

BOARD of SUPERVISORS



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MEMORANDUM

LAND USE AND TRANSPORTATION COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Land Use and Transportation Committee

FROM: Victor Young, Assistant Clerk

DATE: July 25, 2016

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, July 26, 2016

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting, Tuesday, July 26, 2016. This item was acted upon at the Committee Meeting on Monday, July 25, 2016, at 1:30 p.m., by the votes indicated.

Item No. 72 File No. 160751

Resolution authorizing the Sublease between the City and County of San Francisco, as Tenant and Sublandlord, and At The Crossroads, as Subtenant, of 4,124 rentable square feet in the building located at 167 Jessie Street, for an initial term of five years at a base rent of \$1 per year, to commence upon approval by the Board of Supervisors and Mayor, in their respective sole and absolute discretion.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Scott Wiener - Aye
Supervisor Aaron Peskin - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney

File No. 160751

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation

Date July 25, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Memorandum of Understanding (MOU) |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Form 126 - Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 700 |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>General Plan Referral</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Working Group on Nonprofit Displacement Report</u> |
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Completed by: Alisa Somera Date July 21, 2016

Completed by: V Young Date 7/25/16

1 [Sublease of Non-Profit Office Space Under City's Master Lease - At The Crossroads - 167
2 Jessie Street - \$1 per Year Base Rent]

3 **Resolution authorizing the Sublease between the City and County of San Francisco, as**
4 **Tenant and Sublandlord, and At The Crossroads, as Subtenant, of 4,124 rentable**
5 **square feet in the building located at 167 Jessie Street, for an initial term of five years**
6 **at a base rent of \$1 per year, to commence upon approval by the Board of Supervisors**
7 **and Mayor, in their respective sole and absolute discretion.**

8
9 WHEREAS, The City's Working Group on Nonprofit Displacement issued a report and
10 recommendations on May 13, 2014; and

11 WHEREAS, Page 27 of the report included a finding that City property could potentially
12 be made available to nonprofit organizations at low cost to be used for administrative offices,
13 performance spaces, educational sites and other purposes relevant to the organization's
14 missions; and

15 WHEREAS, On April 1, 2017, by Resolution No. 20-15, the City and County of San
16 Francisco ("City" or "Tenant" or "Sublandlord") entered into a lease with Third and Mission
17 Associates, LLC ("Landlord") of 4,124 rentable square feet on the third and fourth floors of the
18 building located at 167 Jessie Street in San Francisco (the "Premises") for a term of 87 years
19 ("Master Lease") at a nominal annual rent expense of \$1.00; and

20 WHEREAS, Through a competitive request for proposal process, At The Crossroads
21 ("Subtenant"), a nonprofit organization that reaches out to homeless youth and young adults
22 at their point of need, and works with them to build healthy and fulfilling lives, was selected to
23 negotiate a sublease of the Premises under the City's Master Lease; and

24 WHEREAS, City and Subtenant, through its Real Estate Division, the Mayor's Office of
25 Housing and Community Development ("MOHCD") and with consultation from the Office of

1 the City Attorney, have negotiated a sublease with an initial term of five years at the nominal
2 annual rent expense of \$1.00, a copy of which is on file with the Clerk of the Board of
3 Supervisors under File No. 160751 and is incorporated herein by reference (the "Sublease");
4 and

5 WHEREAS, Subtenant shall be responsible for its actual utility usage, services,
6 improvements, maintenance and repair within the Premises (collectively, "Premises Costs")
7 and shall also be responsible for its proportionate share of costs assessed by Landlord for
8 common area utility usage, services, maintenance, repairs, taxes and insurance (collectively,
9 "Common Costs"); and

10 WHEREAS, Subtenant shall be solely responsible, at no cost to City, for payment of
11 Premises Costs and Common Costs; and

12 WHEREAS, Subtenant has one (1) five-year option to extend the term of the Sublease;
13 and

14 WHEREAS, The Planning Department found the Master Lease to be, on balance, in-
15 conformity with the General Plan in a letter dated December 9, 2014, to the Director of
16 Property (a copy of which is on file with the Clerk of the Board of Supervisors in File No.
17 160751); now, therefore, be it

18 RESOLVED, That in accordance with the recommendation of the Director of Property
19 and the Director of MOHCD, that the Director of Property on behalf of the City, as
20 Sublandlord, be and is hereby authorized to take all actions necessary to execute the
21 Sublease; and, be it

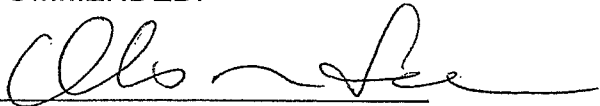
22 FURTHER RESOLVED, That the Director of Property shall be authorized to enter into
23 any additions, amendments or other modifications to the Sublease (including, without
24 limitations, the exhibits) that the Director of Property determines, in consultation with MOHCD
25 and the City Attorney, are in the best interests of the City, do not materially increase the

1 obligations or liabilities of the City, and are necessary or advisable to complete the transaction
2 and effectuate the purpose and intent of this resolution; and, be it

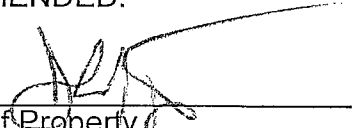
3 FURTHER RESOLVED, That any action taken by the Director of Property and other
4 officers of the City with respect to the Sublease are hereby approved, confirmed and ratified;
5 and be it

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

9
10
11 RECOMMENDED:

12 
13 _____
14 Director
15 Mayor's Office of Housing and Community Development

16 RECOMMENDED:

17 
18 _____
19 Director of Property
20 Real Estate Division

OFFICE LEASE

between

CITY AND COUNTY OF SAN FRANCISCO,
as Sublandlord

and

AT THE CROSSROADS,
as Subtenant

167 Jessie Street, San Francisco, California

June 17, 2016

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LIST OF EXHIBITS

EXHIBIT A – Master Lease dated December 12, 2014

EXHIBIT B - Floor Plan of Premises

EXHIBIT C – Emergency Access Easement Areas

EXHIBIT D – Rules and Regulations

EXHIBIT E - Disability Access Obligations Notification to Prospective Tenant

OFFICE LEASE

THIS OFFICE LEASE (this “**Sublease**”), dated for reference purposes only as of June 17, 2016, is by and between CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“**City**” or “**Tenant**” or “**Sublandlord**”), and AT THE CROSSROADS, a California non-profit organization (“**Subtenant**”). This Sublease is subject and subordinate to all applicable terms and conditions of that certain Master Lease dated December 12, 2014 (“**Master Lease**”) between City, as Tenant, and THIRD AND MISSION ASSOCIATES, LLC as “**Landlord**”. In the event of conflict between the Sublease and the Master Lease, the terms and conditions of the Master Lease shall prevail.

Subtenant and City hereby agree as follows:

1. BASIC SUBLEASE INFORMATION

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

Lease Reference Date:	June 17, 2016
Sublandlord:	CITY AND COUNTY OF SAN FRANCISCO
Subtenant:	AT THE CROSSROADS
Building (<u>Section 2.1</u>):	167 Jessie Street, San Francisco, California, commonly known as “ The Paramount ”
Premises (<u>Section 2.1</u>):	The leasable area of that portion of the third and fourth floors commonly known as the “ Jessie Hotel ” portion of the Building, as generally depicted on the attached <u>Exhibit A</u> . Subtenant shall also have non-exclusive use of the ground floor entry area located off Jessie Street.
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 4,124 rentable square feet of space
Initial Term (<u>Section 3.1</u>):	Commencement Date: The date the Lease is fully executed by all parties and the Sublandlord delivers possession of space to Subtenant and Subtenant accepts possession.

Expiration Date (Section 3.2):

Expiration Date: 60 months from Commencement Date.

Extension Option (Section 3.3):

One, five-year (5 years) option to extend

Base Rent (Section 4.1):

Base Rent shall be calculated in accordance with the provisions of Section 4.1 below.

Tenant's Share (Section 4.2)

Two and 62/100 percent (2.62%).

Use (Section 5.1):

General non-profit office use, non-clinical counseling services, preparation of supplies for distribution to clients subject to the provisions of Section 5.1 below.

Utilities and Services (Section 9.1):

City shall cause Landlord to furnish utilities for the Premises as further set forth in Section 9.1. Subtenant shall contract directly for telephone services and janitorial services.

Notice Address of Landlord (Section 23.1):

Third and Mission Associates, LLC
c/o The Related Companies, L.P.
60 Columbus Circle
New York, New York 10019

with a copy to:

Michael, Levitt & Rubenstein, LLP
60 Columbus Circle
New York, New York, 10022
Attn: Jeffrey A. Levitt, Esq.

Notice Address for City / Sublandlord (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: John Updike, Director of Property
Re: 167 Jessie Street
Fax No.: (415) 552-9216

with a copy to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate/Finance Team
Re: 167 Jessie Street
Fax No.: (415) 554-4755

Key Contact for City:

Josh Keene

City Contact Telephone No.: 415-554-9850

Notice Address of Subtenant: At The Crossroads
333 Valencia Street, #320
San Francisco, CA 94103

With a copy to: Lance Anderson
Miller Starr Regalia
153 Townsend Street, Suite 610
San Francisco, CA 94107

Key Contact for Subtenant: Rob Gitin

Subtenant Contact Telephone No.: (415) 487-0691

Brokers (Section 23.8): None.

Other Noteworthy Provisions (Section 14): None.

2. PREMISES

2.1 Lease Premises; Property

City subleases to Subtenant its leasehold interest in the Master Lease, and Subtenant subleases from City, subject to the provisions of this Sublease and the Master Lease (attached hereto as Exhibit A), those premises in the building identified in the Basic Sublease Information (the “**Building**”) and generally depicted on the floor plan attached hereto as Exhibit B (the “**Premises**”). City and Subtenant hereby agree that the rentable square footage of the Premises has been agreed to by City and Subtenant and is as stipulated in the Basic Sublease Information and there shall be no remeasurement of the Premises by Subtenant. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the “**Property**.”

2.2 Common Area; Access to Premises

The term “**Common Area**” shall mean all areas and facilities within the Building and the parcel or parcels of real property on which the Building and its associated improvements are located that are designated by Landlord, from time to time, for the non-exclusive use of Landlord, City, Subtenant or any other tenant or other occupant of the Property, such as lobbies, fire vestibules, restrooms on multi-tenant floors, mechanical areas, tenant and ground floor corridors, elevator foyers, electrical and janitorial closets, ground floor lobbies, telephone and equipment rooms, pedestrian sidewalks, landscaped areas, trash enclosures and other similar facilities maintained for the benefit of Building tenants and invitees. City shall cause Landlord to operate, manage, equip, light, insure, secure, repair and maintain the Common Area in such manner as Landlord shall in its sole discretion determine, and may from time to time change the size, location

and nature of any Common Area and may make installations therein and move and remove such installations. Landlord may at any time close temporarily any Common Area to make repairs or changes to prevent the acquisition of public rights in such area, and may do such other acts in and to the Common Area as in its judgment may be necessary or desirable. Except in emergency situations, Subtenant's sole right of ingress and egress to and from the Premises shall be by means of the entrance to the Building located on Jessie Street and the elevator that has been designated for the use of Subtenant in the location shown on Exhibit A (the "**Premises Elevator**").

2.3 Emergency Access Easement Areas

Landlord has granted to City and City hereby grants to Subtenant, City's non-exclusive easement for the purpose of emergency ingress and egress to and from the Premises in, over and through those portions of the Common Area described in Exhibit C attached hereto (i.e., stairways 3 and 4 which have been outlined on the exhibit) and incorporated herein by this reference (the "**Emergency Access Easement Areas**"). The location of the Emergency Access Easement Areas may be relocated from time to time by Landlord in its reasonable discretion without Subtenant's consent. City shall cause Landlord to deliver to City, and City shall then deliver to Subtenant, written notice of any such relocation at least fifteen (15) days prior to the effective date of such relocation. Subtenant shall comply with the Rules and Regulations (as defined below) in the use of the Emergency Access Easement Areas and any other rules and regulations adopted by Landlord in its reasonable discretion with respect to the Emergency Access Easement Areas. Except as expressly set forth in this Sublease, neither Subtenant nor its agents, employees, guests or invitees shall have any rights of access in, over or through any other portion of the Building, including without limitation the Common Area and those portions of the Building reserved by Landlord for the exclusive use by residential occupants of the Building.

3. TERM

3.1 Term of Sublease

The Premises are leased for a term (the "**Initial Term**") commencing on the Commencement Date specified in the Basic Sublease Information and ending on the Expiration Date specified in the Basic Sublease Information, or such earlier date on which this Sublease terminates pursuant to the provisions of this Sublease; provided that as a condition precedent to the effectiveness of this Sublease, City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Sublease, in their respective sole and absolute discretion. The Initial Term, together with the Extension Term as defined below, are referred to, collectively, as the "**Term**".

If Sublandlord has not delivered Possession of the Premises to SubTenant within 30 days from the date of execution of this SubLease, then the Subtenant shall have the right to terminate this Sublease upon providing 30 days written notice to SubLandlord of its intent to do so.

3.2 Commencement Date, Expiration Date, and Automatic Termination

The dates on which the Initial Term commences and expires pursuant hereto are referred to respectively as the "**Commencement Date**" and the "**Expiration Date.**" In the event the Master Lease terminates for any reason, this Sublease shall automatically terminate, except if the

EXECUTION COPY

Sublandlord enters into a voluntary or consensual agreement with the Landlord to terminate the Master Lease, then Sublandlord shall provide the Subtenant 90 days advance written notice prior to termination.

3.3 Extension Option

City grants to Subtenant a one-time option to extend the Initial Term of this Sublease as to the entire Premises only (the "**Extension Option**") for an additional five (5) years (the "**Extension Term**") commencing upon the Expiration Date upon the following terms and conditions. Subtenant may exercise the Extension Option at any time during the Initial Term but if it determines to do so it must give written notice to City thereof not less than one hundred eighty (180) days prior to the Expiration Date. Any such notice by Subtenant shall be irrevocable by Subtenant unless otherwise consented to by City in writing. If any event of default (as defined in Section 15.1) or non-performance by Subtenant as be required pursuant to Grant Agreement dated _____, 2016 and if Subtenant has not cured such non-performance within the period allowed, is outstanding hereunder either at the time of Subtenant's exercise of the Extension Option or at any time prior to the first day of the Extension Term, then City may elect by notice to Subtenant to reject Subtenant's exercise of the Extension Option, whereupon the Extension Option shall be null and void.

4. RENT

4.1 Base Rent

On the Commencement Date, Subtenant shall pay to Landlord, in advance, base rent (the "**Base Rent**") in an amount equal to One Dollar (\$1.00) per year, payable to Landlord on the Commencement Date and on each anniversary thereof for each year of the Term of this Sublease.

4.2 Additional Rent

(a) Additional Rent. Subtenant shall pay to Sublandlord (or, where specified in this Sublease, to third parties) all charges and other amounts whatsoever as provided in this Sublease at the place where the Base Rent is payable. In the event that Landlord agrees to accept payments directly from Subtenant, then Subtenant shall make payments to Landlord, and this shall meet its obligations under the terms of this Sublease. City shall have the same remedies for a default in the payment of such sums as for a default in the payment of Base Rent. As used herein, the term "**Additional Rent**" shall mean all monetary obligations of Subtenant hereunder other than the obligation for the payment of Base Rent, and the term "**Rent**" shall mean all Base Rent plus all Additional Rent.

(b) Definitions. For purposes of this Section 4.2, the following terms shall have the meanings hereinafter set forth:

(i) "**Tenant's Share**" shall have the meaning set forth in the Basic Sublease Information, except that, where "Expenses" consist of expenses related solely to the Premises, "Tenant's Share" shall mean one hundred percent (100%).

(ii) **“Real Estate Taxes”** shall mean all taxes, assessments and charges levied upon or with respect to the Property or any personal property of Landlord used in the operation thereof, or Landlord’s interest in the Property or such personal property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees or assessments for transit, housing, police, fire or other governmental services or purported benefits to the Property, service payments in lieu of taxes, and any tax, fee or excise on the act of entering into this Sublease, or any other lease of space in the Property, or on the use or occupancy of the Property or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Property, or in connection with the sale or transfer of the Property, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California, or any political subdivision, public corporation, district or any other political or public entity, and shall 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 Sublease. Real Estate Taxes shall not include franchise, inheritance or capital stock taxes, or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax. Real Estate Taxes shall also include reasonable legal fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Real Estate Taxes; provided that such fees, costs and disbursements do not exceed the actual savings in Real Estate Taxes over the Term of this Sublease. If any assessments are levied on the Property, Subtenant shall have no obligation to pay more than that amount of annual installments of principal and interest that would become due during the Term of this Sublease had Landlord elected to pay the assessment in installment payments, even if Landlord pays the assessment in full.

(iii) **“Tax Year”** shall mean each twelve (12) consecutive month period commencing January 1st of the calendar year during which the Commencement Date of this Sublease occurs.

(iv) **“Expenses”** shall mean the following costs and expenses paid or incurred by Landlord in connection with the management, operation, maintenance and repair of the Property: (a) the cost of such insurance on the Property as landlord, in its sole and absolute discretion, elects to obtain including, without limitation, insurance premiums and any deductible amounts paid by Landlord; (b) fees, charges and other costs, consulting fees, legal fees, accounting fees, and fees of all independent contractors engaged by Landlord directly related to the operation of the Property; (c) compensation (including employment taxes and fringe benefits) of all on-site and off-site employees of Landlord or its agent at the rank of property manager or below who perform duties in connection with the operation, maintenance and repair of the Property, such compensation to be appropriately allocated for persons who also perform duties unrelated to the Property; (d) an office in the Building for the management of the commercial portion of the Property, including, without limitation, expenses of furnishing and equipping such office and the rental value of any space occupied for such purposes; and (e) the cost of any capital improvements made to the Property after the Commencement Date of this Sublease (i) as a labor saving device or to effect other economies in the operation or maintenance of the Property (from which a reasonable person would anticipate that savings would actually result), (ii) to repair or replace

capital items which are no longer capable of providing the services required of them (other than in connection with a casualty to which Section 12 applies), or (iii) that are made to the Property after the date of this Sublease and are required under any Laws (as hereinafter defined) (excluding, however, any capital improvements required by Laws that are the responsibility of Subtenant under Section 10.2), which shall be paid directly by Subtenant pursuant to Section 10.2, or which are the responsibility of another tenant pursuant to the provisions of the lease to such other tenant), where such capital improvements were not required under any such Laws to be completed with respect to the Building or Common Area prior to the date the Sublease was executed or which requirement was triggered by any event occurring after the date of this Sublease. With respect to any capital improvements described in clause (e) above, the cost of such capital improvements incurred during any calendar year shall be amortized over the useful life of the capital item in question as reasonably determined by Landlord, together with interest on the unamortized balance at the greater of (x) the rate paid by Landlord on funds borrowed for the purpose of constructing such capital improvements; and (y) ten percent (10%) per annum. Expenses for any calendar year during which average occupancy of the Building is less than one hundred percent (100%) shall be calculated based upon the Expenses that would have been incurred if the Building had an average occupancy of one hundred percent (100%) during the entire calendar year.

Notwithstanding anything to the contrary herein contained, Expenses shall not include: (aa) any rent payable pursuant to any ground lease, and debt service (including, but without limitation, interest and principal) required to be made on any Mortgage (as defined in Section 11) other than financing charges imposed in connection with funds borrowed by Landlord for the purpose of making capital improvements that are allowed hereunder to be included in Expenses; (bb) the cost of special services, goods or materials provided to any tenant; (cc) depreciation; (dd) costs occasioned by Landlord's fraud or willful misconduct under applicable laws; (ee) costs for which Landlord has received reimbursement from others; (ff) advertising or promotional costs; (gg) leasing commissions; (hh) the cost of tenant improvements and concessions in connection with preparing space for any Building tenant or in connection with a renewal or expansion; (ii) other leasing costs; (jj) legal and accounting fees arising in connection with negotiations or disputes with other tenants, prospective purchasers, lenders or other third parties; (kk) wages, salaries and benefits paid to any party above building manager; (ll) costs reimbursed from insurance, warranty or condemnation proceeds or which are reimbursable by any tenant; (mm) fines or penalties including penalties or interest payable as a result of Landlord's failure to timely pay Real Estate Taxes or Expenses; (nn) costs for services, supplies or repairs paid to any entity related to Landlord in excess of costs that would have been payable in an arm's length transaction; (oo) costs of operating, maintaining and/or repairing the loading dock; or (pp) costs relating exclusively to the residential units within the Building. All costs and expenses shall be determined in accordance with sound real estate management and accounting practices, consistently applied. Irrespective of the foregoing, Expenses shall only be due and owing by Subtenant as of the Commencement Date and throughout the Term of this Sublease.

(c) Additional Rent for Real Estate Taxes and Expenses.

(i) Subtenant shall pay Sublandlord as "Additional Rent" during each year commencing on the Commencement Date and ending on the Expiration Date (prorated for any partial calendar year during the Term of this Sublease), (i) Tenant's Share of Expenses, and (iii) Tenant's Share of Real Estate Taxes for the then current tax year. Tenant's Share of Expenses and

Tenant's Share of Real Estate Taxes shall be separately calculated. In the event that Landlord agrees to accept payments directly from Subtenant, then Subtenant shall make payments to Landlord, and this shall meet its obligations under the terms of this Sublease.

(ii) With reasonable promptness after Landlord has received the annual tax bills for any Tax Year, City shall cause Landlord to furnish Subtenant with a statement which shall include a copy of the tax bill (herein called "**Landlord's Tax Statement**") setting forth the amount of Real Estate Taxes for such Tax Year and Tenant's Share of Real Estate Taxes for such Tax Year. Provided Subtenant has received Landlord's Tax Statement at least 30 days prior to the following dates, Subtenant shall pay, in two equal installments on or before March 10 and November 10 of each year, one-half (1/2) of Tenant's Share of Real Estate Taxes for such Tax Year. Additionally, if Landlord receives any supplemental or other tax bills for Real Estate Taxes separate from the annual tax bill for a Tax Year, City shall cause Landlord to furnish Subtenant with an additional Landlord's Tax Statement setting forth the amount of such supplemental or other Real Estate Taxes and Tenant's Share thereof, and Subtenant shall pay its Tenant's Share thereof no later than thirty (30) days before the date on which Landlord is required to pay such Real Estate Taxes to the taxing authority. In the event that Landlord agrees to accept payments directly from Subtenant, then Subtenant shall make payments to Landlord, and this shall meet its obligations under the terms of this Sublease. City shall use reasonable efforts to cause Landlord to supply such statements at least thirty (30) days before payment is due.

(iii) Commencing on the Commencement Date of this Sublease and continuing on the first day of every month thereafter, Subtenant shall pay, as Additional Rent, one-twelfth (1/12th) of the amount specified by Landlord as being Landlord's estimate of and Tenant's Share of Expenses for the applicable calendar year. If Landlord thereafter estimates that Expenses for such year will vary from Landlord's prior estimate, Landlord may, by notice to City and through City's notice to Subtenant, revise the estimate for such year (and Additional Rent for Expenses shall thereafter be payable based on the revised estimate).

(iv) As soon as reasonably practicable, but not more than one hundred twenty (120) days, after the end of the first calendar year and each calendar year thereafter, City shall cause Landlord to furnish to Subtenant, a statement with respect to such year, showing Expenses and Additional Rent for Expenses for the year, and the total payments made by Subtenant with respect thereto (a "**Year-End Statement**"). If Subtenant's Additional Rent for Expenses as finally determined for the year exceeds the total estimated payments made by Subtenant on account thereof, Subtenant shall pay the deficiency within fifteen (15) days after the receipt of the Year-End Statement, and if the total estimated payments made by Subtenant on account thereof exceed Subtenant's Additional Rent for Expenses as finally determined for the year, such excess shall be credited toward the next installment of Additional Rent due from Subtenant to Landlord hereunder. If it has been determined that Subtenant has overpaid Additional Rent for Expenses during the last year of the Term of this Sublease, then City shall cause Landlord to reimburse Subtenant for such overage on or before the thirtieth (30th) day following the Expiration Date.

(v) If, for any reason Real Estate Taxes for any year during the Term are reduced, refunded or otherwise changed, Subtenant's Additional Rent for Real Estate Taxes shall be adjusted accordingly. The obligations of Landlord to refund any overpayment of Additional Rent for Real Estate Taxes to City and City's obligation to refund any overpayment to Subtenant

and of Subtenant to pay any Additional Rent for Real Estate Taxes not previously paid shall survive the expiration of the Term.

(vi) To the extent any item of Real Estate Taxes or Expenses is payable by Landlord in advance of the period to which it is applicable (e.g. insurance and tax escrows required by any Mortgagee (as defined in Section 11)), or to the extent that prepayment is customary for the service or matter, Landlord may (a) include such items in Landlord's estimate for periods prior to the date such item is to be paid by Landlord and (b) to the extent Landlord has not collected the full amount of such item prior to the date such item is to be paid by Landlord, Landlord may include the balance of such full amount in a revised monthly estimate for Additional Rent for Real Estate Taxes or Expenses. If the Commencement Date or Expiration Date shall occur on a date other than the first day of January, Tenant's Share of Real Estate Taxes and Tenant's Share of Expenses for the calendar year in which the Commencement Date occurs shall be prorated.

