1) Pravin Patel, Manager/Member; Kiran Patel, Member; Ashok Patel, Member	
(2) N/A	
(3) N/A	
(4) N/A	
(5) N/A	
Contractor address: 860 Eddy Street; San Francisco, CA 94109	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$6,168,612.03
Describe the nature of the contract that was approved: 10-Year contract with Base Rent at \$39,000 per year, escalating between 2% & 6% per year.	
Comments: Contract amount assumed to escalate at highest end of 6% per year.	

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	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

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

Date Signed

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

Date Signed