(vii) Within ninety (90) days after receipt of any Year-End Statement from Landlord to City, Subtenant shall have the right to request City to examine Landlord's books and records relating to such Year-End Statement and upon such request City shall, or cause Landlord to permit Tenant to, examine such books and records. Pursuant to the Master Lease, any overpayments by Subtenant to Landlord recovered by City shall be reimbursed to Subtenant.

4.3 Real Property Tax Exemption

Subtenant may be entitled to obtain a real property tax exemption for the Premises pursuant to the provisions of Section 202 of the California Revenue and Taxation Code. City consents to Subtenant seeking to obtain such an exemption provided that all applications, appraisals, documents, correspondence, writings and communications made or submitted by Subtenant or any officer, director, shareholder, member, employee, agent, contractor, consultant or representative of Subtenant to the office of the Tax Assessor of the City and County of San Francisco and/or any other governmental authority, agency, department or representative (whether appointed or elected) thereof with respect thereto shall be submitted, transmitted or made through Landlord and Subtenant shall provide Landlord and City with a copy of any such all materials received from the office of the Tax Assessor of the City and County of San Francisco and/or any other governmental authority, agency, department or representative thereof with respect thereto promptly upon receipt thereof. Subtenant shall be entitled to receive the economic benefit of any such exemption which it obtains with respect to the Premises, provided, however, that the economic benefit of such exemption which Subtenant shall be entitled to receive pursuant to this Section 4.3 shall not exceed the amount (if any) by which the real property taxes which Landlord is required to pay for the Property are reduced as a direct result of the granting of such exemption.

4.4 Manner of Payment of Rent

Base Rent shall be payable at the address specified for City in the Basic Sublease Information, or such other place as City may designate in writing upon not less than thirty (30) days' advance notice. Subtenant shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Sublease. Base Rent, together with any other amount payable by Subtenant to Landlord or City under this Sublease, is sometimes referred to as "**Rent.**"

5. USE

5.1 Permitted Use

Subtenant may use the Premises for non-profit office space uses that are not incompatible with a first class, urban mixed-use building. Subtenant shall not do or permit anything to be done in or about the Premises that will in any way obstruct or interfere with the rights of other tenants or occupants of the Property or the Building or injure, annoy, or disturb them, or allow the Premises to be used for any improper, immoral, unlawful, or objectionable purpose, or commit any waste. The Premises shall not be used for any other use without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, so long as the proposed use is not incompatible with a first class, urban mixed-use building.

5.2 Observance of Rules and Regulations

Subtenant shall observe and comply with all reasonable rules and regulations for the Building (the “**Rules and Regulations**”, attached as Exhibit D) promulgated by Landlord from time to time, following reasonable advance notice from City or Landlord of such Rules and Regulations, provided that such Rules and Regulations shall not reduce Landlord’s obligations under the Master Lease, must be applicable to the other tenants in the Building, must not materially conflict with the provisions of this Sublease or the Master Lease, must not materially increase the burdens or obligations of Subtenant, must not impose a charge upon Subtenant for services which this Sublease expressly states are to be provided to Subtenant at no charge, and must not materially adversely affect the conduct of any business in the Premises which Subtenant is permitted to conduct pursuant to Section 5.1 hereof. City shall cause Landlord to administer the Rules and Regulations in a fair and nondiscriminatory manner and use commercially reasonable efforts to cause other Building tenants to comply with them, provided however, that Landlord shall not be responsible for the nonperformance by any other tenant or occupant of the Building of any such Rules or Regulations. In the event of an express and direct conflict between the terms, covenants, agreements and conditions of this Sublease or the Master Lease and those set forth in the Rules and Regulations, as such may be modified and amended from time to time by Landlord, the terms, covenants, agreements and conditions of the Master Lease or Sublease, as applicable, shall control.

5.3 Interference with Access

Subtenant shall have access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent reasonably possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may interrupt Subtenant’s access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy, or other emergency and in such event, Landlord will use commercially reasonable efforts to deliver reasonable notice to Subtenant through the City. If Subtenant’s use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord’s failure to comply with its obligations under the Master Lease or for any other reason other than Subtenant’s default hereunder, then City shall cause Landlord to promptly undertake, all

commercially reasonable steps as are reasonably necessary to correct such condition. In the event such condition continues for five (5) business days and materially impairs Subtenant's ability to conduct its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with Subtenant's ability to carry on its business at the Premises. If Subtenant's use is so interrupted and such interruption materially impairs Subtenant's ability to carry on its business in the Premises for thirty (30) days or more, then Subtenant shall have the right, without limiting any of its other rights under this Sublease, to terminate this Sublease, unless Landlord, through the City, supplies to Subtenant with evidence reasonably satisfactory to Subtenant that Subtenant's ability to use the Premises for its Permitted Use will be restored within sixty (60) days of the date Subtenant's use was interrupted, and such use is actually restored within such sixty (60) day period. Nothing in this Section shall limit Subtenant's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof nor shall it increase the Landlord's liability under the Master Lease.

6. LEASEHOLD IMPROVEMENTS

6.1 Improvements to Premises and Premises Elevator

Subtenant shall be responsible, at its sole cost and expense, for all improvements to the Premises and to the Premises Elevator (and Subtenant acknowledges that the Premises and the Premises Elevator shall be delivered in the condition set forth below in Section 10.1), including without limitation any initial improvements in or to the Premises and the installation of plumbing and bathroom(s) in the Premises and all start-up costs for the Premises Elevator, all of which shall be performed pursuant to the terms of Section 7.1. Notwithstanding the foregoing, City shall cause Landlord to reimburse Subtenant for twenty-five percent (25%) of the reasonable actual out-of-pocket costs incurred by Subtenant in connection with the ongoing maintenance of the Premises Elevator. Provided, however, that City shall not be required to cause Landlord to reimburse for any such costs unless and until Subtenant provides Landlord with reasonably detailed invoices evidencing such ongoing maintenance costs and such other evidence as Landlord may reasonably require. Subtenant agrees that if any work must be undertaken within the Premises in order for Landlord or any other tenant or occupant in the Building to be able to obtain a certificate of occupancy or its equivalent for any other portion of the Building (such as, by way of example only, life safety work), Subtenant will, promptly upon its receipt of written notice from Landlord, through the City, identifying such work, commence such work and thereafter diligently pursue the same to completion (such work in any event to be completed within thirty (30) days after Landlord's written notice is received by City), and all such work shall be performed at Subtenant's sole cost and expense. If Subtenant fails to promptly commence or elects in a written notice to Landlord not to promptly commence, pursue and complete all such work identified in Landlord's written notice, Landlord shall have the right to enter the Premises upon reasonable notice to Subtenant and perform such work at the expense of Subtenant, and all costs and expenses incurred by Landlord in performing such work, shall be paid by Subtenant to Landlord as Additional Rent within ten (10) days after the date that the Sublease Condition is next satisfied. Upon completion of the work, City shall cause Landlord to submit to City, and City shall submit to Subtenant, a bill or statement for all such costs. Promptly following written request from City on behalf of Subtenant, City shall cause Landlord to cooperate with City on behalf of Subtenant, at no additional cost or expense to Landlord, in obtaining any such governmental approvals, permits and licenses. Notwithstanding the above, in the event that Subtenant determines that the cost for such

improvements pose an unreasonable financial burden to the Subtenant, then within 15 days of receipt of the Landlord's written notice, the Subtenant at its sole discretion may terminate the Sublease by providing 60 days' written notice to Sublandlord, and giving such notice and vacating the space shall relieve the Subtenant of its obligations under this Section of the Sublease.

6.2 Telecommunications and Other Equipment

Subtenant shall be responsible for installing any telecommunications, data and computer cabling facilities and equipment desired by Subtenant, if any, provided that City shall cause Landlord to furnish access to Subtenant and its consultants and contractors to the main telephone service serving the floors on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring; provided, however, that Subtenant shall not be permitted access to the roof of the Building without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed and further provided that any such installation shall be performed pursuant to the terms of Section 7.1.

6.3 Landlord Work

Subtenant acknowledges and agree that Landlord shall not be required to perform any work or undertake or install any improvement in or about the Premises or the Building for the account or on behalf of Subtenant.

6.4 Construction of Improvements that Disturb or Remove Paint

If Landlord performs any alterations or improvements in or to the Premises, City shall cause Landlord, on behalf of Landlord and its successors, assigns and agents, to comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). City shall cause Landlord and its Agents to give to City and Subtenant three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Under the Master Lease, Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Sublandlord under this Sublease and similarly that notice under this Sublease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, City shall ensure that 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. City shall cause Landlord 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 Subtenant

Subtenant shall not make or permit any alterations, installations, additions or improvements (collectively, “**Alterations**”) to the Premises without first obtaining Landlord’s and City’s written consent, which City shall not unreasonably withhold or delay and which City shall cause Landlord to not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord’s or City’s consent, provided that any such installation complies with the other terms of this Section 7.1. Any Alterations permitted hereunder shall be made at Subtenant’s cost in compliance with applicable Laws (as defined below), including without limitation all Disabilities Laws and the building standards set forth in Title 24 of the California Code of Regulations. Any disability access improvements to the Property or Premises required due to Alterations made to the Premises by Subtenant shall be the responsibility of Subtenant in all respects, including without limitation, cost and effort. City shall cause Landlord, without cost to Landlord, to reasonably cooperate with City on behalf of Subtenant in securing building and other permits and authorizations needed in connection with any permitted Alterations. City shall ensure Landlord is not entitled to any construction or other administrative fee in connection with any Alteration. Subtenant shall be responsible for obtaining all governmental approvals, permits and licenses required for all Alterations and shall provide City and Landlord with a copy of all such approvals, permits, licenses and certificates prior to commencing any work in or about the Premises. Subtenant shall not be required to remove any Alterations upon the expiration or sooner termination of this Sublease unless Landlord notifies City in writing and the City notifies Subtenant in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date or earlier termination of this Sublease.

7.2 Title to Improvements

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

7.3 Subtenant’s Personal Property

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

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be and remain Subtenant's property. At any time during the Term or at the expiration thereof, Subtenant may remove any of Subtenant's Personal Property, provided Subtenant shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Sublease, Subtenant shall remove Subtenant's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. City acknowledges that some of Subtenant's Personal Property may be financed by an equipment lease financing or otherwise subjected to a security interest, or owned by an equipment company and leased to Subtenant. City, upon Subtenant's reasonable written request, shall execute and deliver, and shall cause Landlord to execute and deliver, to any supplier, lessor, or lender in connection with the installation in the Premises of any items of Subtenant's Personal Property on the Landlord's form of subordination agreement with respect to any rights it may have or acquire with respect to Subtenant's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises on or prior to Expiration Date or within ten (10) days after the date of any earlier termination of the Term (but if it does not remove Subtenant's Personal Property within such time it shall have waived any rights it had with respect to Subtenant's Personal Property), and (ii) will repair any damage caused by the removal of Subtenant's Personal Property. City shall recognize, and shall cause Landlord to recognize the rights of any supplier, lessor or lender who has an interest in any items of Subtenant's Personal Property to enter the Premises upon reasonable written notice to Landlord and City and at a mutually agreed upon time to remove such property at any time during the Term or within ten (10) days after any earlier termination of the Term.

7.4 Alteration by Landlord

City shall cause Landlord to use commercially reasonable efforts to minimize interference with or disruption to Subtenant's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. City shall cause Landlord to promptly remedy any such material interference or disruption upon receiving City's written notice thereof which shall be first received from Subtenant. Notwithstanding the foregoing, Subtenant acknowledges that other tenants of the Building may perform construction in the Building during the Term of this Sublease but City shall cause Landlord to require such other tenants to use commercially reasonable efforts to minimize interference with or disruption to Subtenant's use and occupancy of the Premises during such construction.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Except to the extent otherwise provided in this Sublease (including without limitation in Sections 8.2 and 12), City shall cause Landlord to repair and maintain, at its cost, and in a commercially reasonable condition, the Common Areas and the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "**Building Systems**"), excepting those portions of such systems that are within the Premises for which Subtenant has responsibility under Section 8.2; and, subject to Sections 10

and 12, neither Landlord nor City shall have any other duties or obligations with respect to the maintenance, repair and/or replacement of the Building. City shall cause Landlord to perform its maintenance, repair and replacement in such manner and to such extent as Landlord deems appropriate in its sole and absolute discretion. The costs incurred by Landlord in connection with such repair, maintenance, repair and replacement obligations shall be included in Expenses, subject to the limitations included in Section 4.2 of this Sublease. Without limiting the foregoing, City shall cause Landlord to maintain the Building in a manner consistent with a first class, urban mixed-use building, shall provide exterior graffiti removal with reasonable frequency, and shall use commercially reasonable efforts to keep other tenants of the Building from disturbing or interfering with Subtenant's use of the Premises or permit to be done in or about the Building or the Common Areas activities that are illegal or dangerous to persons or property or constitutes a nuisance.

8.2 Subtenant's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition) and Landlord's repair and maintenance obligations hereunder, Subtenant shall repair and maintain at its cost all portions of the Premises (including, without limitation, all electrical, plumbing, HVAC, and mechanical systems located within the Premises or serving the Premises exclusively, the interior walls, floor coverings, ceiling (ceiling tiles and grid), fire extinguishers, outlets and fixtures, any appliances (including dishwashers, hot water heaters and garbage disposals) in the Premises), the Premises Elevator (subject to Section 6.1), and any tenant improvements and/or Alterations installed by Subtenant within the Premises, in good working order and first-class condition, except for ordinary wear and tear and damage by casualty. Subtenant shall make any such required repairs and replacements that Landlord specifies in writing to City and which City specifies to Subtenant (i) at Subtenant's cost, (ii) by contractors or mechanics selected by Subtenant and reasonably approved by City and Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all reasonable times during the Term of this Sublease, City shall cause Landlord, upon reasonable notice by Subtenant to City or Landlord, afford Subtenant and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by Subtenant. If Subtenant fails after thirty (30) days' written notice by City as received by Landlord to proceed with due diligence to make repairs required to be made by Subtenant, the same may be made by Landlord through City at the expense of Subtenant and the expenses thereof incurred by Landlord shall be reimbursed to Landlord as Additional Rent within thirty (30). Upon completion of the work, City shall cause Landlord's delivery to Subtenant of a bill or statement therefor together with reasonable back-up documentation..

8.3 Liens

Subtenant shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by Subtenant during the Term. Landlord or City shall have the right to post on the Premises any notices permitted or required by law or that are needed

for the protection of Landlord, City, the Premises, or the Building, from mechanics' and material suppliers' liens. Subtenant shall give Landlord and City at least ten (10) days' prior written notice of commencement of any repair or construction by Subtenant on the Premises.

9. UTILITIES AND SERVICES

9.1 Utilities and Services

City shall cause Landlord to furnish the following utilities and services to the Premises: (a) heating and ventilation; (b) electric current; and (c) water. All such utilities and services shall be paid for by Subtenant, and Landlord may cause submeters to be installed in the Premises so as to measure the amount of such utilities and services consumed. The cost of any such submeters and of installation, maintenance and repair thereof shall be paid for by Subtenant, and Subtenant agrees to pay Landlord promptly upon demand by Landlord for all such utilities and services consumed, as shown by said submeters, at the rates charged by the local public utility furnishing the same, plus any additional expense incurred in keeping account of the utilities and services so consumed. Subtenant's use of electrical service shall not exceed, either in voltage, rated capacity, hours of use or overall load, that which Landlord deems to be standard for commercial tenants of the Building. City shall cause Landlord to provide at its cost (i) janitorial service to the Common Areas sufficient to maintain the Common Areas in a clean and orderly condition and (ii) pest control as needed to keep the Common Areas pest free. City shall cause Landlord to provide trash removal service with respect to the Building; provided that any cost incurred by Landlord in connection with such trash removal may be included in Expenses, and further provided that Subtenant shall deposit trash daily in the area designated by Landlord from time to time and only through such entry-ways and elevators provided for such purposes at such times as Landlord shall designate. No material shall be placed in the trash receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the downtown area of San Francisco, California without violation of any applicable Law. If Landlord, Sublandlord, or any local governmental authority having jurisdiction over the Building, requires separation of "wet" and "dry" garbage as of the date hereof or at any time after the date hereof, Subtenant shall comply with the requirements imposed by Landlord and/or such governmental entity (as the case may be) with respect to the separation of refuse. In addition to the foregoing, Subtenant shall participate in any recycling program currently or from time to time conducted by Landlord at the Building or required by Sublandlord.

9.2 Conservation

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

9.3 Services Provided by Subtenant at Subtenant's Cost

(a) Janitorial. Subtenant, at Subtenant's sole cost, shall be responsible for providing janitorial service to the Premises as reasonably required to maintain the Premises in a clean and orderly condition. If Subtenant desires to obtain telephone or internet service in the Premises, Subtenant shall have the option, at Subtenant's sole cost, to install any additional equipment or connections required for such service (provided such installations shall be subject to the approval

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of Landlord and City) and to enter into a contract with a telephone or telecommunications service provider to activate the service. Subtenant shall be responsible for the cost (including any deposits) of activating the connections, monthly fees for service, and any maintenance required. Subtenant and Landlord shall ensure that all on-site janitorial services used by either of them with respect to the Premises or the Building maintain harmonious labor relations with other janitorial service providers and other contractors working at the Building.

(b) Pest Control. Subtenant, at its sole cost and expense, shall procure and maintain in full force and effect during the Term, a pest control contract (the "**Pest Contract**") for the pest extermination services to control cockroaches, rodents and other pests with a pest control firm reasonably acceptable to Landlord. Subtenant shall follow all reasonable recommendations of said contractor with respect to pest control. A copy of the then current Pest Contract shall be delivered to Landlord annually. If Subtenant fails to enter into the Pest Contract or cause the performance of monthly extermination services in accordance with this Section 9.3(b), Landlord may, upon thirty (30) day notice to Subtenant, enter into such Pest Contract on behalf of Subtenant or perform the work and in either case, charge Subtenant the cost thereof along with a reasonable amount for Landlord's overhead.

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, City shall cause Landlord to promptly notify Subtenant of such failure, stoppage or interruption. City shall cause Landlord to use commercially reasonable efforts to restore service. City shall cause Landlord to keep Subtenant reasonably apprised of Landlord's efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "**Essential Services**") and such inability of Landlord materially impairs Subtenant's ability to carry on its business in the Premises for a period of five (5) or more business days if such failure is in the reasonable control of Landlord or a period of ten (10) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs Subtenant's ability to carry on its business in the Premises or, alternatively at Subtenant's election, Subtenant shall have the option to provide such services and offset the reasonable cost thereof against Base Rent next due under this Sublease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs Subtenant's ability to carry on its business in the Premises. City shall cause Landlord to use commercially reasonable efforts to restore disrupted Essential Services as soon as practicable. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with Subtenant's ability to carry on its business in the Premises, then Subtenant may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Sublease upon written notice to City, unless City supplies Subtenant with evidence reasonably satisfactory to Subtenant that the Essential Services will be restored within sixty (60) days of the date Subtenant's use was interrupted, and the Essential Services are actually restored within such sixty (60) day period. Subtenant shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to Subtenant is due solely to the acts, omissions or negligence of Subtenant and its Agents.

9.5 Keys and Access Cards

City will cause Landlord to furnish to Subtenant, free of charge, with each of the following: a key to the door to the Premises, a key or card access key to the Building, and a key or card access key to the Premises Elevator. City shall cause Landlord to provide (as part of Expenses) (a) card key access control to the Building and (b) a security camera at the entrance to the Building. Notwithstanding City obligating Landlord to provide access control and a security camera at the Building, neither Landlord nor City shall be responsible for damage or injury to Subtenant, its employees, invitees or others due to the failure, action or inaction of such access control system or camera, and Subtenant shall assume responsibility for keeping the Premises reasonably secure and all exterior doors in and to the Premises locked or monitored at all times during the Term and, further, all property belonging to Subtenant or any person in the Premises, while in the Building or the Premises, shall be at the risk of Subtenant or such other person only and Landlord, City and their Agents shall not be liable for any theft or misappropriation.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Notwithstanding anything contained herein to the contrary, Subtenant acknowledges and agrees that the Premises shall be unimproved "raw" space and any and all leasehold improvements for the Premises, including without limitation any improvements to the Premises Elevator, shall be performed by Subtenant, at Subtenant's sole cost and expense pursuant to the terms of this Sublease, including without limitation the terms of Section 6.1 and Section 7.1, and City shall not be responsible for any improvements in or to the Premises or to the Premises Elevator or for causing the Premises to be other than "raw" unimproved space. City shall cause Landlord at all times during the Term (subject to Section 10.2 below) to maintain, at its cost, the Property, Building structure, Common Areas, and the Building Systems commonly serving the Building in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws (as hereinafter defined), Environmental Laws (as defined in Section 21.1(a) below), seismic safety Laws, and life safety Laws, provided that Landlord's failure to comply therewith would prohibit Subtenant from obtaining or maintaining a certificate of occupancy (or its equivalent) for the Premises, or would unreasonably and materially affect the safety of Subtenant's employees or create a significant health hazard for Subtenant's employees, or would otherwise materially and adversely affect Subtenant's use of or access to the Premises; further provided that Landlord's obligation for any costs associated with performing repairs, alterations or modifications required to cause the Property, Building, Common Areas, and the Building Systems serving the Premises to so comply with applicable Law shall be subject to the limitations of Section 10.1 of the Master Lease. "Disabilities Laws" shall mean, collectively, the requirements of the Americans with Disabilities Act, a federal law codified at 42 U.S.C. section 12101 et seq., including, but not limited to, Title III thereof, and all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof, including all requirements of the California Unruh Civil Rights Act (Civil Code Section 51 et seq.), the Disabled Persons Act (Civil Code Section 54 et seq.), and the building standards set forth in Title 24 of the

California Code of Regulations, as the same may be in effect on the date of the Master Lease or Sublease and may be hereafter modified, amended or supplemented.

10.2 Subtenant's Compliance with Laws; Indemnity

Subtenant shall use, operate and maintain the Premises during the Term in compliance with applicable Laws, including the Disabilities Laws and the building standards set forth in Title 24 of the California Code of Regulations ("Title 24"), except that Subtenant shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are not otherwise Landlord's responsibility under the Master Lease. Notwithstanding anything to the contrary contained in Section 10.1, and Subtenant shall be responsible for complying with any requirement of the Disabilities Laws with respect to the Common Areas of the Building to the extent required as a result of Subtenant's specific use of the Premises, including, without limitation, if related to Subtenant's placement of Subtenant's furniture or other Subtenant's Personal Property and the operation of any programs in the Premises. Without limiting Section 16.1 (Subtenant's Indemnity), Subtenant shall Indemnify Landlord and City against any and all Claims arising out of Subtenant's failure to comply with all applicable Laws as provided in this Section. Notwithstanding the foregoing, City and Subtenant hereby agree that if the Premises Elevator is determined by a disability access specialist to be non-compliant with Disabilities Law and/or Title 24, then City shall cause Landlord to work cooperatively with Subtenant (but at no cost to Landlord) to pursue and attempt to obtain a variance for the Premises Elevator allowing it to be operated in such condition irrespective of such lack of compliance. If no variance is granted, then the Subtenant shall have the right to terminate the Sublease upon 30 days notice to City of its intent to do so.

10.3 Subtenant's Compliance with Insurance Requirements

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

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by Subtenant for the purpose of effecting a subordination, and subject to subsection (b) below, this Sublease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of

the foregoing (any such lien being herein defined as a “**Mortgage**” and the holder of any Mortgage being a “**Mortgagee**”) that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord’s interest or estate therein is subject, and (c) the Master Lease. Notwithstanding the foregoing, if the City, with the consent of the Landlord, elects to have Subtenant’s interest in this Sublease be superior to any such instrument other than the Master Lease, then upon notice thereof to City, this Sublease shall be deemed superior, whether this Sublease was executed before or after the date of said instrument or the recording thereof. City shall cause Landlord to use commercially reasonable efforts to obtain from any Mortgagee having a lien against the Building a non-disturbance agreement, if consented to by Landlord, in favor of Subtenant on such Mortgagee’s then standard form. In no event shall such commercially reasonable efforts be deemed to require that Landlord pay any fee or other amount in exchange for such agreement. Landlord nor City shall not be in default under this Sublease for failure to obtain such agreement provided that Landlord shall have so used commercially reasonable efforts to obtain such agreement. City shall cause Landlord to provide a non-disturbance agreement in favor of Subtenant if Landlord consents to allow the Sublease to be deemed superior.

(b) Subtenant agrees to attorn to any Mortgagee. The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. Subtenant agrees, however, to execute upon request by City and in a form reasonably acceptable to Subtenant, within twenty (20) days of Landlord’s or City’s request, any additional documents evidencing the priority or subordination of this Sublease with respect to any such Mortgage as provided herein.

(c) Subtenant shall not encumber in any manner the Premises or the Building, or any portion of or interest in any of the foregoing. In addition, Subtenant shall not encumber this Sublease or assign or pledge assignment of the same as security for any debt, without first obtaining the written consent of Landlord and City, which shall not be unreasonably withheld or delayed.

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, City shall cause Landlord to, subject to receipt of sufficient insurance proceeds, repair the same without delay, provided that in Landlord’s reasonable estimation such repairs can be made under applicable laws within one hundred eighty (180) days after the date of such damage (the “**Repair Period**”). In such event, this Sublease shall remain in full force and effect, except that Subtenant shall be entitled to an abatement of Rent, on a pro rata basis in accordance with the extent to which the damage and the making of such repairs shall interfere with the use and occupancy by Subtenant of the Premises, while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interferes with Subtenant’s business in the Premises. Landlord’s repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to any panelings, decorations, partitions, additions, railings, ceilings, floor coverings, office fixtures or any other property or improvements installed on the Premises by, or belonging to, Subtenant, or any damage caused by the negligence or willful misconduct of City or its Agents. Upon the occurrence of any damage to the Premises by fire or other casualty, following Landlord’s completion of the repairs described above in this paragraph and delivery of possession of the Premises to Subtenant, Subtenant shall, at its sole cost and expense, repair any injury or damage to the improvements previously installed

within the Premises by Subtenant and shall return such improvements to their original condition. Prior to the commencement of construction, Subtenant shall submit to Landlord and City, for Landlord's and City's review and approval, all plans, specifications and working drawings relating thereto.

Within forty-five (45) days after the date of such damage, City shall cause Landlord to notify Subtenant whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period, or if in Landlord's reasonable estimation Landlord does not have sufficient insurance proceeds to complete such repair. If such repairs cannot in Landlord's reasonable estimation be made within the Repair Period, or if in Landlord's reasonable estimation Landlord does not have sufficient insurance proceeds to complete such repair, then Subtenant may, by written notice to City given within thirty (30) days after the date Landlord's notice of estimated repair time, terminate this Sublease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord, and this Sublease shall expire and all interest of Subtenant in the Premises shall terminate as of such date as if such date had been originally fixed in this Sublease for the expiration of the Term. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of Subtenant's business in the Premises, and Subtenant shall pay such reduced Rent up to the date of termination. City shall cause Landlord to refund to Subtenant any Rent previously paid for any period of time subsequent to such date of termination. In the event that Subtenant does not exercise its option to terminate this Sublease and Landlord does not exercise its option to terminate the Master Lease as provided therein, City shall cause Landlord to repair or restore such damage, with this Sublease continuing in full force and effect, and the Rent hereunder shall be proportionately abated as set forth above until the Premises and Subtenant's improvements have been repaired and restored.

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

Notwithstanding anything to the contrary contained in this Article, (a) if at any time during the last twelve (12) months of the Term of this Sublease there is substantial damage that Landlord would be required to repair under the Master Lease or that renders a material portion of the Premises untenantable by Subtenant, Subtenant may terminate this Sublease and Landlord may terminate the Master Lease as provided therein and this Sublease, at the respective option of each, as of the date such damage occurred by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage, and (b) in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises or Building requires that any insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate the Master Lease as provided therein and this Sublease by delivering written notice of

termination to Subtenant within fifteen (15) days after such requirement is made by any such holder, whereupon this Sublease shall end on the date of such damage as if the date of such damage were the date originally fixed in this Sublease for the expiration of the Term.

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

City and Subtenant shall promptly notify each other upon receipt of any notice from Landlord pursuant to this Section of the Sublease.

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Sublease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in

Subtenant's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by Subtenant for its intended purposes or otherwise materially adversely affects Subtenant's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord or City is unwilling or unable to cure such condition, and (iii) Subtenant elects to terminate.

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

(c) Any party electing to terminate under the provisions of this Section 13.4 shall do so by giving written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Sublease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

13.5 Rent; Award

Upon termination of this Sublease pursuant to an election under Section 13.4 above, then: (a) Subtenant's obligation to pay Rent shall continue up until the date of termination, and thereafter shall cease, except that Rent shall be reduced as provided in Section 13.6 below for any period during which this Sublease continues in effect after the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City shall cause Subtenant to receive any Award made specifically for Subtenant's relocation expenses or the interruption of or damage to Subtenant's business or damage to Subtenant's Personal Property.

13.6 Partial Taking; Continuation of Sublease

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

13.7 Temporary Taking

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

use or occupancy of the Premises during the Term up to the total Rent owing by Subtenant for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

14.1 Restriction on Assignment and Subletting

Subtenant shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or sublet all or any portion of the Premises, without City's prior written consent in each instance, which will not be unreasonably withheld, conditioned or delayed.

15. DEFAULT; REMEDIES

15.1 Events of Default by Subtenant

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

(a) Subtenant's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from City;

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

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

15.2 City's Remedies

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

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

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

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

15.3 City's Default

Subject to the other provisions of this Sublease and the Master Lease relating to abatement of Rent, if Landlord or City fails to cure any default within the cure periods provided above, then the Base Rent and any other charges hereunder shall be abated based on the extent to which such default materially interferes with Subtenant's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by City continues for sixty (60) days and impairs Subtenant's ability to carry on its business in the Premises, then Subtenant shall have the right to terminate this Sublease upon written notice to City within thirty (30) days after the expiration of such sixty (60)-day period. Subtenant's rights hereunder and under Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 Subtenant's Indemnity

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

16.2 City's Indemnity

Sublandlord shall Indemnify Subtenant and its Agents against any and all Claims incurred as a result of (a) any default by Sublandlord in the performance of any of its obligations under this Sublease or any breach of any representations or warranties made by the Sublandlord under this Lease, or (b) any grossly negligent acts or omissions of Sublandlord or its Agents in, on or about the Premises or the Property; provided however, Sublandlord shall not be obligated to Indemnify

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Subtenant or its Agents to the extent any Claim arises out of the gross negligence or willful misconduct of Subtenant or its Agents. In any action or proceeding brought against Subtenant or its Agents by reason of any Claim Indemnified by Sublandlord hereunder, Sublandlord may, at its sole option, elect to defend such Claim by attorneys selected by Sublandlord. Sublandlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Sublandlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Sublandlord's obligations under this Section shall survive the termination of this Sublease.

17. INSURANCE

17.1 Subtenant's Insurance

Subtenant shall procure at its cost and expense and keep in effect during the Term the following insurance:

(a) Liability Insurance. Commercial general liability insurance, including contractual liability coverage, with respect to the Premises and with a minimum combined single limit of liability of Three Million Dollars (\$3,000,000) with respect to the Premises. Such insurance shall name Landlord and City and their agents, employees, officers, directors, members, owners, representatives, contractors and Mortgagees as additional insureds, shall specifically include the liability assumed hereunder by Subtenant, and is intended to be primary insurance, and not excess over or contributory with any insurance in force for or on behalf of Landlord or City. The limits of said insurance shall not, however, limit the liability of Subtenant hereunder, and Subtenant is responsible for ensuring that the amount of liability insurance carried by Subtenant is sufficient for Subtenant's purposes.

(b) Property Insurance. "All risk" property insurance (including, without limitation, boiler and machinery (if applicable); sprinkler damage, vandalism and malicious mischief) on any Alterations installed in the Premises by or on behalf of Tenant, all leasehold improvements installed in the Premises by Subtenant at its expense, on the plate or tempered glass which is part of the Premises and all of Subtenant's personal property, such insurance to include a building ordinance provision (as to those tenant improvements and Alterations for which such a provision will apply). Such insurance shall be an amount equal to full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO All Risk form, when such form is supplemented with the coverages required above, and shall name Landlord and City as a loss payee as their interests may appear. Subtenant acknowledges and agrees that insurance coverage carried by Landlord or City will not cover Subtenant's property within the Premises and that Subtenant shall be responsible, at Subtenant's sole cost and expense, for providing insurance coverage for Subtenant's movable equipment, furnishings, trade fixtures and other personal property in or upon the Premises and for any Alterations and tenant improvements made by Subtenant, in the event of damage or loss thereto from any cause whatsoever.

(c) Other Insurance. Worker's compensation insurance and such other insurance as may be required by law.

All insurance policies required under this Section 17.1 shall be issued by carriers each with a Best's Insurance Reports policy holder's rating of not less than A and a financial size category of not less

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than Class VIII Subtenant shall deliver policies of such insurance or certificates thereof to Landlord and City on or before the Commencement Date, and thereafter at any time and from time-to-time within ten (10) business days after written request from Landlord or City. If Subtenant shall fail to procure and keep such insurance in full force and effect during the Term, or to deliver such policies or certificates within said time frame, Landlord may, at its option, procure same for the account of Subtenant, and the cost thereof shall be paid to Landlord as Additional Rent within five (5) business days after delivery to Subtenant of bills therefor. The provisions of this Section 17.1 shall survive the expiration or termination of this Sublease with respect to any claims or liability occurring prior to such expiration or termination.

17.2 City's Self-Insurance; Landlord's Insurance

Subtenant acknowledges that City self-insures against casualty, property damage and public liability risks and agrees that City may at its sole election, but shall not be required to, carry any third party insurance with respect to the Building, the Premises or otherwise. City shall provide, either through self-insuring or through a third party, the coverages required by the Tenant under the terms of the Master Lease, and shall cause Landlord to maintain all insurance required to be maintained by Landlord under the terms of the Master Lease.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, City and Subtenant (each a "**Waiving Party**") each hereby waives any right of recovery against the other party for any loss or damage sustained by such other party with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party, to the extent such loss or damage is covered by insurance which is required to be purchased by the Waiving Party under this Sublease or is actually covered by insurance obtained by the Waiving Party. Each Waiving Party agrees to cause its insurers to issue appropriate waiver of subrogation rights endorsements to all policies relating to the Building or the Premises; provided, the failure to obtain any such endorsement shall not affect the above waiver. City shall cause Landlord to provide a waiver of recovery against Subtenant under the same terms and conditions as its waiver of recovery against the City as outlined in the Master Lease.

18. ACCESS BY LANDLORD

Landlord and City reserves for itself and any designated Agents the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord or City shall give any reasonable notice), after giving Subtenant at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective (c) posting notices of non-responsibility, and (d) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, Subtenant's use of the Premises pursuant to this Sublease shall not be materially interfered with, and City shall cause Landlord to use commercially reasonable efforts to minimize impact on Subtenant's use of

the Premises pursuant to this Sublease. City shall cause Landlord to use commercially reasonable efforts during re-entry to not unreasonably interfere with Subtenant's use of the Premises or its business conducted therein. Landlord shall not, however, be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising from Landlord's entry and acts pursuant to this Section and Subtenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any rights reserved in this Section. Subtenant hereby waives any claim for damages for any injury or inconvenience to or interference with Subtenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord and City shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Subtenant's vaults and safes, or special security areas (designated by Subtenant from time to time, in its absolute discretion, by written notice to Landlord and City in advance of the installation or creation of any such vaults, safes or special security areas), and Landlord and City shall have the right to use any and all means which Landlord or City may deem necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises, and any entry to the Premises, or portion thereof obtained by Landlord by any of said, or otherwise, shall not under any emergency circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portions thereof.

19. ESTOPPEL CERTIFICATES

Subtenant shall have ten (10) business days following the written request of Landlord or any Mortgagee to execute and deliver to Landlord any documents, including estoppel certificates, in the form prepared by Landlord (i) certifying that this Sublease is unmodified and in full force and effect or, if modified, stating the nature of such modification and certifying that this Sublease, as so modified, is in full force and effect and the date to which the Rent and other charges are paid in advance, if any, and (ii) acknowledging that there are no uncured defaults on the part of Landlord, or, if there are uncured defaults on the part of Landlord, stating the nature of such uncured defaults, (iii) certifying that Subtenant has no defenses or offsets then outstanding against any of its obligations under this Sublease, or stating those claimed by Subtenant, and (iv) certifying any other matters pertaining to the status of this Sublease or performance of obligations hereunder by City or Subtenant as to which Subtenant has actual knowledge and as may be reasonably required either by a purchaser of the Premises or a Mortgagee making a loan to Landlord to be secured by the Premises or Property. Subtenant's failure to deliver an estoppel certificate within ten (10) business days after delivery of Landlord's written request therefor shall be conclusive upon Subtenant that (aa) this Sublease is in full force and effect, without modification except as may be represented by Landlord, (bb) there are no uncured defaults in Landlord's performance, (cc) Subtenant has no defenses or right of offset against its obligations hereunder, and (dd) no Rent has been paid in advance.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Sublease, Subtenant shall surrender the Premises to City in good order and condition, reasonable use and wear and tear and damage by fire, other casualty, condemnation, Landlord and/or City excepted. Prior to the Expiration Date, Subtenant shall remove from the Premises, at Subtenant's sole cost and expense, any Alterations

Subtenant desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by Subtenant), above and, notwithstanding anything to the contrary contained herein, all of Subtenant's Personal Property, Subtenant's telecommunications, data and computer facilities, and any telephone and other cabling. Subtenant shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Subtenant's obligations under this Section shall survive the expiration or earlier termination of this Sublease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

(b) **"Hazardous Material"** shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

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

21.2 City's Representations and Covenants

City represents and warrants to the Subtenant that, to Sublandlord's actual knowledge, as of the date of Sublandlord's delivery of possession of the Premises to Subtenant, (a) Sublandlord has not received any written notice that the Premises fails to comply with any applicable building codes, governmental ordinances or regulations (that has not subsequently cured), including, but not limited to, disabled access codes which were created in order to comply with the American's with Disabilities Act; and (b) Sublandlord has not received any written notice that Hazardous Materials exist at the Building in violation of Environmental Laws that would prohibit Subtenant from obtaining or maintaining a certificate of occupancy for the Premises, or would unreasonably and materially affect the safety of Subtenant's employees or create a significant health hazard for Tenant's employees, or would otherwise materially and adversely affect Subtenant's use of or access to the Premises.

To the extent it is determined that Hazardous Materials exist at the Building as of the Commencement Date in violation of Environmental Laws, and such violation or condition does not arise out of, is not disturbed by or is not exacerbated by (in whole or in part) any acts or omissions of Subtenant or its Agents, Sublandlord shall promptly take such action as is necessary to comply with such Environmental Laws. If, following the Commencement Date, the Building becomes contaminated with Hazardous Materials in violation of Environmental Laws as a result of the negligence or intentional misconduct of Sublandlord or Sublandlord's Agents and such violation or condition does not arise out of, is not disturbed by or is not exacerbated by (in whole or in part) any acts or omissions of Subtenant or its Agents, Sublandlord shall promptly take such action as is necessary to comply with such Environmental Laws to the extent Sublandlord caused such violation or condition, or if the violation of Environmental Laws governing Hazardous Materials arises out of the acts or negligence of third parties, Sublandlord shall exercise commercially reasonable efforts to cause such third parties to take such action as is necessary to comply with such Environmental Laws to the extent caused by such third parties.

City shall cause the Landlord to abide by the Landlord's Representations and Covenants as described in the Master Lease, and the benefits of the Landlord's Representations and Covenants shall accrue to the Subtenant as applicable.

21.3 Landlord's Environmental Indemnity

Without limiting Sublandlord's Indemnity in Section 16.2 (City's Indemnity), above, Sublandlord shall Indemnify Subtenant and its Agents against any and all Claims arising during or after the Term of this Sublease solely to the extent resulting from a breach of any of Sublandlord's representations, warranties or covenants in the preceding 21.2.

21.4 Subtenant's Covenants

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

21.5 Subtenant's Environmental Indemnity

If Subtenant breaches its obligations contained in the preceding Section 21.4, then Subtenant shall indemnify City and Landlord against any and all Claims, including without limitation any costs of investigation, clean up, monitoring, and restoration, arising during or after the Term of this Sublease as a result of such breach, except to the extent Landlord, City or their Agents is responsible for the breach. The foregoing indemnity shall not include any Claims resulting from the non-negligent aggravation by Subtenant, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to Subtenant's occupancy.

22. GENERAL PROVISIONS

22.1 Notices

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

(b) Notices to Mortgagees. If Subtenant is notified in writing of the identity and address of any Mortgagee or ground or underlying lessor, Subtenant shall give to such Mortgagee or ground or underlying lessor notice of any default by City under the terms of this Sublease in writing sent by registered or certified mail, and such Mortgagee or ground or underlying lessor shall be given the opportunity to cure such default prior to Subtenant exercising any remedy available to it.

22.2 No Implied Waiver

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

22.3 Amendments

Neither this Sublease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach

shall affect or alter this Sublease, but each and every term, covenant and condition of this Sublease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Sublease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Sublease, including, without limitation, amendments to or modifications to the exhibits to this Sublease, shall be subject to the mutual written agreement of City and Subtenant, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee and Landlord; provided, however, material amendments or modifications to this Sublease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Sublease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Sublease shall additionally require the approval of City's Board of Supervisors.

22.4 Authority

Subtenant and City represent and warrant to each other that the execution and delivery of this Sublease by each party has been duly authorized and does not violate any provision of any agreement, law or regulation to which City or Subtenant is subject.

22.5 Parties and Their Agents; Approvals

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

22.6 Interpretation of Sublease

The captions preceding the articles and sections of this Sublease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Sublease. Except as otherwise specifically provided herein, wherever in this Sublease Subtenant or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Sublease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City

holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word “including” or similar words shall not be construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as “without limitation” or similar words, are used.

22.7 Successors and Assigns

Subject to the provisions of Section 14 relating to assignment and subletting, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Subtenant and City and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Sublease.

22.8 Brokers

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

22.9 Severability

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

22.10 Governing Law

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

22.11 Entire Agreement

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

22.12 Attorneys' Fees

In the event that either Subtenant or City fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Sublease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "**attorneys' fees**" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "**costs**" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

22.13 Holding Over

Upon the expiration of the Term, Subtenant may hold over on a month-to-month basis upon on all the terms and conditions of the Sublease upon City's and Landlord's written consent, which shall not be unreasonably delayed.

22.14 Cumulative Remedies

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

22.15 Time of Essence

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

22.16 Survival of Indemnities

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

22.17 Signs

Subtenant may erect or post signs on or about the Premises, and may erect or maintain signage on Jessie Street, provided such signage is compatible with a first class, urban mixed-use development and in compliance with all applicable Laws, in each case subject to Landlord's prior written approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

22.18 Bankruptcy

Subtenant represents and warrants to City that Subtenant has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to Subtenant's actual knowledge, no such filing is threatened. Subtenant and City agree that Subtenant's subleasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein and in the Master Lease.

22.19 Non-Liability of City Officials, Employees and Agents

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

22.20 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 Section 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. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

22.21 Controller's Certification of Funds

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

Sublease, without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City shall use its reasonable efforts to give Landlord reasonable advance notice of such termination.

22.22 Prevailing Wages for Construction Work

Subtenant agrees that any person performing labor in the construction of the leasehold improvements or other improvements to the Premises, which Subtenant provides under this Sublease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, 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, California. Subtenant 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. Subtenant 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.

22.23 Non Discrimination in City Contracts and Benefits Ordinance

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

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

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the term of this Sublease, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with

a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. As a condition to this Sublease, Subtenant shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the “HRC”). Subtenant hereby represents that prior to execution of the Sublease: (a) Subtenant executed and submitted to the HRC Form HRC-12B-101 with supporting documentation, and (b) the HRC approved such form.

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

22.24 Tropical Hardwood and Virgin Redwood Ban

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

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

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

22.25 Bicycle Storage Facilities

Article 1.5, Section 155.1, of the San Francisco Planning Code (the “Planning Code”) requires the provision of bicycle storage at City-leased buildings at no cost to Landlord and if funds are available. Landlord acknowledges in the Master Lease that City’s Agents and Invitees,

including Subtenant, shall be permitted to store bicycles in such storage area(s) within the Building as may be designated by Landlord from time to time.

22.26 Resource-Efficient City Buildings and Pilot Projects

Subtenant acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Subtenant hereby agrees that it shall comply with all applicable provisions of such code sections.

22.27 Counterparts

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

22.28 Effective Date

The date on which this Sublease shall become effective (the “**Effective Date**”) is the date upon which this Sublease is duly executed by the parties hereto.

22.29 Sunshine Ordinance

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

22.30 Conflicts of Interest

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

22.31 Notification of Limitations on Contributions

Through its execution of this Sublease, Subtenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the

office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Subtenant acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Subtenant further acknowledges that the prohibition on contributions applies to each Subtenant; each member of Subtenant's board of directors, and Subtenant's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Subtenant; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Subtenant. Additionally, Subtenant acknowledges that Subtenant must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Subtenant further agrees to provide to City the name of each person, entity or committee described above.

22.32 Preservative-Treated Wood Containing Arsenic

As of July 1, 2003, Subtenant may not purchase preservative-treated wood products containing arsenic in the performance of this Sublease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Subtenant from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

22.33 Certified Access Specialist

For purposes of Section 1938 of the California Civil Code, City hereby discloses to Subtenant, and Subtenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp).

22.34 California Waivers

(a) Subtenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and 1995.310 (Assignment and Subletting) of the California Civil Code, or any similar or successor Laws now or hereinafter in effect.

(b) SUBTENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174 (c) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER APPLICABLE LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE TERM OF THE SUBLEASE, AS AMENDED HEREBY, PROVIDING THAT SUBTENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THE SUBLEASE FOLLOWING ITS TERMINATION BY REASON OF TENANT'S EXECUTION COPY

BREACH. SUBTENANT ALSO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THE SUBLEASE.

22.35 Disability Access Obligations Notice and Access Information Notice

(a) Subtenant hereby acknowledges and agrees that City has delivered to Subtenant, at least twenty-four (24) hours prior to execution of this Sublease by Subtenant, a copy of the “Disability Access Obligations Notice to Prospective Tenant” attached hereto as Exhibit E, and that Subtenant executed and delivered the same to Landlord at least twenty-four (24) hours prior to execution of this Sublease.

(b) Subtenant further hereby acknowledges and agrees that, at least twenty-four (24) hours prior to execution of this Sublease by Subtenant, City delivered to Subtenant a copy of the San Francisco Office of Small Business Access Information Brochure (the “**Access Information Brochure**”) in an available language as selected by Subtenant. A copy of the Access Information Brochure is also available at <http://sfgsa.org/index.aspx?page=4927>.

22.36 Cooperative Drafting

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

22.37 Authority to Execute

Pursuant to San Francisco Administrative Code Section 23.26 and Section 3.1 of this Sublease, the Director of Property for the City has the authority to execute this Sublease on behalf of the City.

[SIGNATURE PAGE FOLLOWS]

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

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By:

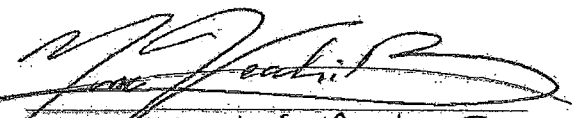
JOHN UPDIKE

Its: Director of Property

SUBTENANT:

AT THE CROSSROADS,
a California non-profit organization

By:


Its: ROB GITIN on behalf, Nava Breereton
Executive Director Associate Director

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By:



Heidi J. Gwertz
Deputy City Attorney

EXHIBIT A
MASTER LEASE

[Attached]

OFFICE LEASE

between

THIRD AND MISSION ASSOCIATES, LLC,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

167 Jessie Street, San Francisco, California

December 12, 2014

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LIST OF EXHIBITS

EXHIBIT A – Floor Plan of Premises

EXHIBIT B – Emergency Access Easement Areas

EXHIBIT C – Disability Access Obligations Notification to Prospective Tenant

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of December 12, 2014, is by and between THIRD AND MISSION ASSOCIATES, LLC, a California limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	December 12, 2014
Landlord:	THIRD AND MISSION ASSOCIATES, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	167 Jessie Street, San Francisco, California, commonly known as "The Paramount"
Premises (<u>Section 2.1</u>):	The leasable area of that portion of the third and fourth floors commonly known as the "Jessie Hotel" portion of the Building, as generally depicted on the attached <u>Exhibit A</u> .
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 4,124 rentable square feet of space
Term (<u>Section 3</u>):	Commencement Date: April 1, 2015 Expiration Date: March 31, 2101
City Cancellation Right (<u>Section 3.1</u>)	City shall have the right at any time during the Term to cancel this Lease without any penalty, fee or other liability, by giving Landlord not less than three hundred sixty-five (365) days prior written notice.
Extension Option (<u>Section 3.4</u>):	None

Base Rent (Section 4.1): Base Rent shall be calculated in accordance with the provisions of Section 4.1 below.

Tenant's Share (Section 4.2): Two and 62/100 percent (2.62%), subject to the Sublease Condition described in Section 4.2(b)(iv) below.

Use (Section 5.1): General non-profit office use, subject to the provisions of Section 5.1 below.

Utilities and Services (Section 9.1): Landlord shall furnish utilities for the Premises as further set forth in Section 9.1. Tenant shall contract directly for telephone services and janitorial services.

Notice Address of Landlord (Section 23.1): Third and Mission Associates, LLC
c/o The Related Companies, L.P.
60 Columbus Circle
New York, New York 10019

with a copy to: Michael, Levitt & Rubenstein, LLP
60 Columbus Circle
New York, New York, 10022
Attn: Jeffrey A. Levitt, Esq.

Key Contact for Landlord: Bruce A. Beal

Landlord Contact Telephone No.: (212) 801-1000

Notice Address for Tenant (Section 23.1): Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: John Updike, Director of Property
Re: 167 Jessie Street
Fax No.: (415) 552-9216

with a copy to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate/Finance Team
Re: 167 Jessie Street
Fax No.: (415) 554-4755

Key Contact for Tenant: Director of Property

Tenant Contact Telephone No.: 415-554-9850

Brokers (Section 23.8): None

Other Noteworthy Provisions (Section 14): Sublease terms and conditions.

Security Deposit: None

2. PREMISES

2.1 Lease Premises; Property

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "**Building**") and generally depicted on the floor plan attached hereto as Exhibit A (the "**Premises**"). Landlord and Tenant hereby agree that the rentable square footage of the Premises has been agreed to by Landlord and Tenant and is as stipulated in the Basic Lease Information and there shall be no remeasurement of the Premises by Tenant. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "**Property**."

2.2 Common Area; Access to Premises

The term "**Common Area**" shall mean all areas and facilities within the Building and the parcel or parcels of real property on which the Building and its associated improvements are located that are designated by Landlord, from time to time, for the non-exclusive use of Landlord, Tenant or any other tenant or other occupant of the Property, such as lobbies, fire vestibules, restrooms on multi-tenant floors, mechanical areas, tenant and ground floor corridors, elevator foyers, electrical and janitorial closets, ground floor lobbies, telephone and equipment rooms, pedestrian sidewalks, landscaped areas, trash enclosures and other similar facilities maintained for the benefit of Building tenants and invitees. Landlord shall operate, manage, equip, light, insure, secure, repair and maintain the Common Area in such manner as Landlord shall in its sole discretion determine, and may from time to time change the size, location and nature of any Common Area and may make installations therein and move and remove such installations. Landlord may at any time close temporarily any Common Area to make repairs or changes to prevent the acquisition of public rights in such area, and may do such other acts in and to the Common Area as in its judgment may be necessary or desirable. Except in emergency situations, Tenant's sole right of ingress and egress to and from the Premises shall be by means of the entrance to the Building located on Jessie Street and the elevator that has been designated for the use of Tenant in the location shown on Exhibit A (the "**Premises Elevator**").

2.3 Emergency Access Easement Areas

Landlord hereby grants to Tenant a non-exclusive easement for the purpose of emergency ingress and egress to and from the Premises in, over and through those portions of the Common Area described in Exhibit B attached hereto (i.e., stairways 3 and 4 which have been darkened on the exhibit) and incorporated herein by this reference (the "**Emergency Access Easement Areas**"). The location of the Emergency Access Easement Areas may be relocated from time to time by Landlord in its reasonable discretion without Tenant's consent. Landlord shall deliver to Tenant written notice of any such relocation at least fifteen (15) days prior to the effective date of such relocation. Tenant shall comply with the Rules and Regulations in the use of the Emergency Access Easement Areas and any other rules and regulations adopted by Landlord in

its reasonable discretion with respect to the Emergency Access Easement Areas. Except as expressly set forth in this Section, neither Tenant nor its agents, employees, guests or invitees shall have any rights of access in, over or through any other portion of the Building, including without limitation the Common Area and those portions of the Building reserved by Landlord for the exclusive use by residential occupants of the Building.

3. TERM

3.1 Term of Lease; Termination Right of City

(a) Term of Lease. The Premises are leased for a term (the "Term") commencing on the Commencement Date specified in the Basic Lease Information and ending on the Expiration Date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease; provided that as a condition precedent to the effectiveness of this Lease, City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion.

(b) Termination Right of City. Notwithstanding anything to the contrary herein, City shall have the right at any time during the Term to terminate this Lease without any penalty, fee or other liability, by giving Landlord not less than three hundred sixty-five (365) days' prior written notice (the "Termination Notice"). The Termination Notice shall specify the date that the Lease termination shall be effective. Upon the termination date specified in the Termination Notice, this Lease shall terminate and be of no further force or effect, except with respect to those provisions intended to survive the expiration or earlier termination of this Lease, Tenant's surrender and restoration obligations under this Lease and for any obligations, including rent, accrued prior to such termination date.

3.2 Commencement Date and Expiration Date

The dates on which the Term commences and expires pursuant hereto are referred to respectively as the "Commencement Date" and the "Expiration Date."

4. RENT

4.1 Base Rent

On the Commencement Date, City shall pay to Landlord, in advance, base rent (the "Base Rent") in an amount equal to One Dollar (\$1.00) per year for each year of the Term of this Lease for a total payment of Eighty-Seven Dollars (\$87.00).

4.2 Additional Rent

(a) Additional Rent. Tenant shall pay to Landlord (or, where specified in this Lease, to third parties) all charges and other amounts whatsoever as provided in this Lease at the place where the Base Rent is payable, and Landlord shall have the same remedies for a default in the payment of such sums as for a default in the payment of Base Rent. As used herein, the term "Additional Rent" shall mean all monetary obligations of Tenant hereunder other than the obligation for the payment of Base Rent, and the term "Rent" shall mean all Base Rent plus all Additional Rent.

(b) **Definitions.** For purposes of this Section 4.2, the following terms shall have the meanings hereinafter set forth:

(i) **"Tenant's Share"** shall have the meaning set forth in the Basic Lease Information, except that, where "Expenses" consist of expenses related solely to the Premises, "Tenant's Share" shall mean one hundred percent (100%).

(ii) **"Real Estate Taxes"** shall mean all taxes, assessments and charges levied upon or with respect to the Property or any personal property of Landlord used in the operation thereof, or Landlord's interest in the Property or such personal property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees or assessments for transit, housing, police, fire or other governmental services or purported benefits to the Property, 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 Property, or on the use or occupancy of the Property or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Property, or in connection with the sale or transfer of the Property, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California, or any political subdivision, public corporation, district or any other political or public entity, and shall 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. Real Estate Taxes shall not include franchise, inheritance or capital stock taxes, or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax. Real Estate Taxes shall also include reasonable legal fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Real Estate Taxes; provided that such fees, costs and disbursements do not exceed the actual savings in Real Estate Taxes over the Term of this Lease. If any assessments are levied on the Property, Tenant shall have no obligation to pay more than that amount of annual installments of principal and interest that would become due during the Term of this Lease had Landlord elected to pay the assessment in installment payments, even if Landlord pays the assessment in full.

(iii) **"Tax Year"** shall mean each twelve (12) consecutive month period commencing January 1st of the calendar year during which the Commencement Date of this Lease occurs.

(iv) **"Expenses"** shall mean the following costs and expenses paid or incurred by Landlord in connection with the management, operation, maintenance and repair of the Property: (a) the cost of such insurance on the Property as landlord, in its sole and absolute discretion, elects to obtain including, without limitation, insurance premiums and any deductible amounts paid by Landlord; (b) fees, charges and other costs, consulting fees, legal fees, accounting fees, and fees of all independent contractors engaged by Landlord directly related to the operation of the Property; (c) compensation (including employment taxes and fringe benefits) of all on-site and off-site employees of Landlord or its agent at the rank of property manager or below who perform duties in connection with the operation, maintenance and repair of the Property, such compensation to be appropriately allocated for persons who also perform duties

unrelated to the Property; (d) an office in the Building for the management of the commercial portion of the Property, including, without limitation, expenses of furnishing and equipping such office and the rental value of any space occupied for such purposes; and (e) the cost of any capital improvements made to the Property after the Commencement Date (i) as a labor saving device or to effect other economies in the operation or maintenance of the Property (from which a reasonable person would anticipate that savings would actually result), (ii) to repair or replace capital items which are no longer capable of providing the services required of them (other than in connection with a casualty to which Section 12 applies), or (iii) that are made to the Property after the date of this Lease and are required under any Laws (as hereinafter defined) (excluding, however, any capital improvements required by Laws that are the responsibility of Tenant under Section 10.2), which shall be paid directly by Tenant pursuant to Section 10.2, or which are the responsibility of another tenant pursuant to the provisions of the lease to such other tenant), where such capital improvements were not required under any such Laws to be completed with respect to the Building or Common Area prior to the date the Lease was executed or which requirement was triggered by any event occurring after the date of this Lease. With respect to any capital improvements described in clause (e) above, the cost of such capital improvements incurred during any calendar year shall be amortized over the useful life of the capital item in question as reasonably determined by Landlord, together with interest on the unamortized balance at the greater of (x) the rate paid by Landlord on funds borrowed for the purpose of constructing such capital improvements; and (y) ten percent (10%) per annum. Expenses for any calendar year during which average occupancy of the Building is less than one hundred percent (100%) shall be calculated based upon the Expenses that would have been incurred if the Building had an average occupancy of one hundred percent (100%) during the entire calendar year.

Notwithstanding anything to the contrary herein contained, Expenses shall not include: (aa) any rent payable pursuant to any ground lease, and debt service (including, but without limitation, interest and principal) required to be made on any Mortgage (as defined in Section 11) other than financing charges imposed in connection with funds borrowed by Landlord for the purpose of making capital improvements that are allowed hereunder to be included in Expenses; (bb) the cost of special services, goods or materials provided to any tenant; (cc) depreciation; (dd) costs occasioned by Landlord's fraud or willful misconduct under applicable laws; (ee) costs for which Landlord has received reimbursement from others; (ff) advertising or promotional costs; (gg) leasing commissions; (hh) the cost of tenant improvements and concessions in connection with preparing space for any Building tenant or in connection with a renewal or expansion; (ii) other leasing costs; (jj) legal and accounting fees arising in connection with negotiations or disputes with other tenants, prospective purchasers, lenders or other third parties; (kk) wages, salaries and benefits paid to any party above building manager; (ll) costs reimbursed from insurance, warranty or condemnation proceeds or which are reimbursable by any tenant; (mm) fines or penalties including penalties or interest payable as a result of Landlord's failure to timely pay Real Estate Taxes or Expenses; (nn) costs for services, supplies or repairs paid to any entity related to Landlord in excess of costs that would have been payable in an arm's length transaction; (oo) costs of operating, maintaining and/or repairing the loading dock; or (pp) costs relating exclusively to the residential units within the Building. All costs and expenses shall be determined in accordance with sound real estate management and accounting practices, consistently applied. Irrespective of the foregoing, Expenses shall only be due and owing by Tenant during any period of time that Tenant has a fully executed sublease in effect

with a subtenant (a "Sublease") for use of all or a portion of the Premises for the permitted use (the "Sublease Condition"). In the event that a Sublease terminates during the Term of this Lease such that there is no Sublease in effect for use of the Premises, the Sublease Condition shall be suspended until such time as a new Sublease is in effect at which time City's obligation to pay Expenses and other costs arising under this Lease shall be restored. City shall notify Landlord within ten (10) days of the effective date or termination date of any Sublease in order to advise Landlord of any changes to the status of the Sublease Condition.

(c) Additional Rent for Real Estate Taxes and Expenses.

(i) Tenant shall pay Landlord as "Additional Rent" during each year commencing on the Commencement Date and ending on the Expiration Date (prorated for any partial calendar year during the Term of this Lease), (i) Tenant's Share of Expenses, and (iii) Tenant's Share of Real Estate Taxes for the then current tax year. Tenant's Share of Expenses and Tenant's Share of Real Estate Taxes shall be separately calculated.

(ii) With reasonable promptness after Landlord has received the annual tax bills for any Tax Year, Landlord shall furnish Tenant with a statement which shall include a copy of the tax bill (herein called "Landlord's Tax Statement") setting forth the amount of Real Estate Taxes for such Tax Year and Tenant's Share of Real Estate Taxes for such Tax Year. Tenant shall pay to Landlord, in two equal installments on or before March 10 and November 10 of each year, one-half (1/2) of Tenant's Share of Real Estate Taxes for such Tax Year. Additionally, if Landlord receives any supplemental or other tax bills for Real Estate Taxes separate from the annual tax bill for a Tax Year, Landlord shall furnish Tenant with an additional Landlord's Tax Statement setting forth the amount of such supplemental or other Real Estate Taxes and Tenant's Share thereof, and Tenant shall pay to Landlord its Tenant's Share thereof no later than thirty (30) days before the date on which Landlord is required to pay such Real Estate Taxes to the taxing authority.

(iii) Commencing on the Commencement Date and continuing on the first day of every month thereafter, Tenant shall pay Landlord, as Additional Rent, one-twelfth (1/12th) of the amount specified by Landlord as being Landlord's estimate of and Tenant's Share of Expenses for the applicable calendar year. If Landlord thereafter estimates that Expenses for such year will vary from Landlord's prior estimate, Landlord may, by notice to Tenant, revise the estimate for such year (and Additional Rent for Expenses shall thereafter be payable based on the revised estimate).

(iv) As soon as reasonably practicable, but not more than one hundred twenty (120) days, after the end of the first calendar year and each calendar year thereafter, Landlord shall furnish Tenant a statement with respect to such year, showing Expenses and Additional Rent for Expenses for the year, and the total payments made by Tenant with respect thereto (a "Year-End Statement"). If Tenant's Additional Rent for Expenses as finally determined for the year exceeds the total estimated payments made by Tenant on account thereof, Tenant shall pay to Landlord the deficiency within fifteen (15) days after the receipt of the Year-End Statement, and if the total estimated payments made by Tenant on account thereof exceed Tenant's Additional Rent for Expenses as finally determined for the year, such excess shall be credited toward the next installment of Additional Rent due from Tenant to Landlord hereunder. If it has been determined that Tenant has overpaid Additional Rent for Expenses during the last

year of the Term of this Lease, then Landlord shall reimburse Tenant for such overage on or before the thirtieth (30th) day following the Expiration Date.

(v) If, for any reason Real Estate Taxes for any year during the Term are reduced, refunded or otherwise changed, Tenant's Additional Rent for Real Estate Taxes shall be adjusted accordingly. The obligations of Landlord to refund any overpayment of Additional Rent for Real Estate Taxes and of Tenant to pay any Additional Rent for Real Estate Taxes not previously paid shall survive the expiration of the Term.

(vi) To the extent any item of Real Estate Taxes or Expenses is payable by Landlord in advance of the period to which it is applicable (e.g. insurance and tax escrows required by any Mortgagee (as defined in Section 11)), or to the extent that prepayment is customary for the service or matter, Landlord may (a) include such items in Landlord's estimate for periods prior to the date such item is to be paid by Landlord and (b) to the extent Landlord has not collected the full amount of such item prior to the date such item is to be paid by Landlord, Landlord may include the balance of such full amount in a revised monthly estimate for Additional Rent for Real Estate Taxes or Expenses. If the Commencement Date or Expiration Date shall occur on a date other than the first day of January, Tenant's Share of Real Estate Taxes and Tenant's Share of Expenses for the calendar year in which the Commencement Date occurs shall be prorated.

(vii) Within ninety (90) days after receipt of any Year-End Statement from Landlord, Tenant shall have the right to examine Landlord's books and records relating to such Year-End Statement, or cause an independent audit thereof to be conducted by a nationally-recognized accounting firm which is not compensated on a contingency fee basis, to be selected by Tenant and subject to the reasonable approval of Landlord. If the audit conclusively proves that Tenant has overpaid either Tenant's Share of Expenses or Tenant's Share of Real Estate Taxes, then Landlord shall promptly reimburse Tenant for such overage, and if such overage exceeds five percent (5%) of the actual amount of Expenses or Real Estate Taxes paid by Landlord for the calendar year covered by such audit, then Landlord shall bear the cost of such audit, up to a maximum cost of Five Thousand Dollars (\$5,000.00). If Tenant fails to object to any such Year-End Statement or request an independent audit thereof within such ninety (90) day period, such Year-End Statement shall be final and shall not be subject to any audit, challenge or adjustment, except that Landlord may deliver to Tenant an amended Year-End Statement in the event that additional Expenses or Real Estate Taxes are thereafter found to be properly attributable to the calendar year in question. All of the information obtained through any audit by Tenant and any compromise, settlement or adjustment reached between Landlord and Tenant relative to the results of such audit shall be held in strict confidence by the Tenant. The audit right set forth in this Section 4.2(c)(vii) is personal to City as Tenant, and shall not apply to any assignee of said Tenant's interest in this Lease or to any subtenant.

4.3 Real Property Tax Exemption

Tenant has informed Landlord that Tenant may be entitled to obtain a real property tax exemption for the Premises pursuant to the provisions of Section 202 of the California Revenue and Taxation Code. Landlord consents to Tenant seeking to obtain such an exemption provided that all applications, appraisals, documents, correspondence, writings and communications made or submitted by Tenant or any officer, director, shareholder, member, employee, agent,

contractor, consultant or representative of Tenant to the office of the Tax Assessor of the City and County of San Francisco and/or any other governmental authority, agency, department or representative (whether appointed or elected) thereof with respect thereto shall be submitted, transmitted or made through Landlord and Tenant shall provide Landlord with a copy of any such all materials received from the office of the Tax Assessor of the City and County of San Francisco and/or any other governmental authority, agency, department or representative thereof with respect thereto promptly upon receipt thereof. Tenant shall be entitled to receive the economic benefit of any such exemption which it obtains with respect to the Premises, provided, however, that the economic benefit of such exemption which Tenant shall be entitled to receive pursuant to this Section 4.3 shall not exceed the amount (if any) by which the real property taxes which Landlord is required to pay for the Property are reduced as a direct result of the granting of such exemption.

4.4 Manner of Payment of Rent

Base Rent shall be payable at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. Base Rent, together with any other amount payable by City to Landlord under this Lease, is sometimes referred to as "Rent."

5. USE

5.1 Permitted Use

City may use the Premises for non-profit office space uses that are not incompatible with a first class, urban mixed-use building. City shall not do or permit anything to be done in or about the Premises that will in any way obstruct or interfere with the rights of other tenants or occupants of the Property or the Building or injure, annoy, or disturb them, or allow the Premises to be used for any improper, immoral, unlawful, or objectionable purpose, or commit any waste. The Premises shall not be used for any other use without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, so long as the proposed use is not incompatible with a first class, urban mixed-use building.

5.2 Observance of Rules and Regulations

City shall observe and comply with all reasonable rules and regulations for the Building (the "Rules and Regulations") promulgated by Landlord from time to time, following reasonable advance notice from Landlord of such Rules and Regulations, provided that such Rules and Regulations shall not reduce Landlord's obligations hereunder, must be applicable to the other tenants in the Building, must not materially conflict with the provisions of this Lease, must not materially increase the burdens or obligations of City, must not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and must not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use commercially reasonable efforts to cause other Building tenants to comply with them, provided however, that Landlord shall not be

responsible for the nonperformance by any other tenant or occupant of the Building of any such Rules or Regulations. In the event of an express and direct conflict between the terms, covenants, agreements and conditions of this Lease and those set forth in the Rules and Regulations, as such may be modified and amended from time to time by Landlord, the terms, covenants, agreements and conditions of this Lease shall control.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent reasonably possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy, or other emergency and in such event, Landlord will use commercially reasonable efforts to deliver reasonable notice thereof to City. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall promptly undertake all commercially reasonable steps as are reasonably necessary to correct such condition. In the event such condition continues for five (5) business days and materially impairs City's ability to conduct its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and materially impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease, to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's ability to use the Premises for its permitted use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such sixty (60) day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Improvements to Premises and Premises Elevator

City shall be responsible, at its sole cost and expense, for all improvements to the Premises and to the Premises Elevator (and Tenant acknowledges that the Premises and the Premises Elevator shall be delivered in the condition set forth below in Section 10.1), including without limitation any initial improvements in or to the Premises and the installation of plumbing and bathroom(s) in the Premises and all start-up costs for the Premises Elevator, all of which shall be performed pursuant to the terms of Section 7.1; provided, however, that City shall have sole and absolute discretion regarding the timing of the initiation of the start-up work for the Premises Elevator and shall not be required to incur any maintenance costs for the Premises Elevator except from and after the date that the Sublease Condition is satisfied. Notwithstanding the foregoing, Landlord agrees to reimburse Tenant for twenty-five percent (25%) of the reasonable actual out-of-pocket costs incurred by Tenant in connection with the ongoing

maintenance of the Premises Elevator, provided, however, that Landlord shall not be required to reimburse Tenant for any such costs unless and until Tenant provides Landlord with reasonably detailed invoices evidencing such ongoing maintenance costs and such other evidence as Landlord may reasonably require. Tenant agrees that if any work must be undertaken within the Premises in order for Landlord or any other tenant or occupant in the Building to be able to obtain a certificate of occupancy or its equivalent for any other portion of the Building (such as, by way of example only, life safety work), Tenant will, promptly upon its receipt of written notice from Landlord identifying such work, commence such work and thereafter diligently pursue the same to completion (such work in any event to be completed within thirty (30) days after Landlord's written notice), and all such work shall be performed at Tenant's sole cost and expense. If Tenant fails to promptly commence or elects in a written notice to Landlord not to promptly commence, pursue and complete all such work identified in Landlord's written notice, Landlord shall have the right to enter the Premises upon reasonable notice to Tenant and perform such work at the expense of Tenant, and all costs and expenses incurred by Landlord in performing such work, shall be paid by Tenant to Landlord as Additional Rent within ten (10) days after the date that the Sublease Condition is next satisfied. Upon completion of the work, Landlord shall submit to City a bill or statement for all such costs. Promptly following written request from Tenant, Landlord shall cooperate with Tenant, at no additional cost or expense to Landlord, in obtaining any such governmental approvals, permits and licenses.

6.2 Telecommunications and Other Equipment

City shall be responsible for installing any telecommunications, data and computer cabling facilities and equipment desired by City, if any, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the floors on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring; provided, however, that City shall not be permitted access to the roof of the Building without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed and further provided that any such installation shall be performed pursuant to the terms of Section 7.1.

6.3 Landlord Work

Prior to the Commencement Date, Landlord shall, at its sole cost and expense, cause the following work (the "**Landlord Work**") to be performed using Building standard methods, materials and finishes: installation of a new, Building standard demising wall separating that portion of the Premises located on the third (3rd) floor of the Building from the remainder of the third (3rd) floor of the Building. Except as expressly set forth in this Section 6.3, Landlord and Tenant acknowledge and agree that Landlord shall not be required to perform any work or undertake or install any improvement in or about the Premises or the Building for the account or on behalf of Tenant.

6.4 Construction of Improvements that Disturb or Remove Paint

If Landlord performs any alterations or improvements in or to the Premises, Landlord, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws,

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

7. ALTERATIONS

7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent, provided that any such installation complies with the other terms of this Section 7.1. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below), including without limitation all Disabilities Laws and the building standards set forth in Title 24 of the California Code of Regulations. Any disability access improvements to the Property or Premises required due to Alterations made to the Premises by Tenant shall be the responsibility of Tenant in all respects, including without limitation, cost and effort. Landlord shall, without cost to itself, reasonably cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. Tenant shall be responsible for obtaining all governmental approvals, permits and licenses required for all Alterations and shall provide Landlord with a copy of all such approvals, permits, licenses and certificates prior to commencing any work in or about the Premises. City shall not be required to remove any

Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date or earlier termination of the Lease.

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing or otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable written request, shall execute and deliver to any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property Landlord's form of subordination agreement with respect to any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises on or prior to Expiration Date or within ten (10) days after the date of any earlier termination of the Term (but if it does not remove City's Personal Property within such time it shall have waived any rights it had with respect to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises upon reasonable written notice to Landlord and at a mutually agreed upon time to remove such property at any time during the Term or within ten (10) days after any earlier termination of the Term.

7.4 Alteration by Landlord

Landlord shall use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. Landlord shall promptly remedy any such material interference or disruption upon receiving City's written notice thereof. Notwithstanding the foregoing, City acknowledges that other tenants of the Building may perform construction in the Building during the Term of this Lease but Landlord shall require such other tenants to use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during such construction.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Except to the extent otherwise provided in this Lease (including without limitation in Sections 8.2 and 12), Landlord shall repair and maintain, at its cost, and in a commercially reasonable condition, the Common Areas and the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems"), excepting those portions of such systems that are within the Premises for which Tenant has responsibility hereunder; and Landlord shall have no other duties or obligations with respect to the maintenance, repair and/or replacement of the Building. Landlord shall perform its maintenance, repair and replacement duties in such manner and to such extent as Landlord deems appropriate in its sole and absolute discretion. The costs incurred by Landlord in connection with such repair, maintenance, repair and replacement obligations shall be included in Expenses. Without limiting the foregoing, Landlord shall maintain the Building in a manner consistent with a first class, urban mixed-use building, shall provide exterior graffiti removal with reasonable frequency, and shall use commercially reasonable efforts to keep other tenants of the Building from disturbing or interfering with City's use of the Premises or permit to be done in or about the Building or the Common Areas activities that are illegal or dangerous to persons or property or constitutes a nuisance.

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition) and Landlord's repair and maintenance obligations hereunder, City shall repair and maintain at its cost all portions of the Premises (including, without limitation, all electrical, plumbing, HVAC, and mechanical systems located within the Premises or serving the Premises exclusively, the interior walls, floor coverings, ceiling (ceiling tiles and grid), fire extinguishers, outlets and fixtures, any appliances (including dishwashers, hot water heaters and garbage disposals) in the Premises), the Premises Elevator (subject to Section 6.1), and any tenant improvements and/or Alterations installed for Tenant or by or on behalf of Tenant within the Premises, in good working order and first-class condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all reasonable times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City. If Tenant fails after thirty (30) days' written notice by Landlord to proceed with due diligence to make repairs required to be made by Tenant, the same may be made by Landlord at the expense of Tenant and the expenses thereof incurred by Landlord shall be reimbursed as Additional Rent within thirty (30) days after the date that the Sublease

Condition is next satisfied. Upon completion of the work, Landlord shall deliver to Tenant a bill or statement therefor.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Utilities and Services

Landlord shall furnish the following utilities and services to the Premises: (a) heating and ventilation; (b) electric current; and (c) water. All such utilities and services shall be paid for by Tenant, and Landlord may cause submeters to be installed in the Premises so as to measure the amount of such utilities and services consumed. The cost of any such submeters and of installation, maintenance and repair thereof shall be paid for by Tenant, and Tenant agrees to pay Landlord promptly upon demand by Landlord for all such utilities and services consumed, as shown by said submeters, at the rates charged by the local public utility furnishing the same, plus any additional expense incurred in keeping account of the utilities and services so consumed. Tenant's use of electrical service shall not exceed, either in voltage, rated capacity, hours of use or overall load, that which Landlord deems to be standard for commercial tenants of the Building. Landlord shall provide at its cost (i) janitorial service to the Common Areas sufficient to maintain the Common Areas in a clean and orderly condition and (ii) pest control as needed to keep the Common Areas pest free. Landlord shall provide trash removal service with respect to the Building; provided that any cost incurred by Landlord in connection with such trash removal may be included in Expenses, and further provided that Tenant shall deposit trash daily in the area designated by Landlord from time to time and only through such entry-ways and elevators provided for such purposes at such times as Landlord shall designate. No material shall be placed in the trash receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the downtown area of San Francisco, California without violation of any applicable Law. If Landlord, or any local governmental authority having jurisdiction over the Building, requires separation of "wet" and "dry" garbage as of the date hereof or at any time after the date hereof, City shall comply with the requirements imposed by Landlord and/or such governmental entity (as the case may be) with respect to the separation of refuse. In addition to the foregoing, City shall participate in any recycling program currently or from time to time conducted by Landlord at the Building.

9.2 Conservation

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

9.3 Services Provided by City at City Cost

(a) Janitorial. City, at City's sole cost, shall be responsible for providing janitorial service to the Premises as reasonably required to maintain the Premises in a clean and orderly condition. If City desires to obtain telephone or internet service in the Premises, City shall have the option, at City sole cost, to install any additional equipment or connections required for such service (provided such installations shall be subject to the approval of Landlord) and to enter into a contract with a telephone or telecommunications service provider to activate the service. City shall be responsible for the cost (including any deposits) of activating the connections, monthly fees for service, and any maintenance required. City and Landlord shall ensure that all on-site janitorial services used by either of them with respect to the Premises or the Building maintain harmonious labor relations with other janitorial service providers and other contractors working at the Building.

(b) Pest Control. City, at its sole cost and expense, shall procure and maintain in full force and effect during any period of time that the Sublease Condition is satisfied, a pest control contract (the "**Pest Contract**") for the pest extermination services to control cockroaches, rodents and other pests with a pest control firm reasonably acceptable to Landlord. City shall follow all reasonable recommendations of said contractor with respect to pest control. A copy of the then current Pest Contract shall be delivered to Landlord annually. If Tenant fails to enter into the Pest Contract or cause the performance of monthly extermination services in accordance with this Section 9.3(b), Landlord may, upon thirty (30) day notice to City, enter into such Pest Contract on behalf of City or perform the work and in either case, charge Tenant the cost thereof along with a reasonable amount for Landlord's overhead.

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall promptly notify City of such failure, stoppage or interruption, use commercially reasonable efforts to restore service and shall keep City reasonably apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "**Essential Services**") and such inability of Landlord materially impairs City's ability to carry on its business in the Premises for a period of five (5) or more business days if such failure is in the reasonable control of Landlord or a period of ten (10) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against Base Rent next due under this Lease. Such abatement, or right to provide the services and offset against Base Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use commercially reasonable efforts to restore disrupted Essential Services as soon as practicable. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord

supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such sixty (60) day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

9.5 Keys and Access Cards

Landlord will furnish City, free of charge, with each of the following: a key to the door to the Premises, a key or card access key to the Building, and a key or card access key to the Premises Elevator. Landlord shall provide (as part of Expenses) (a) card key access control to the Building and (b) a security camera at the entrance to the Building. Notwithstanding Landlord's obligation to provide access control and a security camera at the Building, Landlord shall not be responsible for damage or injury to Tenant, its employees, invitees or others due to the failure, action or inaction of such access control system or camera, and Tenant shall assume responsibility for keeping the Premises reasonably secure and all exterior doors in and to the Premises locked or monitored at all times and, further, all property belonging to Tenant or any person in the Premises, while in the Building or the Premises, shall be at the risk of Tenant or such other person only and Landlord and its Agents shall not be liable for any theft or misappropriation.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Except to the extent caused or exacerbated by Tenant, or any of Tenant's agents, licensees, employees, invitees, customers or contractors, as of the date Landlord delivers possession of the Premises to Tenant, the Building Systems commonly serving the Building up to the point of connection to the exterior walls of the Premises shall be in good order and satisfactory condition and repair. Tenant shall have three hundred sixty-five (365) days from the Effective Date (as defined in Section 22.30 below) in which to discover and to notify Landlord, in writing, which, if any, of the above stated Building Systems are not in good working order and satisfactory condition and repair and with respect to any such items of which Tenant so notifies Landlord, Landlord shall be responsible for the cost and correction thereof. Notwithstanding anything contained herein to the contrary, Tenant acknowledges and agrees that upon delivery to Tenant, the Premises shall be unimproved "raw" space and, except for the Landlord Work expressly set forth in Section 6.3, any and all leasehold improvements for the Premises, including without limitation any improvements to the Premises Elevator, shall be performed by Tenant, at Tenant's sole cost and expense pursuant to the terms of this Lease, including without limitation the terms of Section 6.1 and Section 7.1, and Landlord shall not be responsible for any improvements in or to the Premises or to the Premises Elevator, or for causing the Premises to be other than "raw" unimproved space. Landlord shall at all times during the Term (subject to Section 10.2 below) maintain, at its cost, the Property, Building structure, Common Areas and the Building Systems commonly serving the Building in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws (as hereinafter defined), Environmental Laws (as defined in Section 21.1(a) below), seismic safety Laws, and life safety Laws, provided that Landlord's failure to comply therewith would prohibit Tenant from

obtaining or maintaining a certificate of occupancy (or its equivalent) for the Premises, or would unreasonably and materially affect the safety of Tenant's employees or create a significant health hazard for Tenant's employees, or would otherwise materially and adversely affect Tenant's use of or access to the Premises; further provided that Landlord shall not be obligated to expend more than an aggregate of Fifty Thousand Dollars (\$50,000.00) for any costs associated with performing repairs, alterations or modifications required to cause the Property, Building, Common Areas and the Building Systems serving the Premises to so comply with applicable Law. "Disabilities Laws" shall mean, collectively, the requirements of the Americans with Disabilities Act, a federal law codified at 42 U.S.C. section 12101 et seq., including, but not limited to, Title III thereof, and all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof, including all requirements of the California Unruh Civil Rights Act (Civil Code Section 51 et seq.), the Disabled Persons Act (Civil Code Section 54 et seq.), and the building standards set forth in Title 24 of the California Code of Regulations, as the same may be in effect on the date of this Lease and may be hereafter modified, amended or supplemented.

10.2 City's Compliance with Laws; Indemnity

City shall use, operate and maintain the Premises during the Term in compliance with applicable Laws, including the Disabilities Laws and the building standards set forth in Title 24 of the California Code of Regulations ("Title 24"), except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are not otherwise Landlord's responsibility under this Lease. Notwithstanding anything to the contrary contained in Section 10.1, City shall be responsible for complying with any requirement of the Disabilities Laws with respect to the Common Areas of the Building to the extent required as a result of Tenant's specific use of the Premises, including, without limitation, if related to City's placement of City's furniture or other City Personal Property and the operation of any programs in the Premises. Without limiting Section 16.1 (Tenant's Indemnity), Tenant shall Indemnify Landlord against any and all Claims arising out of Tenant's failure to comply with all applicable Laws as provided in this Section. Notwithstanding the foregoing, Landlord and Tenant hereby agree that if the Premises Elevator is determined by a disability access specialist to be non-compliant with Disabilities Law and/or Title 24, then Landlord and City shall work cooperatively (but at no cost to Landlord) to pursue and attempt to obtain a variance for the Premises Elevator allowing it to be operated in such condition irrespective of such lack of compliance.

10.3 City's Compliance with Insurance Requirements

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Building, (c) cause an increase in the fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements

and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing (any such lien being herein defined as a "Mortgage" and the holder of any Mortgage being a "Mortgagee") that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, Mortgagee, or trustee elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, Landlord shall use commercially reasonable efforts to obtain from any Mortgagee having a lien against the Building a non-disturbance agreement on such Mortgagee's then standard form. In no event shall such commercially reasonable efforts be deemed to require that Landlord pay any fee or other amount in exchange for such agreement. Landlord shall not be in default under this Lease for failure to obtain such agreement provided that Landlord shall have so used commercially reasonable efforts to obtain such agreement.

(b) Tenant agrees to attorn to any Mortgagee. The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, within twenty (20) days of Landlord's request, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

(c) Tenant shall not encumber in any manner the Premises or the Building, or any portion of or interest in any of the foregoing. In addition, Tenant shall not encumber this Lease or assign or pledge assignment of the same as security for any debt, without first obtaining the written consent of Landlord, which shall not be unreasonably withheld or delayed.

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall, subject to receipt of sufficient insurance proceeds, repair the same without delay, provided that in Landlord's reasonable estimation such repairs can be made under applicable laws within one hundred eighty (180) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent, on a pro rata basis in accordance with the extent to which the damage and the making of such repairs shall interfere with the use and occupancy by Tenant of the Premises, while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interferes with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result

of, any damage by fire or other cause to any panelings, decorations, partitions, additions, railings, ceilings, floor coverings, office fixtures or any other property or improvements installed on the Premises by, or belonging to, Tenant, or any damage caused by the negligence or willful misconduct of City or its Agents. Upon the occurrence of any damage to the Premises, Tenant shall, at its sole cost and expense, repair any injury or damage to the improvements within the Premises and shall return such improvements to their original condition. Prior to the commencement of construction, Tenant shall submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto.

Within forty-five (45) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period, or if in Landlord's reasonable estimation Landlord does not have sufficient insurance proceeds to complete such repair. If such repairs cannot in Landlord's reasonable estimation be made within the Repair Period, or if in Landlord's reasonable estimation Landlord does not have sufficient insurance proceeds to complete such repair, then either party hereto may, by written notice to the other given within thirty (30) days after the date Landlord's notice of estimated repair time, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord, and this Lease shall expire and all interest of Tenant in the Premises shall terminate as of such date as if such date had been originally fixed in this Lease for the expiration of the Term. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination. In the event that neither Landlord nor Tenant exercises its option to terminate this Lease, Landlord shall repair or restore such damage, with this Lease continuing in full force and effect, and the Rent hereunder shall be proportionately abated as set forth above.

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

Notwithstanding anything to the contrary contained in this Article, (a) if at any time during the last twelve (12) months of the Term of this Lease there is substantial damage that Landlord would be required to repair hereunder or that renders a material portion of the Premises untenable by Tenant, Landlord or Tenant may, at the respective option of each, terminate this Lease as of the date such damage occurred by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage, and (b) in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises or Building requires that any insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such holder, whereupon this

Lease shall end on the date of such damage as if the date of such damage were the date originally fixed in this Lease for the expiration of the Term.

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or

unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

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

(c) Either party electing to terminate under the provisions of this Section 13.4 shall do so by giving written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

13.5 Rent; Award

Upon termination of this Lease pursuant to an election under Section 13.4 above, then: (a) City's obligation to pay Rent shall continue up until the date of termination, and thereafter shall cease, except that Rent shall be reduced as provided in Section 13.6 below for any period during which this Lease continues in effect after the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

14.1 Restriction on Assignment and Subletting

Tenant shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which consent may not be unreasonably withheld or delayed.

14.2 Notice to Landlord; Landlords' Response; No Release

(a) Notice to Landlord. If Tenant desires at any time to enter into an assignment of this Lease or a sublease of the Premises or any portion thereof, Tenant shall give written notice to Landlord of its desire to enter into an assignment or sublease, which notice shall contain (i) the name of the proposed assignee, subtenant or occupant; (ii) the name of the proposed assignee's, subtenant's, or occupant's business to be carried on in the Premises; (iii) the terms and provisions of the proposed assignment or sublease; (iv) evidence that the proposed assignee, subtenant or occupant is an Internal Revenue Code Section 501(c)(3) non-profit organization, and (v) such financial information as Landlord may reasonably request concerning the proposed assignee, subtenant or occupant.

(b) Landlord's Response. At any time within thirty (30) days after Landlord's receipt of all the information specified in Section 14.2(a), Landlord may by written notice to Tenant elect to (a) consent to the sublease or assignment or (b) disapprove the sublease or assignment. Failure by Landlord to either consent to or disapprove a proposed assignment or sublease within the twenty (20) day time period specified above shall be deemed to be Landlord's disapproval thereof. If Landlord consents to the sublease or assignment within said twenty (20) day period, Tenant may within one hundred twenty (120) days after Landlord's consent, but not later than the expiration of said one hundred twenty (120) days, enter into such assignment or sublease of the Premises or portion thereof upon the terms and conditions set forth in the notice furnished by Tenant to Landlord pursuant to Section 14.2(a), which assignment or sublease shall be in compliance with all of the terms and conditions of this Lease.

(c) No Release. No consent by Landlord to any assignment or sublease by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether arising before or after the assignment or sublease. The consent by Landlord to any assignment or sublease shall not relieve Tenant from the obligation to obtain Landlord's express written consent to any other assignment or sublease. Any assignment or sublease that is not in compliance with this Section 14 shall be void and, at the option of Landlord, shall constitute an Event of Default by Tenant under this Lease. The acceptance of Rent by Landlord from a proposed assignee or sublessee shall not constitute the consent to such assignment or sublease by Landlord.

14.3 Transfer to Other City Departments, Commissions or Agencies

City shall have the right from time to time, upon written notice to Landlord, but without the consent of Landlord, to transfer this Lease or the right to use and occupy all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease and otherwise in conformance with all other terms and

conditions of this Lease; provided that in such event, City shall not be released of its obligations under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord;

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

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure periods provided above, then the Base Rent and any other charges hereunder shall be abated based on the extent to which such default materially interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty

(60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

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

16.2 Landlord's Indemnity

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

Notwithstanding anything contained herein to the contrary, Landlord shall not be liable to Tenant, and Tenant hereby waives all claims against Landlord and Landlord's Agents for any injury or damage to any person or property in or about the Premises or the Building by or from any cause whatsoever (other than the gross negligence or willful misconduct of Landlord), and without limiting the generality of the foregoing, whether caused by water leakage of any

character from the roof, walls, or other portion of the Premises or the Building, or caused by gas, fire, oil, electricity, or any cause whatsoever, in, on, or about the Premises, the Building or any part thereof (other than that caused by the gross negligence or willful misconduct of Landlord). Tenant acknowledges that any casualty insurance carried by Landlord will not cover loss of income to Tenant or damage to the alterations in the Premises installed by Tenant or Tenant's personal property located within the Premises.

17. INSURANCE

17.1 Tenant's Insurance

Tenant shall procure at its cost and expense and keep in effect during the Term the following insurance:

(a) Liability Insurance. Commercial general liability insurance, including contractual liability coverage, with respect to the Premises and with a minimum combined single limit of liability of Three Million Dollars (\$3,000,000) with respect to the Premises. Such insurance shall name Landlord and its agents, employees, officers, directors, members; owners, representatives, contractors and Mortgagees as additional insureds, shall specifically include the liability assumed hereunder by Tenant, and is intended to be primary insurance, and not excess over or contributory with any insurance in force for or on behalf of Landlord. The limits of said insurance shall not, however, limit the liability of Tenant hereunder, and Tenant is responsible for ensuring that the amount of liability insurance carried by Tenant is sufficient for Tenant's purposes.

(b) Property Insurance. "All risk" property insurance (including, without limitation, boiler and machinery (if applicable); sprinkler damage, vandalism and malicious mischief) on any Alterations installed in the Premises by or on behalf of Tenant, all leasehold improvements installed in the Premises by Tenant at its expense, on the plate or tempered glass which is part of the Premises and all of Tenant's personal property, such insurance to include a building ordinance provision (as to those tenant improvements and Alterations for which such a provision will apply). Such insurance shall be an amount equal to full replacement cost of the aggregate of the foregoing and shall provide coverage comparable to the coverage in the standard ISO All Risk form, when such form is supplemented with the coverages required above, and shall name Landlord as a loss payee. Tenant acknowledges and agrees that insurance coverage carried by Landlord will not cover Tenant's property within the Premises and that Tenant shall be responsible, at Tenant's sole cost and expense, for providing insurance coverage for Tenant's movable equipment, furnishings, trade fixtures and other personal property in or upon the Premises and for any Alterations and tenant improvements made by Tenant, in the event of damage or loss thereto from any cause whatsoever.

(c) Other Insurance. Worker's compensation insurance and such other insurance as may be required by law.

All insurance policies required under this Section 17.1 shall be issued by carriers each with a Best's Insurance Reports policy holder's rating of not less than A and a financial size category of not less than Class VIII and shall provide that such policy shall not be cancelable or subject to reduction of coverage except after thirty (30) days' prior written notice to Landlord. Tenant shall

deliver policies of such insurance or certificates thereof to Landlord on or before the Commencement Date, and thereafter at any time and from time-to-time within ten (10) business days after written request from Landlord. If Tenant shall fail to procure and keep such insurance in full force and effect during the Term, or to deliver such policies or certificates within said time frame, Landlord may, at its option, procure same for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within five (5) business days after delivery to Tenant of bills therefor. The provisions of this Section 17.1 shall survive the expiration or termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

17.2 City's Self-Insurance

Notwithstanding anything herein to the contrary, so long as City shall be Tenant under this Lease, Tenant may self-insure in lieu of maintaining the insurance described in Section 17.1. No such self-insurance shall diminish the rights and privileges to which Landlord would otherwise have been entitled under the terms of this Lease had there been a third party insurer, including, without limitation, the duty of the insurer to defend Landlord and all additional insureds and the waiver of subrogation set forth in Section 17.4. Any right to self insure as provided herein is personal to City as Tenant, and shall not apply to any assignee of said Tenant's interest in this Lease or to any subtenant. For so long as Tenant may self-insure under this Section 17.2, any deductible shall be deemed self insured by Tenant.

17.3 Landlord's Insurance

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

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

17.4 Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, (a) Landlord hereby waives any right of recovery against City for any loss or damage sustained by Landlord with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance which Landlord is required to purchase under this Lease or is otherwise actually recovered from valid and collectible insurance covering Landlord, and (b) Tenant hereby waives any right of recovery against Landlord for any loss or damage sustained by Tenant with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of Tenant, to the extent such loss or damage is covered by insurance which Tenant is required to purchase under this Lease (or would be covered by insurance which Tenant is required to purchase under this Lease if Tenant had not elected to self insure pursuant to Section 17.2 above) or is otherwise actually recovered from valid and collectible insurance covering Tenant. Each of Landlord and Tenant agrees to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to the Building or the Premises; provided, either party's failure to do so shall not affect the above waivers.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, City's use of the Premises pursuant to this Lease shall not be materially interfered with, and Landlord shall use commercially reasonable efforts to minimize its impact on City's use of the Premises pursuant to this Lease. Landlord shall use commercially reasonable efforts during re-entry to not unreasonably interfere with Tenant's use of the Premises or its business conducted therein. Landlord shall not, however, be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising from Landlord's entry and acts pursuant to this Section and Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any rights reserved in this Section. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, or special security areas (designated by Tenant from time to time, in its absolute discretion, by written notice to Landlord in advance of the installation or creation of any such vaults, safes or special security areas), and Landlord shall have the right to use any and all means which Landlord may deem necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises, and any entry to the Premises, or portion thereof obtained by Landlord

by any of said means, or otherwise, shall not under any emergency circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portions thereof.

19. ESTOPPEL CERTIFICATES

(a) Tenant Estoppel. Tenant shall have ten (10) business days following the written request of Landlord or any Mortgagee to execute and deliver to Landlord any documents, including estoppel certificates, in the form prepared by Landlord (i) certifying that this Lease is unmodified and in full force and effect or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect and the date to which the Rent and other charges are paid in advance, if any, and (ii) acknowledging that there are no uncured defaults on the part of Landlord, or, if there are uncured defaults on the part of Landlord, stating the nature of such uncured defaults, (iii) certifying that Tenant has no defenses or offsets then outstanding against any of its obligations under this Lease, or stating those claimed by Tenant, and (iv) certifying any other matters pertaining to the status of this Lease or performance of obligations thereunder by Landlord or Tenant as to which Tenant has actual knowledge and as may be reasonably required either by a purchaser of the Premises or a Mortgagee making a loan to Landlord to be secured by the Premises or Property. Tenant's failure to deliver an estoppel certificate within ten (10) business days after delivery of Landlord's written request therefor shall be conclusive upon Tenant that (aa) this Lease is in full force and effect, without modification except as may be represented by Landlord, (bb) there are no uncured defaults in Landlord's performance, (cc) Tenant has no defenses or right of offset against its obligations hereunder, and (dd) no Rent has been paid in advance.

(b) Landlord Estoppel. Landlord shall have ten (10) business days following the written request of Tenant to execute and deliver to Tenant any documents, including estoppel certificates, in the form prepared by Tenant (i) certifying that this Lease is unmodified and in full force and effect or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect and the date to which the Rent and other charges are paid in advance, if any, and (ii) acknowledging that, to Landlord's knowledge, there are no uncured defaults on the part of Tenant, or, if there are uncured defaults on the part of Tenant, stating the nature of such uncured defaults, and (iii) certifying any other matters pertaining to the status of this Lease or performance of obligations thereunder by Landlord or Tenant as to which Landlord has actual knowledge. Landlord's failure to deliver an estoppel certificate within ten (10) business days after delivery of Tenant's written request therefor shall be conclusive upon Landlord that (aa) this Lease is in full force and effect, without modification except as may be represented by Tenant, (bb) there are no uncured defaults in Tenant's performance, and (cc) no Rent has been paid in advance.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises, at City's sole cost and expense, any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above and, notwithstanding anything to the contrary contained herein, all of City's Personal Property, City's

telecommunications, data and computer facilities, and any telephone and other cabling. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

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

21.2 Landlord's Representations and Covenants

Landlord represents and warrants to City that, to Landlord's actual knowledge, as of the date of Landlord's delivery of possession of the Premises to Tenant, (a) Landlord has not received any written notice that the Premises fails to comply with any applicable building codes, governmental ordinances or regulations (that has not been subsequently cured), including, but not limited to, disabled access codes which were created in order to comply with the Americans With Disabilities Act; and (b) Landlord has not received any written notice that Hazardous Materials exist at the Building in violation of Environmental Laws that would prohibit Tenant from obtaining or maintaining a certificate of occupancy for the Premises, or would unreasonably and materially affect the safety of Tenant's employees or create a significant health hazard for Tenant's employees, or would otherwise materially and adversely affect Tenant's use of or access to the Premises.

To the extent it is determined that Hazardous Materials exist at the Building as of the Commencement Date in violation of Environmental Laws, and such violation or condition does

not arise out of, is not disturbed by or is not exacerbated by (in whole or in part) any acts or omissions of Tenant or its Agents, Landlord shall promptly take such action as is necessary to comply with such Environmental Laws. If, following the Commencement Date, the Building becomes contaminated with Hazardous Materials in violation of Environmental Laws as a result of the negligence or intentional misconduct of Landlord or Landlord's Agents and such violation or condition does not arise out of, is not disturbed by or is not exacerbated by (in whole or in part) any acts or omissions of Tenant or its Agents, Landlord shall promptly take such action as is necessary to comply with such Environmental Laws to the extent Landlord caused such violation or condition, or if the violation of Environmental Laws governing Hazardous Materials arises out of the acts or negligence of third parties, Landlord shall exercise commercially reasonable efforts to cause such third parties to take such action as is necessary to comply with such Environmental Laws to the extent caused by such third parties.

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease solely to the extent resulting from a breach of any of Landlord's representations, warranties or covenants in the preceding Section 21.2(b).

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims, including without limitation any costs of investigation, clean up, monitoring, and restoration, arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. GENERAL PROVISIONS

22.1 Notices

(a) General. Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, or by sending it by reputable overnight carrier, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other

address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, the day upon which recipient accepts and signs for delivery from a reputable overnight carrier, or on the date a reputable overnight carrier indicates refusal of delivery, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

(b) Notices to Mortgagees. If Tenant is notified in writing of the identity and address of any Mortgagee or ground or underlying lessor, Tenant shall give to such Mortgagee or ground or underlying lessor notice of any default by Landlord under the terms of this Lease in writing sent by registered or certified mail, and such Mortgagee or ground or underlying lessor shall be given the opportunity to cure such default prior to Tenant exercising any remedy available to it.

22.2 No Implied Waiver

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

22.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises

from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

22.4 Authority

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

22.5 Parties and Their Agents; Approvals

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

22.6 Interpretation of Lease

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

22.7 Successors and Assigns

Subject to the provisions of Section 14 relating to assignment and subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord

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

22.8 Brokers

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

22.9 Severability

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

22.10 Governing Law

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

22.11 Entire Agreement

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

22.12 Attorneys' Fees

In the event that either Landlord or City fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such

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

22.13 Holding Over

If Tenant holds possession of any portion of the Premises after expiration or termination of the term of this Lease with respect to that portion of the Premises without the written consent of Landlord, then absent express agreement of Landlord, such holding over shall be a tenancy at sufferance and not for any periodic or fixed term. Tenant shall pay monthly rental hereunder at a rate equal to one hundred fifty percent (150%) of the fair market rental value for the Premises, as reasonably determined by Landlord, plus Additional Rent, together with such other amounts as may become due hereunder, and otherwise all of the terms and conditions of this Lease shall continue to apply, excluding any options or rights of Tenant to renew or extend this Lease or expand the Premises hereunder. Nothing herein shall be construed as a consent in advance by Landlord to any holding over by Tenant or to any specific terms or conditions of any holding over, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord when and as required hereunder. Any holding over with the written consent of Landlord shall, except as otherwise specified in such consent, thereafter constitute a lease from month to month, and shall be set at fair market rent or other rate as agreed to by Landlord and Tenant, but otherwise subject to all of the terms and conditions of this Lease, excluding any options or rights of Tenant to renew or extend this Lease or expand the Premises hereunder.

22.14 Cumulative Remedies

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

22.15 Time of Essence

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

22.16 Survival of Indemnities

Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination

hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter.

22.17 Signs

City may erect or post signs on or about the Premises, and may erect or maintain signage on Jessie Street, provided such signage is compatible with a first class, urban mixed-use development and in compliance with all applicable Laws, in each case subject to Landlord's prior written approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Landlord shall provide and install, at Landlord's sole cost and expense, the initial signage for Tenant in the Building directory located at the Jessie Street entrance to the Building.

22.18 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents.

22.19 Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to Landlord's actual knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein.

22.20 Transfer of Landlord's Interest

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

22.21 Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Lease, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to Landlord,

its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Landlord, its successors and assigns, or for any obligation of City under this Lease.

22.22 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 Section 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.

22.23 Controller's Certification of Funds

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

22.24 Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of the leasehold improvements or other improvements to the Premises, which Landlord provides under this Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, 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, California. 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.

22.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate. In the performance of this Lease, Landlord agrees not to discriminate against any employee of, any City employee working with Landlord, or

applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

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

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

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

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

22.26 Tropical Hardwood and Virgin Redwood Ban

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

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

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

22.27 Bicycle Storage Facilities

Article 1.5, Section 155.1, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle storage at City-leased buildings at no cost to Landlord and if funds are available. Landlord acknowledges that City's Agents and Invitees shall be permitted to store bicycles in such storage area(s) within the Building as may be designated by Landlord from time to time.

22.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

22.29 Counterparts

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

22.30 Effective Date

The date on which this Lease shall become effective (the "Effective Date") is the date upon which this Lease is duly executed by the parties hereto.

22.31 Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the

disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

22.32 Conflicts of Interest

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

22.33 Notification of Limitations on Contributions

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

22.34 Preservative-Treated Wood Containing Arsenic

As of July 1, 2003, Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of

Environment. This provision does not preclude Landlord from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

22.35 Certified Access Specialist

For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp).

22.36 California Waivers

(a) Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and 1995.310 (Assignment and Subletting) of the California Civil Code, or any similar or successor Laws now or hereinafter in effect.

(b) TENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174 (c) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER APPLICABLE LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE TERM OF THE LEASE, AS AMENDED HEREBY, PROVIDING THAT TENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THE LEASE FOLLOWING ITS TERMINATION BY REASON OF TENANT'S BREACH. TENANT ALSO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THE LEASE.

22.37 Disability Access Obligations Notice and Access Information Notice

(a) Tenant hereby acknowledges and agrees that Landlord has delivered to Tenant, at least twenty-four (24) hours prior to execution of this Lease by Tenant, a copy of the "Disability Access Obligations Notice to Prospective Tenant" attached hereto as Exhibit C, and that Tenant executed and delivered the same to Landlord at least twenty-four (24) hours prior to execution of this Lease.

(b) Tenant further hereby acknowledges and agrees that, at least twenty-four (24) hours prior to execution of this Lease by Tenant, Landlord delivered to Tenant a copy of the San Francisco Office of Small Business Access Information Brochure (the "**Access Information Brochure**") in an available language as selected by Tenant. A copy of the Access Information Brochure is also available at <http://sfgsa.org/index.aspx?page=4927>.

22.38 Cooperative Drafting

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

22.39 Authority to Execute

Pursuant to San Francisco Administrative Code Section 23.26, the Director of Property for the City has the authority to execute this Lease on behalf of the City.


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[SIGNATURE PAGE FOLLOWS]

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

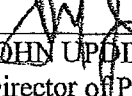
LANDLORD:

THIRD AND MISSION ASSOCIATES, LLC,
a California limited liability corporation

By: 
Name: William Witte
Its: Authorized Signatory

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: 
JOHN UPDIKE
Director of Property

RECOMMENDED:

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

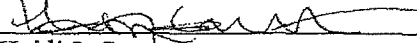
By: 
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT A

PREMISES

[See Attached Letter]



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



John Updike
Director of Real Estate

June 1, 2016

Bill Witte
Related Companies
18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Attn: David Greenberg, Vice President

RE: Letter Agreement to Lease dated December 12, 2014 between City and Third and Mission Associates, LLC at 167 Jessie Street, San Francisco

Bill,

The City and County of San Francisco (the "City") and Third and Mission Associates, LLC ("Landlord") are parties to an office lease dated December 12, 2014 (the "Master Lease") for the purpose of allowing the City to sublease approximately 4,124 rentable square feet on the third and fourth floors and other common areas of the building located at 167 Jessie Street (the "Building"). The Lease commenced on April 1, 2015 for a term of 87 years. As discussed in our meeting on April 14, 2016, the purpose of this letter is to clarify terms and conditions in the Lease as well as assure the City and its future subtenants of some potential conflicts. Acknowledgment of this letter will clarify and confirm the following:

- City and Landlord confirm the location of the 4,124 rentable square feet on the third and fourth floor (aka, the leased "Premises"), as depicted in Exhibit A to this letter. As discussed, the City will construct a demising wall at the structural beam, separating Landlord's storage uses from the City's Premises.
- Memorializing an understanding regarding the exclusivity of Common Areas in the Building by City and its subtenants, particularly, the Premises Lobby, as depicted in Exhibit B to this letter.

Premises – 4,124 Rentable Square Feet

City and Landlord acknowledge the Premises as the areas depicted in Exhibit A to this letter (highlighted generally in red). Pursuant to Section 6.3 of the Lease, Landlord committed that it would:

Prior to the Commencement Date, Landlord shall, at its sole cost and expense, cause the following work (the "Landlord Work") to be performed using Building standard methods, materials and finishes: installation of a new, Building standard demising wall separating that

portion of the Premises located on the third (3rd) floor of the Building from the remainder of the third (3rd) floor of the Building.

City acknowledges and accepts this work was satisfactorily completed prior to the Commencement Date. However, since the Landlord constructed two demising walls (one presumably for fire life safety in the elevator vestibule) separating the Premises from the remainder of the third floor of the Building, the City is seeking to confirm that upon City's completion of the demising wall at the structural beam indicated on Exhibit A, the Premises shall be considered finally divided and separated.

Common Areas

Pursuant to Section 2.2 of the Lease, City and its subtenants shall have access to certain "Common Areas" in the Building. The term "Common Areas" is defined as follows in the Lease:

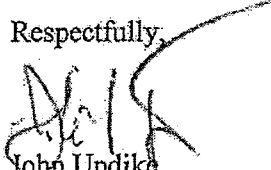
The term "Common Area" shall mean all areas and facilities within the Building and the parcel or parcels of real property on which the Building and its associated improvements are located that are designated by Landlord, from time to time, for the non-exclusive use of Landlord, Tenant or any other tenant or other occupant of the Property, such as lobbies, fire vestibules, restrooms on multi-tenant floors, mechanical areas, tenant and ground floor corridors, elevator foyers, electrical and janitorial closets, ground floor lobbies, telephone and equipment rooms, pedestrian sidewalks, landscaped areas, trash enclosures and other similar facilities maintained for the benefit of Building tenants and invitees.

City agrees and acknowledges that Landlord may disallow City and its subtenants into those portions of the Building reserved by Landlord for the exclusive use by residential occupants of the Building.

Notwithstanding, because the Premises Lobby and Premises Elevator as depicted in Exhibit B to this letter are (i) the primary source of ingress and egress for the City and its subtenants into the Building and therefore, to the Premises; and (ii) the area is raw and unimproved and will be at significant cost to City and its subtenants to improve and continually operate, City is seeking assurance through this letter that its use of and access through these areas of the Building to reach the Premises will not be subject to be used by other tenants of the Building. Notwithstanding, such exclusive use by City and its subtenants shall at all times be subject to Landlord's requirements for access to Common Areas and the Premises as required in Section 5.3 and Section 18 of the Lease.

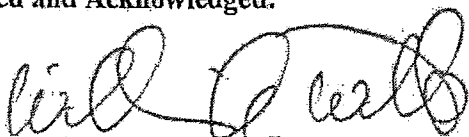
City is willing to clarify that so long as such use of the Premises Lobby is exclusive to the City, City shall not require the Landlord to operate, manage, equip, light, insure, secure, repair and maintain the Premises Lobby during the "Sublease Condition" (as defined in the Lease). City is also willing, through its subtenants and at no cost to Landlord, to complete the necessary tenant improvements in the Premises Lobby, although not required in the Lease, consistent with supporting first class non-profit office space operations. City shall improve and repair the Premises Elevator in accordance with Section 6.1 of the Master Lease. Such exclusive use by City and its Subtenants shall only be effective during the Sublease Condition.

Respectfully,


John Updike
Director of Property

Landlord acknowledges that the Premises (as depicted in Exhibit A) is generally accurate and that City and its subtenants shall have exclusive use of the Premises Lobby (as depicted in Exhibit B) pursuant to the general descriptions contained in this letter.

Signed and Acknowledged:



Third and Mission Associates, LLC



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

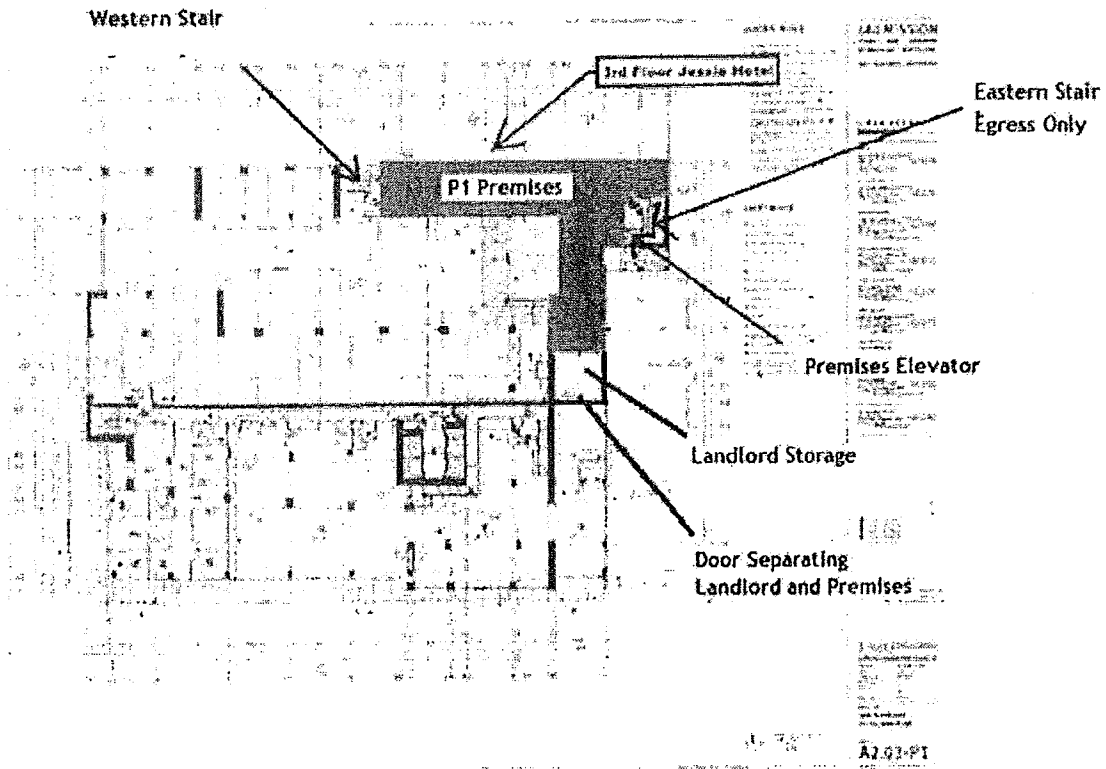


John Updike
Director of Real Estate

EXHIBIT A-1

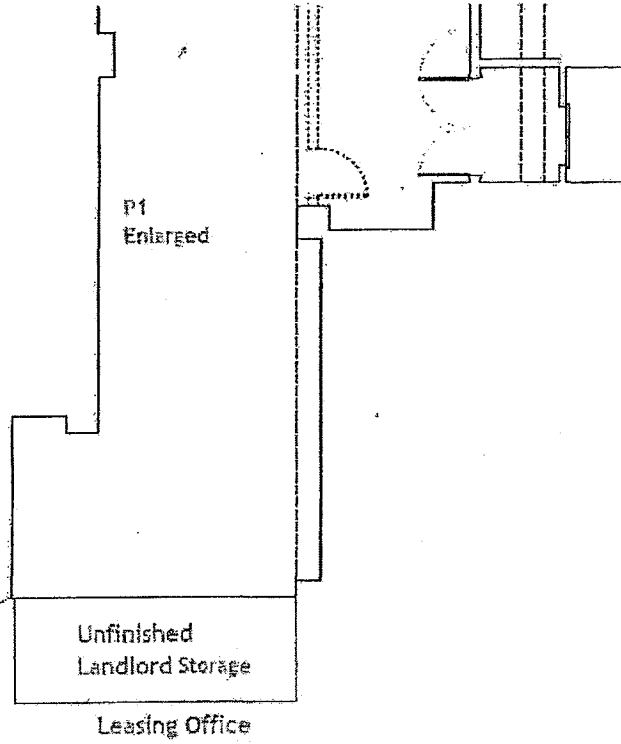
PREMISES (Third Floor) – 4,124 Rentable Square Feet (P1 & P2 combined)

**P1 Premises
FLOOR PLAN,
INCLUDING LOCATION OF PREMISES ELEVATOR**



Note: City to construct demising wall separating P1 Premises from Landlord Storage. Wall to be constructed at structural beam.

P1 Premises (Enlarged)



Note: City to construct demising wall
at Structural Beam

EXHIBIT A-2

PREMISES (4th Floor) – 4,124 Rentable Square Feet (P1 & P2 combined)

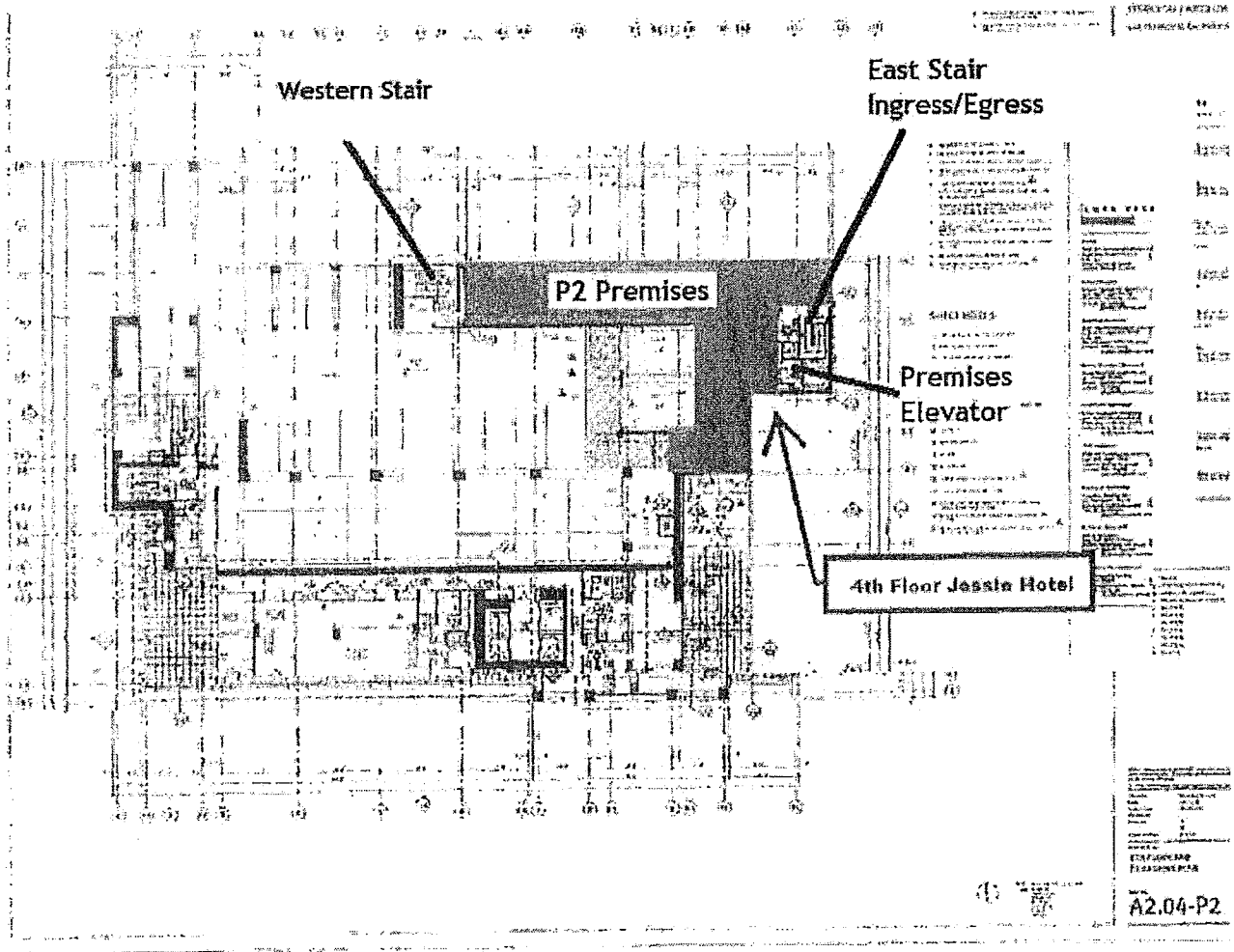


EXHIBIT B

COMMON AREAS SERVING PREMISES

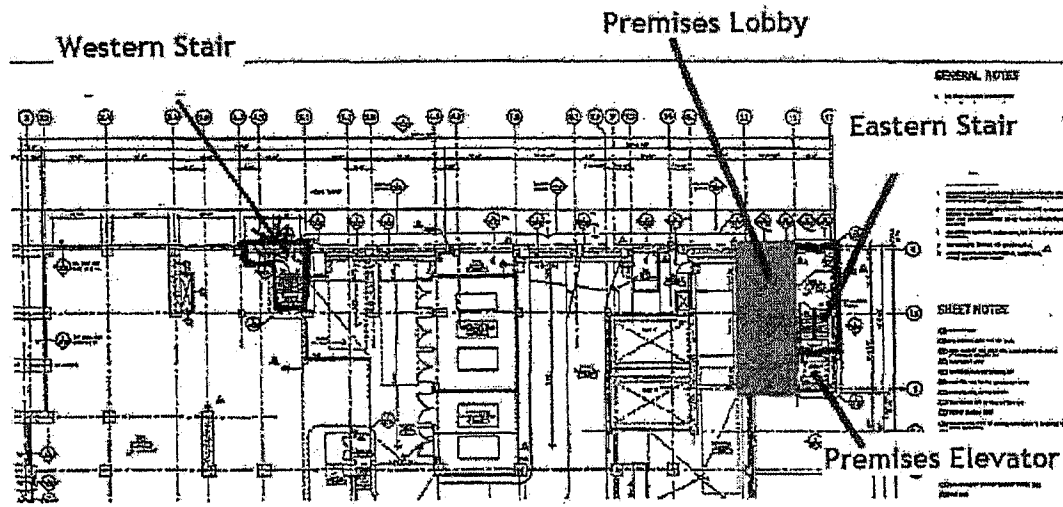


EXHIBIT B

EMERGENCY ACCESS EASEMENT AREAS

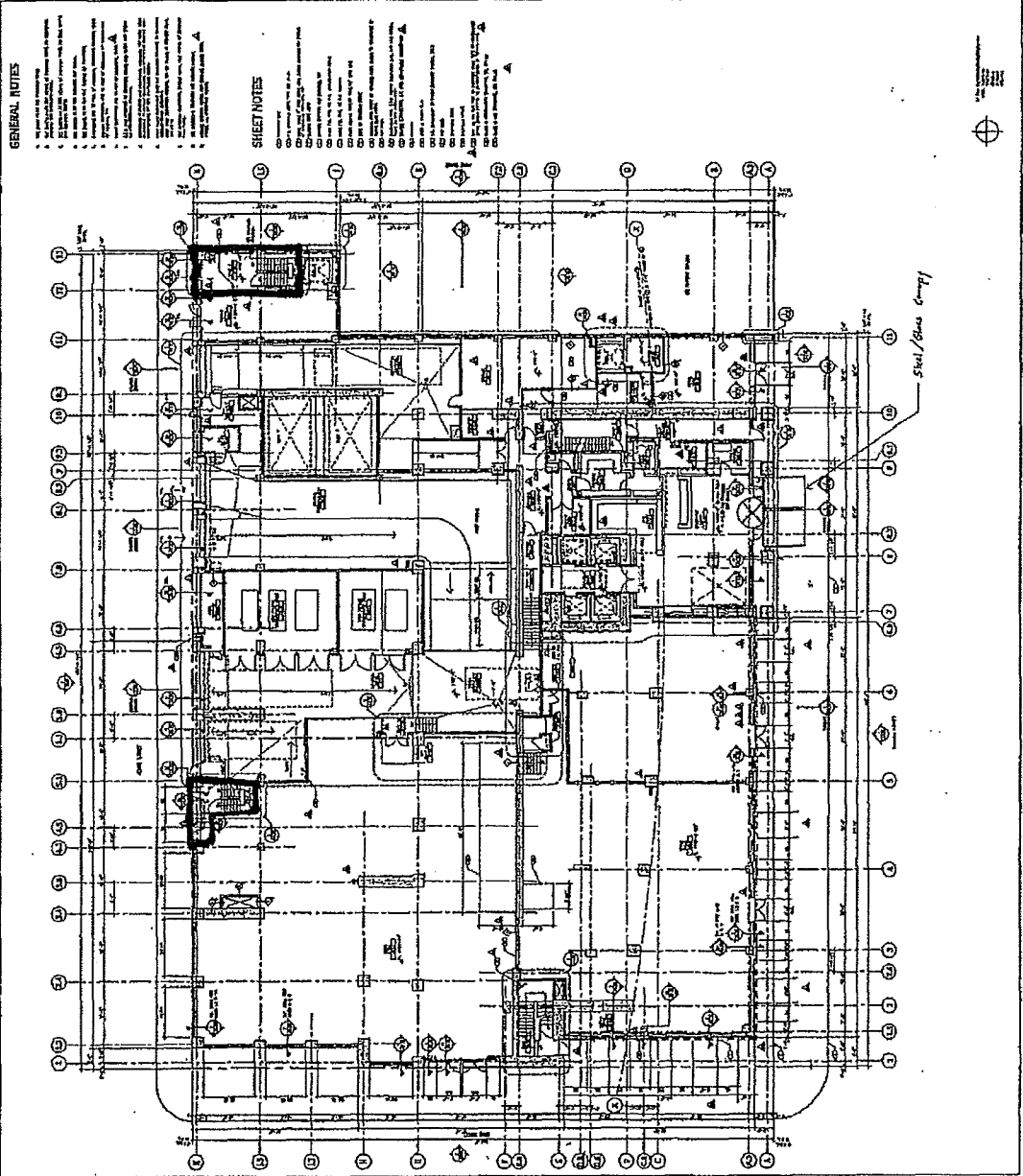
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TRINITY AND MISSOURI
RESIDENTIAL / MIXED-USE
SAN FRANCISCO, CALIFORNIA

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CLIENT	TRINITY AND MISSOURI
ARCHITECT	TRINITY AND MISSOURI
ENGINEER	TRINITY AND MISSOURI
DATE	12/15/11
PROJECT	680 MISSION TRINITY AND MISSOURI RESIDENTIAL / MIXED-USE
CLIENT	TRINITY AND MISSOURI
ARCHITECT	TRINITY AND MISSOURI
ENGINEER	TRINITY AND MISSOURI

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DATE	12/15/11
PROJECT	680 MISSION TRINITY AND MISSOURI RESIDENTIAL / MIXED-USE
CLIENT	TRINITY AND MISSOURI
ARCHITECT	TRINITY AND MISSOURI
ENGINEER	TRINITY AND MISSOURI

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680 MISSION
ARCHITECTURAL ARCHITECT
 SAN FRANCISCO, CALIFORNIA

GENERAL NOTES

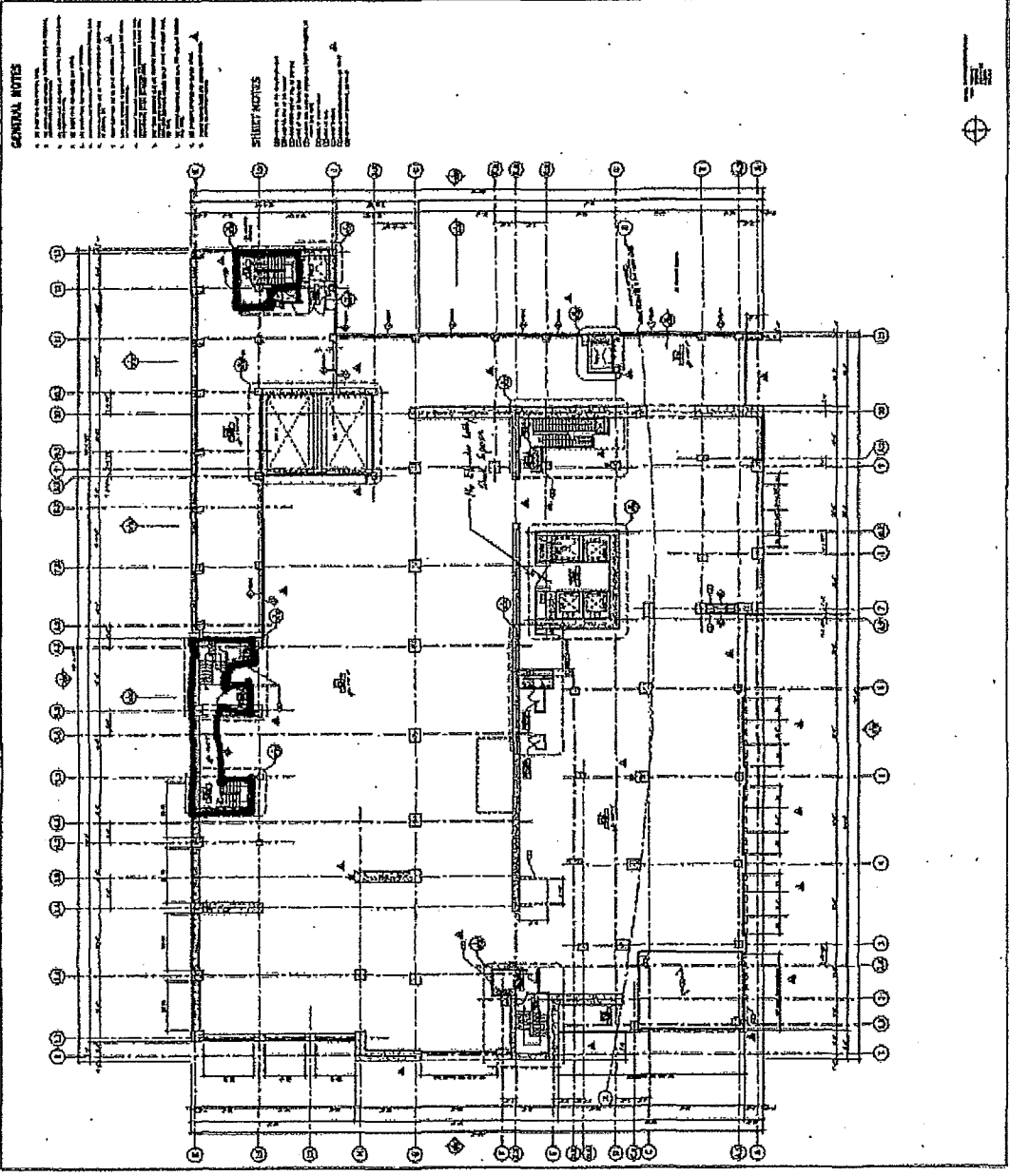
1. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND SPECIFICATIONS.
2. ALL MATERIALS SHALL BE OF THE BEST QUALITY AND SHALL BE APPROVED BY THE ARCHITECT BEFORE ORDERING.
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 SAN FRANCISCO, CALIFORNIA

GENERAL NOTES

1. ALL DIMENSIONS ARE TO FACE UNLESS NOTED OTHERWISE.
2. FINISHES ARE AS NOTED ON THE DRAWING.
3. REFER TO THE ARCHITECT'S SPECIFICATIONS FOR MATERIALS AND METHODS OF CONSTRUCTION.
4. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND REGULATIONS.
5. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS.
6. ALL UTILITIES SHALL BE PROTECTED AND MAINTAINED THROUGHOUT THE CONSTRUCTION.
7. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AT ALL TIMES.
8. ALL MATERIALS AND WORKMANSHIP SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE ARCHITECT.
9. THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE PROTECTION OF ALL EXISTING UTILITIES AND STRUCTURES.
10. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.

FINISHES

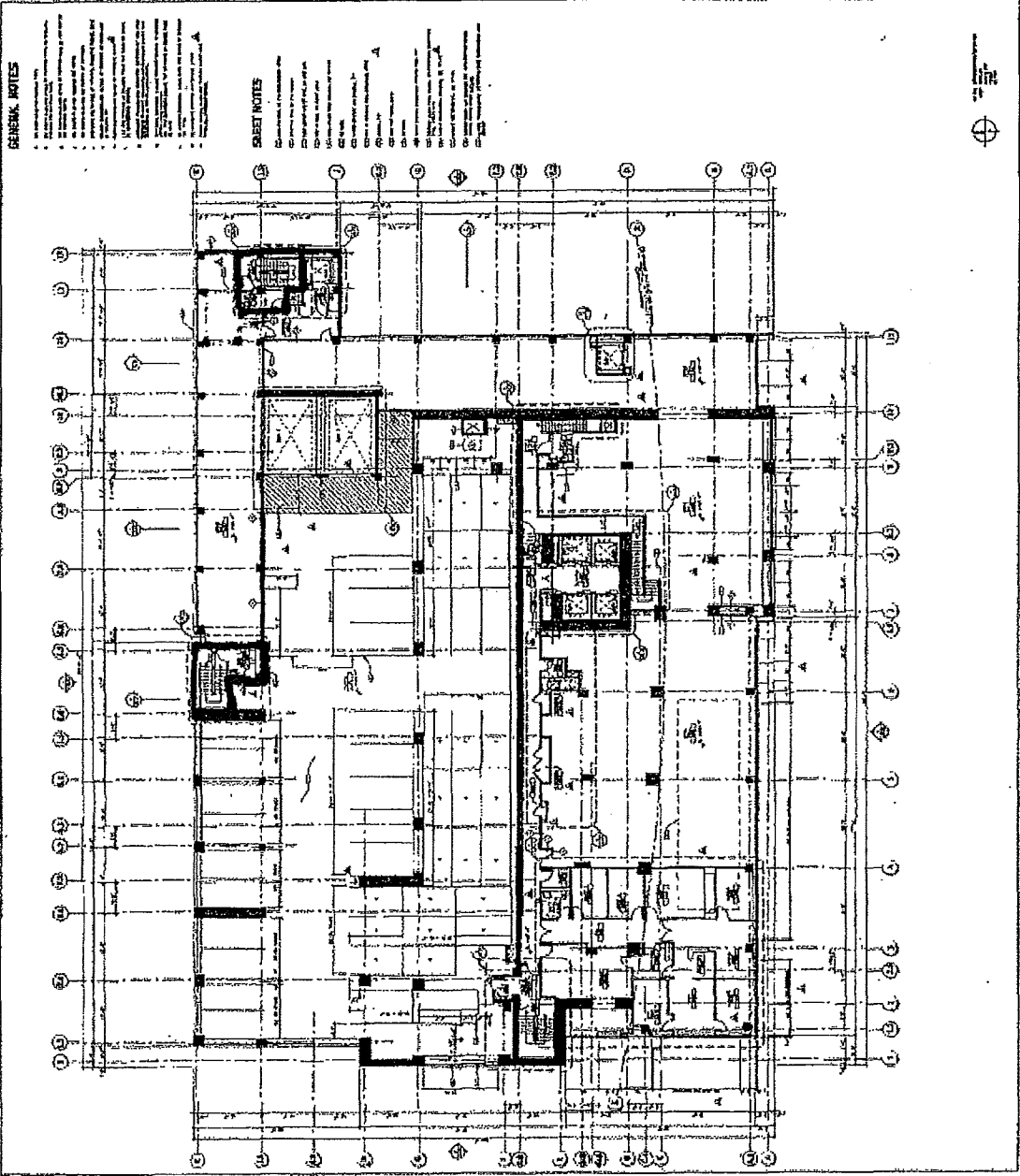
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- 2. CEILING: POP, PAINT
- 3. FLOOR: POLISHED CONCRETE
- 4. STAIRS: POLISHED CONCRETE
- 5. ROOF: BURST SYSTEM

DOORS

- 1. ALL DOORS TO BE 1 1/2" MIN. THICK.
- 2. ALL DOORS TO BE SELF-CLOSING.
- 3. ALL DOORS TO BE FINISHED WITH GYP. BOARD AND PAINT.

300 FLOOR PLAN FINISHING PLAN

A2.03-P1



GENERAL NOTES

GENERAL NOTES

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300 FLOOR PLAN FINISHING PLAN

A2.03-P1

680 MISSION
TURBO AIR
RESIDENTIAL / INDUSTRIAL
SAN FRANCISCO, CALIFORNIA

REVISIONS

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GENERAL NOTES

1. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.
2. ALL WALLS ARE 12" THICK UNLESS OTHERWISE NOTED.
3. ALL FLOORS ARE 4" CONCRETE ON 2" GYPSUM BOARD UNLESS OTHERWISE NOTED.
4. ALL CEILING ARE 8" CONCRETE UNLESS OTHERWISE NOTED.
5. ALL ROOFS ARE 4" CONCRETE ON 2" GYPSUM BOARD UNLESS OTHERWISE NOTED.
6. ALL EXTERIOR WALLS ARE 16" THICK UNLESS OTHERWISE NOTED.
7. ALL EXTERIOR FLOORS ARE 4" CONCRETE ON 2" GYPSUM BOARD UNLESS OTHERWISE NOTED.
8. ALL EXTERIOR ROOFS ARE 4" CONCRETE ON 2" GYPSUM BOARD UNLESS OTHERWISE NOTED.
9. ALL EXTERIOR WALLS ARE TO BE FINISHED WITH STUCCO UNLESS OTHERWISE NOTED.
10. ALL EXTERIOR FLOORS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.
11. ALL EXTERIOR ROOFS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.
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13. ALL EXTERIOR FLOORS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.
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17. ALL EXTERIOR ROOFS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.
18. ALL EXTERIOR WALLS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.
19. ALL EXTERIOR FLOORS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.
20. ALL EXTERIOR ROOFS ARE TO BE FINISHED WITH TERRAZZO UNLESS OTHERWISE NOTED.

PROJECT INFORMATION

PROJECT NO. 680 MISSION
 CLIENT: [REDACTED]
 ARCHITECT: [REDACTED]
 DATE: 12/15/2011

A2.04-P2

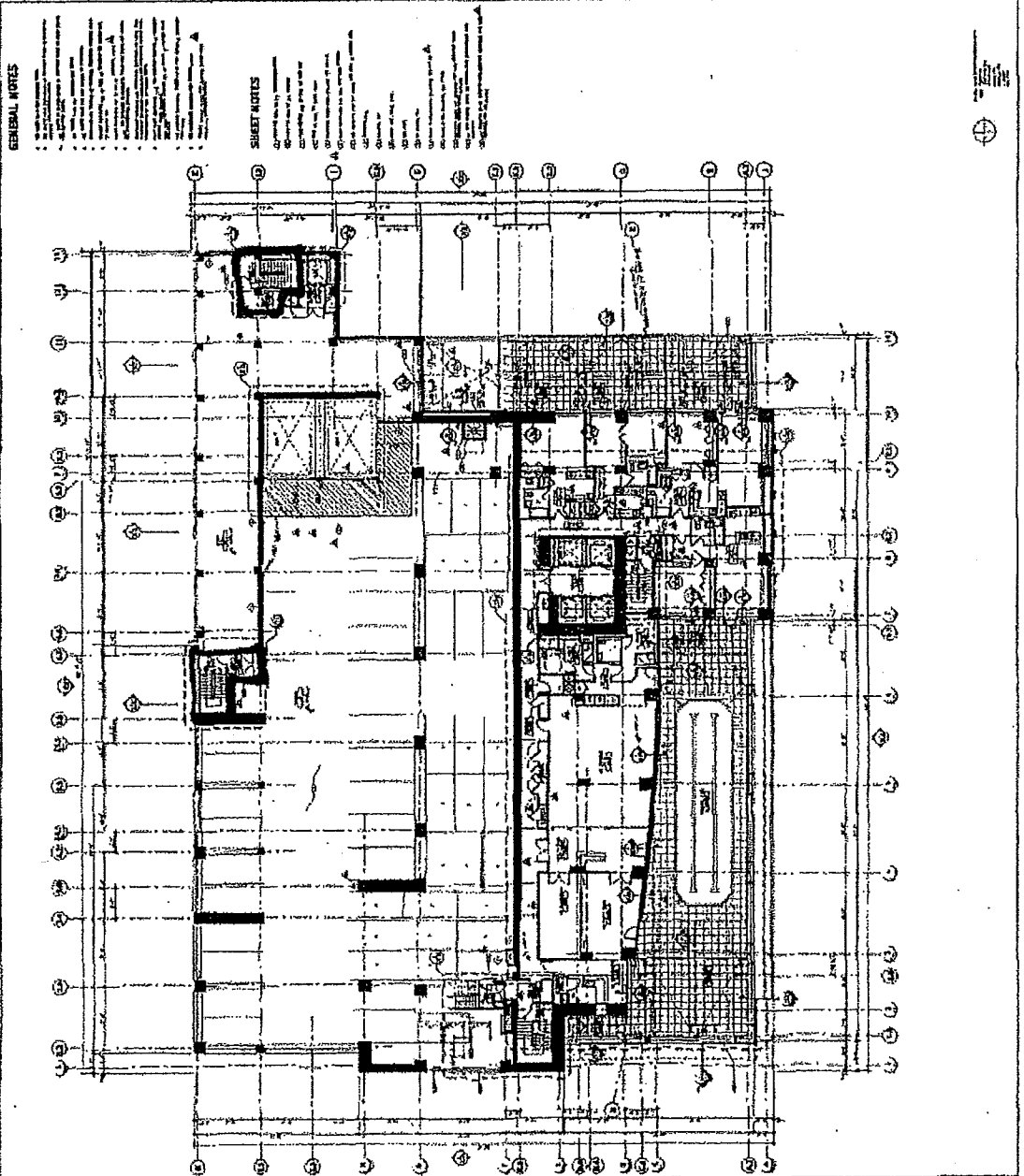


EXHIBIT C

DISABILITY ACCESS OBLIGATIONS NOTICE TO PROSPECTIVE TENANT

DISABILITY ACCESS OBLIGATIONS UNDER
SAN FRANCISCO ADMINISTRATIVE CODE CHAPTER 38

Before you, as the Tenant, enter into a lease with us, the Landlord, for the following property: The leasable area of that portion of the third and fourth floors commonly known as the "Jessie Hotel" portion of that building located at 167 Jessie Street, San Francisco, California, commonly known as "The Paramount" (the "Property"), please be aware of the following important information about the lease:

You May Be Held Liable For Disability Access Violations On The Property. Even though you are not the owner of the Property, you, as the tenant, as well as the Property owner, may still be subject to legal and financial liabilities if the leased Property does not comply with applicable Federal and State disability access laws. You may wish to consult with an attorney prior to entering into this lease to make sure that you understand your obligations under Federal and State disability access laws. The Landlord must provide you with a copy of the Small Business Commission Access Information Notice under Section 38.6 of the Administrative Code in your requested language. For more information about disability access laws applicable to small businesses, you may wish to visit the website of the San Francisco Office of Small Business or call 415-554-6134.

The Lease Must Specify Who Is Responsible for Making Any Required Disability Access Improvements to the Property. Under City law, the lease must include a provision in which you, the Tenant, and the Landlord agree upon your respective obligations and liabilities for making and paying for required disability access improvements on the leased Property. The lease must also require you and the Landlord to use reasonable efforts to notify each other if they make alterations to the leased Property that might impact accessibility under federal and state disability access laws. You may wish to review these provisions with your attorney prior to entering into this lease to make sure you understand your obligations under the lease.

PLEASE NOTE: The Property may not currently meet all applicable construction-related accessibility standards, including standards for public restrooms and ground floor entrances and exits (Note to Landlord: This paragraph can be deleted if the Property does currently meet all said standards).

By signing below, I confirm that I have read and understood this Disability Access Obligations Notice.

Signed: _____
Tenant

Signed: _____
Landlord

DISABILITY ACCESS OBLIGATIONS UNDER
SAN FRANCISCO ADMINISTRATIVE CODE CHAPTER 38

Before you, as the Tenant, enter into a lease with us, the Landlord, for the following property: The leasable area of that portion of the third and fourth floors commonly known as the "Jessie Hotel" portion of that building located at 167 Jessie Street, San Francisco, California, commonly known as "The Paramount" (the "Property"), please be aware of the following important information about the lease:

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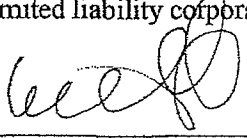
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PLEASE NOTE: The Property may not currently meet all applicable construction-related accessibility standards, including standards for public restrooms and ground floor entrances and exits (Note to Landlord: This paragraph can be deleted if the Property does currently meet all said standards).

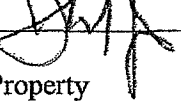
(signatures on following page)

By signing below, I confirm that I have read and understood this Disability Access Obligations Notice.

THIRD AND MISSION ASSOCIATES, LLC,
a California limited liability corporation

By: 
Name: William Witte
Its: Authorized Signatory

CITY AND COUNTY OF
SAN FRANCISCO,
a municipal corporation

By: 
John Updike
Director of Property

RECOMMENDED:

APPROVED AS TO FORM:

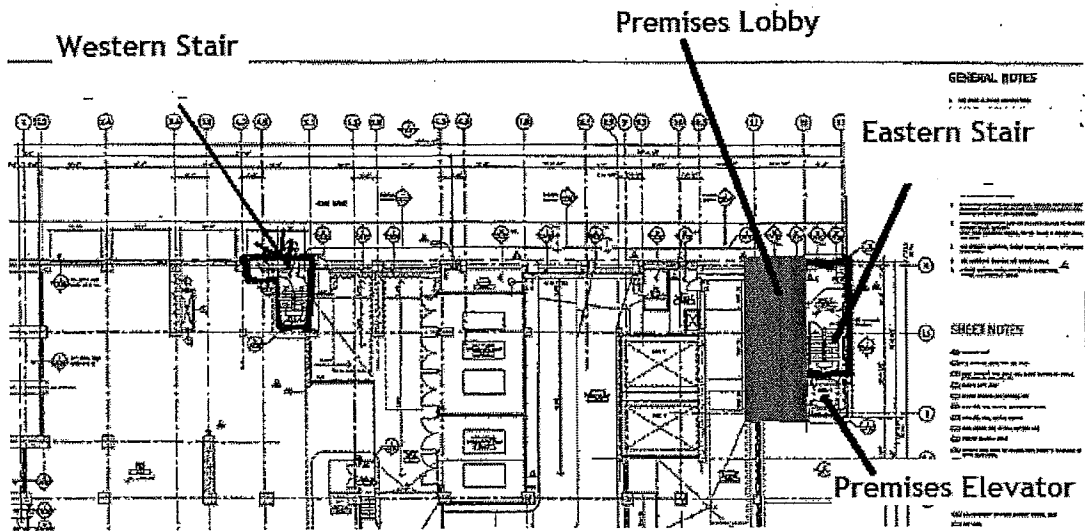
Dennis J. Herrera, City Attorney

By: 
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT B

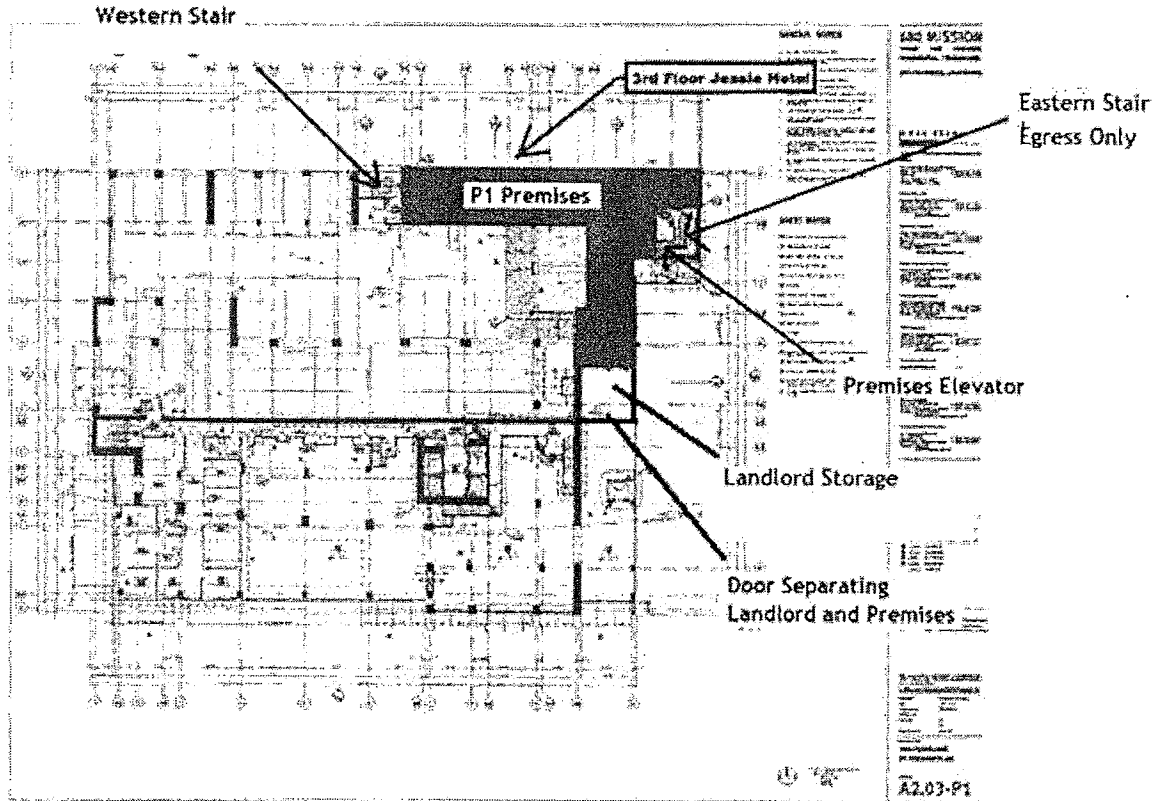
PREMISES

GROUND FLOOR PREMISES



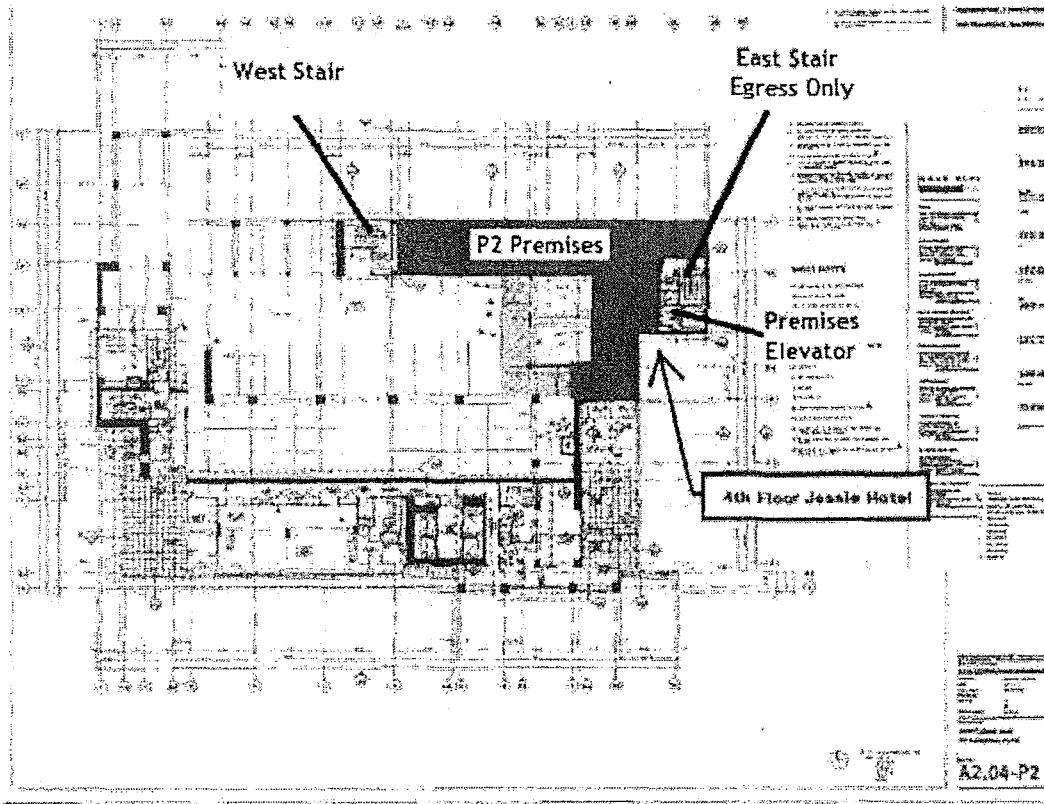
P1 PREMISES

FLOOR PLAN, INCLUDING LOCATION OF PREMISES ELEVATOR



Note: City to construct demising wall separating P1 Premises from Landlord Storage. Wall to be constructed at structural beam.

P2 PREMISES



680 MISSION
TOWN AND
MISSION
HEADQUARTERS, INTERIOR
SAN FRANCISCO, CALIFORNIA

ARCHITECT: **PERKINS+WILL**

DATE: **02/20/03**
 PROJECT NO: **03-001**
 SHEET NO: **A2.03-P1**

SCALE: **1/8" = 1'-0"**

DATE: **02/20/03**
 PROJECT NO: **03-001**
 SHEET NO: **A2.03-P1**

DATE: **02/20/03**
 PROJECT NO: **03-001**
 SHEET NO: **A2.03-P1**

DATE: **02/20/03**
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DATE: **02/20/03**
 PROJECT NO: **03-001**
 SHEET NO: **A2.03-P1**

GENERAL NOTES

1. SEE ARCHITECTURAL SPECIFICATIONS FOR MATERIALS AND FINISHES.
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND REGULATIONS.
3. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS.
4. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AT ALL TIMES.
5. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.
6. THE CONTRACTOR SHALL BE RESPONSIBLE FOR PROTECTING ALL EXISTING UTILITIES AND STRUCTURES.
7. ALL WORK SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE ARCHITECT AND LOCAL AUTHORITIES.
8. THE CONTRACTOR SHALL MAINTAIN A NEAT AND ORDERLY WORK SITE AT ALL TIMES.
9. ALL MATERIALS AND METHODS OF CONSTRUCTION SHALL BE APPROVED BY THE ARCHITECT PRIOR TO INSTALLATION.
10. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY INSURANCE AND BONDS.

SHEET NOTES

1. SEE ARCHITECTURAL SPECIFICATIONS FOR MATERIALS AND FINISHES.
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND REGULATIONS.
3. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS.
4. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AT ALL TIMES.
5. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.
6. THE CONTRACTOR SHALL BE RESPONSIBLE FOR PROTECTING ALL EXISTING UTILITIES AND STRUCTURES.
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10. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY INSURANCE AND BONDS.

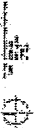
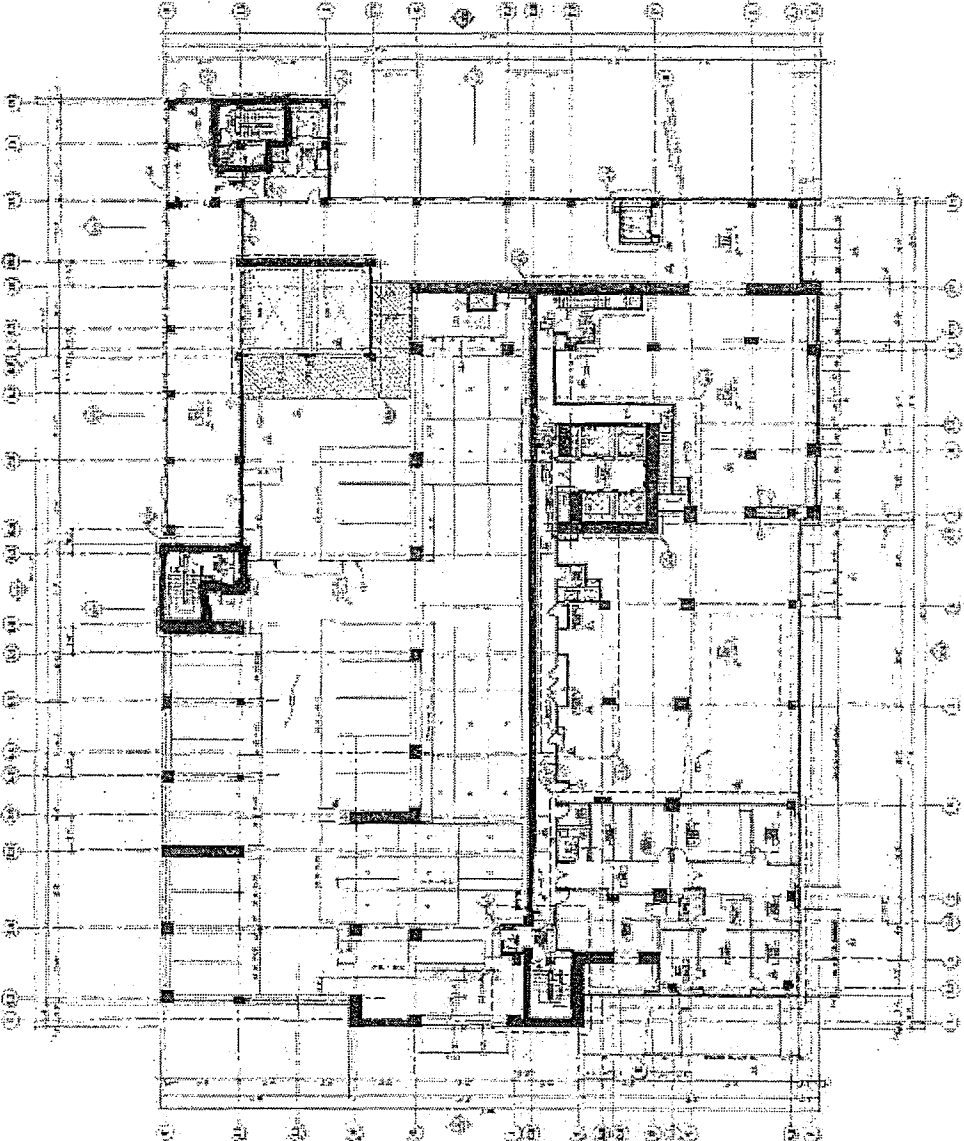


EXHIBIT D

RULES AND REGULATIONS

[To Be Attached]

EXHIBIT E

DISABILITY ACCESS OBLIGATIONS NOTICE TO PROSPECTIVE TENANT

**DISABILITY ACCESS OBLIGATIONS UNDER
SAN FRANCISCO ADMINISTRATIVE CODE CHAPTER 38**

Before you, as the Subtenant, enter into a sublease with the City under its Master Lease with the Landlord, for the following property: The leasable area of that portion of the third and fourth floors commonly known as the "Jessie Hotel" portion of that building located at 167 Jessie Street, San Francisco, California, commonly known as "The Paramount" (the "Property"), please be aware of the following important information about the lease:

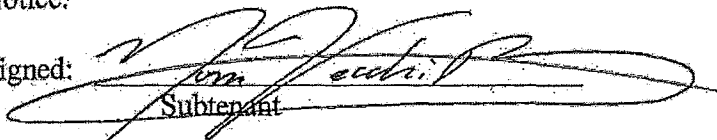
You May Be Held Liable For Disability Access Violations On The Property. Even though you are not the owner of the Property, you, as the subtenant of the City, as well as the Property owner, may still be subject to legal and financial liabilities if the leased Property does not comply with applicable Federal and State disability access laws. You may wish to consult with an attorney prior to entering into this lease to make sure that you understand your obligations under Federal and State disability access laws. The Landlord must provide you with a copy of the Small Business Commission Access Information Notice under Section 38.6 of the Administrative Code in your requested language. For more information about disability access laws applicable to small businesses, you may wish to visit the website of the San Francisco Office of Small Business or call 415-554-6134.

The Lease Must Specify Who Is Responsible for Making Any Required Disability Access Improvements to the Property. Under City law, the sublease must include a provision in which you, the Subtenant, and the Landlord agree upon your respective obligations and liabilities for making and paying for required disability access improvements on the leased Property. The sublease must also require you and the City and the Landlord to use reasonable efforts to notify each other if they make alterations to the leased Property that might impact accessibility under federal and state disability access laws. You may wish to review these provisions with your attorney prior to entering into this lease to make sure you understand your obligations under the lease.

PLEASE NOTE: The Property may not currently meet all applicable construction-related accessibility standards, including standards for public restrooms and ground floor entrances and exits.

By signing below, I confirm that I have read and understood this Disability Access Obligations Notice.

Signed:


Subtenant



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: December 9, 2014
Case No. 2014.002514GPR
City lease of office space at 167 Jessie Street

Block/Lot No: 3707/063

Project Sponsors: John Updike, Director
San Francisco Real Estate Department
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Applicant: Same as Above

Applicant Contact: Josh Keane 415.554.9859
Real Estate Division

Staff Contact: Nicholas Perry – (415) 575-9066
nicholas.perry@sfgov.org

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

Recommended
By: 
John Rahaim, Director of Planning

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROJECT DESCRIPTION

On December 4, 2014, the Planning Department (herein "the Department") received a request from the City and County of San Francisco Real Estate Division to consider the lease of 4,124 sf vacant space (most recently used as office) at 167 Jessie Street in San Francisco. The lease would be for a term of 87 years and will be used by the City to sublease to non-profit organizations. The property is located in the C-3-O (Downtown Office) zoning district.

ENVIRONMENTAL REVIEW

On December 8, 2014 the Environmental Planning Division of the Planning Department determined that the proposed lease of 167 Jessie Street is not a project under CEQA Guidelines Sections 15060(c) and 15378 because there is no direct or indirect physical change in the environment.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

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

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

Commerce and Industry Element

OBJECTIVE 2

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

POLICY 2.3

Maintain a favorable social and cultural climate in the city in order to enhance its attractiveness as a firm location.

OBJECTIVE 7

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

The proposed City lease of 167 Jessie Street would potentially offer space for non-profit organizations that provide services which maintain a favorable social and cultural-climate in the city.

Arts Element

OBJECTIVE VI-1

SUPPORT THE CONTINUED DEVELOPMENT AND PRESERVATION OF ARTISTS' AND ARTS ORGANIZATIONS' SPACES.

POLICY VI-1.11

Identify, recognize, and support existing arts clusters and, wherever possible, encourage the development of clusters of arts facilities and arts related businesses throughout the city.

The proposed City lease of 167 Jessie Street could potentially create space for non-profit organizations that support the cluster of arts and non-profit organizations surrounding Yerba Buena Center.

Eight Priority Policies Findings

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

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

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

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

The proposed lease will not affect housing, and would provide additional space for non-profit organizations which may enhance the cultural and economic diversity of the neighborhood. .

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

The proposed lease will not affect the City's supply of affordable housing.

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

The proposed lease will 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 proposed lease would not affect the existing economic base in this area.

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

The proposed lease would not affect the City's preparedness to protect against injury and loss of life in an earthquake.

7. That landmarks and historic buildings be preserved.

The proposed lease is located in a building listed on the California Register of Historical Resources. The proposed lease will not affect the building's historic status.

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

The proposed lease will not affect City parks or open spaces, or their access to sunlight and vistas.

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

cc: John Updike, Real Estate Division

I:\Citywide\General Plan\General Plan Referrals\2014\2014.002514GPR_167 Jessie Street Lease.doc



City and County of San Francisco

Working Group on Nonprofit Displacement

Report and Recommendations

May 13, 2014

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Executive Summary

On November 15, 2013, the City and County of San Francisco adopted Resolution No. 395-13, which urged the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement. This recommendation arose in part because of a report issued on October 8, 2013, by the City's Budget & Legislative Analyst's Office, entitled "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits."

On March 18, 2014, the Board of Supervisors passed Ordinance No. 33-14, which appropriated \$2,515,000 of General Fund Reserve Monies to the Mayor's Office of Housing and Community Development to establish a new Nonprofit Rent Stabilization Program for nonprofit service organizations. The ordinance additionally appropriated \$2,000,000 to the San Francisco Arts Commission to establish a similar program specifically for arts and culture organizations. The entire amount was placed on reserve, pending the presentation of this report to the Board meeting as Committee of the Whole on May 13, 2014. The usage of these funds was to be guided by the recommendations contained within this report.

This report will first detail the City's recent and past actions as they related to nonprofit displacement, then present best practices, and will then summarize recommendations in five areas: technical assistance, planning/zoning/developer agreements, identifying available space, direct financial assistance and public-private partnerships.

Short-term, medium-term, and long-term solutions are included, as the City needs to take all of these time frames into account. Strategic, focused implementation is required in order to preserve San Francisco as a vibrant center for arts and culture, while simultaneously providing other essential services vital for the health, well-being, and economic self-sufficiency of its residents. A chart summarizing the recommendations is included in the Appendix of the report.

Following the adoption of this report, the City should take immediate action on those recommendations that offer short-term solutions. Strategic technical assistance and potential access to an emergency rental fund and/or tenant improvements can be made available in a timely way most efficiently through an experienced intermediary. The City should move quickly to identify and secure such an intermediary or intermediaries to serve both arts and human services organizations. In addition, the City should consider convening key city departments on a regular basis to continue to evaluate the progress made on all of the recommendations, including those that will require more medium and long-term strategies. Community based organizations should also be integrated into the ongoing review process in the appropriate manner so that the efficacy of the options provided is evaluated on an ongoing basis.

As a potential timeline, the following rough dates are recommended for milestones:

May 2014	Presentation of report and release of funds
June 2014	Release of Request for Proposals from MOHCD and Arts Commission for the procurement of intermediary organizations
July 2014	Selection of intermediaries and launch of technical assistance program; launch of sub-grant program for tenant improvements, emergency rental stipends and security deposits
July 2014	Check-in with City departments to prioritize medium- and long-term recommendations
July 2015	Evaluation report on results of assistance programs and update on nonprofit displacement

Introduction and Overview

This report attempts to bring together the input from community based organizations, City and County of San Francisco departments, private philanthropy, and experts in the field both locally and nationally, to address the issue of affordability in San Francisco as it impacts nonprofits and their ability to be stably housed in the city where they are providing service and offering access to arts and cultural programs. The issue of nonprofit displacement caused by increasing rent in a high-cost city is not new; the City grappled with this issue fourteen years ago during a similar time of increasing rent. As the City emerges from the recent recession, rising rents have once again impacted nonprofits as they see their leases either not being renewed, or being offered at market rate lease pricing which can be three times or more what their current rent has been. San Francisco has provided an extraordinary investment into its nonprofit partners, and relies on them to serve thousands of San Franciscans daily. This report summarizes the discussions of a Working Group of committed leaders, coming from the community, philanthropy, and the City, and lays out a roadmap for future actions that may lead to more nonprofits having long-term affordable space from which they can continue to provide essential services and be a part of the portfolio of services that creates a healthy and culturally rich community.

The success of these recommendations requires the cooperation and commitment of all of the stakeholders; it cannot rely on solely the initiative of the City and the nonprofit community. By describing the current situation and clearly providing options, along with the feasibility, benefits, and challenges of each option, the Working Group hopes that all of San Francisco's stakeholders step forward to accept this challenge that will extend through the coming years. Short-term, medium-term, and long-term solutions are included, as the City needs to take all of these time frames into account. Strategic, focused implementation is required in order to ensure a high quality of life for all San Franciscans. This quality of life includes access to arts and cultural community resources as well as essential social services vital for the health, well-being, and economic self-sufficiency of its residents.

This report will first detail the City's recent actions that led to the creation of this report, and summarize some of the historical programs that the City implemented when this issue arose during the early 2000's. The report will then present best practices and summarize recommendations in five areas:

- Technical Assistance
- Planning/Zoning/Developer Agreements
- Identifying Available Space
- Direct Financial Assistance
- Public-Private Partnerships

Each area contains a set of recommendations arising from the Working Group. After a summary of each recommendation, the report advises whether or not to pursue the recommendation; which City department or community organization is essential for implementation; whether the recommendation is of high, medium, or low priority; and finally whether the recommendation provides short-term, medium-term, or long-term solutions.

City Legislative Action

On November 15, 2013, the City and County of San Francisco adopted Resolution No. 395-13, (see Appendix) which urged the Director of the Mayor's Office of Housing and Community Development

to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement. This recommendation arose in part because of a report issued on October 8, 2013, by the City's Budget & Legislative Analyst's Office, entitled "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits" (see Appendix.) Subsequent to the report, on October 9, 2013, the Budget and Finance Committee of the Board also conducted a hearing on the impact of the rapid rise of commercial rents and early termination of leases on non-profit organizations. At the hearing over thirty representatives of community based organizations spoke about the impact of rising rents on their organization's ability to be stably housed at their current location. Many of these organizations received financial support from the City, and represented a broad range of service and program areas including health and mental health, legal services, the arts, senior and disability services, faith-based service providers, and tenant advocacy organizations.

Resolution No 395-13 stated that a working group be formed and include staff from the Mayor's Office of Housing and Community Development, Mayor's Budget Office, Arts Commission, Office of Economic and Workforce Development, the Human Services Agency, the Department of Public Health, the Department of Children, Youth and their Families, the Department of Real Estate and the Planning department, as well as a broad representation of community stakeholders. The resolution stated that the working group should present a report that includes a series of recommendations and action items to the Board of Supervisors within 120 days from its first meeting. The Working Group held four meetings to discuss possible recommendations and prepare the report. The meetings were held on December 12, 2013; January 17, 2014, February 21, 2014, and March 21, 2014. This Final Report is being submitted to the Board on May 13, 2014.

On March 18, 2014, the Board of Supervisors passed Ordinance No. 33-14, (see Appendix) which appropriated \$2,515,000 of General Fund Reserve Monies to the Mayor's Office of Housing and Community Development to establish a Nonprofit Rent Stabilization Program for nonprofit service organizations. The ordinance additionally appropriated \$2,000,000 to the San Francisco Arts Commission to establish a similar program specifically for arts and culture organizations. The initially proposed \$2,515,000 represents an estimate by the Controller's Office of the General Fund Property Tax revenue growth in the Central Market Street and Tenderloin exclusion zone since the Payroll Expense Tax Credit was established in FY 2010-2011. The usage of these funds was to be guided by the recommendations contained within this report. The entire amount was placed on reserve, pending the presentation of this report to the Board meeting as Committee of the Whole on May 13, 2014.

Summary of BLA Report

On October 8, 2013, the Budget and Legislative Analyst's office, with the assistance of the San Francisco Human Services Network, issued a report to Supervisor Jane Kim on the impact of increasing rents in San Francisco on local nonprofits.

The average rent for the organizations in their current fiscal year as reported by the respondents to the BLA's survey of nonprofits¹ constituted 4.6% of their total budget. For the 14 survey respondents who reported renewing or entering into a new lease in 2012 or the first nine months of 2013, their rent increased from an average of \$16.12 per square foot per year to \$21.53 per square foot per year, a 33.6 percent increase. Survey respondents reported that 25 of their leases will be expiring in the last three

¹ The BLA survey did not include arts and culture organizations.

months of 2013 or during the course of 2014. 71.1 percent of the respondents indicated that they need to remain in their current location or area to fulfill their mission. The study also showed that citywide, the gross rent rate increased from 2011 to 2013 from \$39.67 to \$52.69 per square foot per year, a 32.8% increase.

The BLA report included the following six policy options: (1) consideration of imposition of development impact fees that would require that certain fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations; (2) consideration of the establishment of inclusionary zoning requirements instituting incentives for commercial developers, who would either be required to provide a certain amount of space for nonprofit organizations in their developments at below-market rates, or be required to provide fees in-lieu of space; (3) consideration of the establishment of City incentives for commercial facility landlords to offer below market rents to certain nonprofit organizations; (4) enhancing existing City programs or creating new ones to provide loans and/or grants to nonprofit agencies to acquire or rehabilitate facilities for nonprofit organizations with controlled rent costs; (5) identification of unused or underutilized City property that could potentially be occupied by nonprofit organizations at controlled rent; and (6) establishing an approach to collaborations with foundations, private donors, and others to pool property and financial resources in the interest of providing other ownership or leased facilities opportunities to nonprofit organizations with low or controlled rent.

The report concluded that decreasing commercial vacancy rates across the City appears to be driving increases in rental rates for the commercial spaces Citywide and that this trajectory may be hindering the growth of the nonprofit sector in San Francisco. The financial burden of renting in the City may require nonprofit organizations to devote a greater proportion of resources to renting, taking away from resources that could go to providing services to San Francisco residents. This allocation of resources is of concern to the City as well as a concern to those organizations as the City has contracted with and provided financial resources to a significant number of the nonprofits located in the City over the past three fiscal years. Given the large proportion of nonprofit organization leases reportedly expiring in the coming year, the report stated that this may be a key moment for the City to develop a plan to support nonprofit organizations facing this increasing burden.

Working Group

MOHCD first convened the Citywide working group on nonprofit displacement on December 13, 2013. The Working Group held three subsequent meetings, on January 17, 2014; February 21, 2014; and March 21, 2014. The working group consisted of approximately 39 members, representing a variety of City departments, community based organizations, private philanthropy, and technical assistance intermediaries.

The Working Group conducted a series of brainstorming sessions to come up with as many different possible solutions to the nonprofit displacement problem as possible, building upon the framework developed in the Budget and Legislative Analyst's report. MOHCD took each option and researched its viability and possible implementation through a series of one-on-one meetings with the relevant City departments, community based organizations, and foundations. MOHCD staff reported back at each working group meeting with the updated status of the various options. A preliminary draft was issued to the Working Group before the final meeting for review and discussed at its final meeting. MOHCD

staff then integrated feedback from City and community based stakeholders before presenting the final report to the Board of Supervisors on May 13, 2014.

Working Group Survey

On October 8, 2013, the Budget and Legislative Analyst issued a report, “Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits,” to Supervisor Jane Kim on the impact of increasing rents in San Francisco on local nonprofits. This report identified that as of July 2013, there were 6,005 nonprofit organizations in San Francisco.

The City and County of San Francisco contracts regularly with nonprofit organizations to provide goods and services. Currently, there are a total of 902 nonprofits registered with the City as receiving payments for goods or services for FY 2013-2014 and/or one or more of the prior two fiscal years (some contracts span multiple years). Exhibit 1 shows that total payments made to nonprofit organizations by the City and County of San Francisco ranged from approximately \$485.2 million in FY 2011-2012 to a projected \$519.6 million for FY 2013-2014.

The Budget and Legislative Analyst’s report referenced above reflects that 1,425 nonprofits have contracted with the City and County of San Francisco for FY 2013-2014 and/or one or more of the prior two fiscal years. Because one nonprofit contractor may provide goods or services under more than one contract, the number of separate nonprofit contractors is 902 over that period of time.

Exhibit 1: Total City and County Payments to Nonprofit Organizations in San Francisco, FY 2011-2012 through 2013-2014 (projected)

City Payments to Nonprofit Organizations			
	FY 2011-2012 Actual City Payments	FY 2012-2013 Actual City Payments	FY 2013-2014 Actual + Projected City Payments
Amount	\$485,189,294	\$497,522,008	\$519,648,223

Source: San Francisco Controller’s Office, List of Addresses for All Non Profits Receiving City Funding 9-26-13

Of the 902 nonprofits registered with the City as receiving payments in Fiscal Year 2013-14 and/or one or more of the prior two fiscal years, some number of these organizations may not be located in San Francisco. Therefore, the fiscal year payments reported above may not be paid solely to San Francisco-based organizations.

Exhibit 2 shows the number of nonprofits receiving payments from the City and County of San Francisco in each of the three years.

Exhibit 2: Total Number of Nonprofit Organizations Receiving Funding from the City and County of San Francisco, FY 2011-12 through 2013-14 (projected)

Number of Nonprofit City Vendors			
	FY 2011-2012 Actual Number that Received Payments	FY 2012-2013 Actual Number that Received Payments	FY 2013-2014 Projected Number that will Receive Payments
Number	808	788	710

Source: San Francisco Controller’s Office, List of Addresses for All Non Profits Receiving City Funding 9-26-13

Based on the Controller’s Office data, of the 710 nonprofit organizations that are projected to receive funding from the City in FY 2013-2014, approximately 500 of them are projected to receive at least \$25,000 in City funds during this fiscal year. The Working Group on Nonprofit Displacement distributed a survey, “San Francisco Nonprofit Space Survey,” to nearly 300 such City-funded organizations, and received responses from 86 nonprofit organizations, describing their spaces and needs at 149 different locations.²

Of the 149 properties, 19 are residential, such as SRO buildings, and 130 are non-residential, including nonprofit administrative and program spaces.

Of the 130 non-residential properties, 114 (88%) of them are owned or leased by social service organizations and 16 (12%) are owned or leased by arts organizations, as shown in Exhibit 3.

Exhibit 3: Survey Respondents’ Properties by Type of Organization

Type of Organization			
	Arts Organizations	Social Service Organizations	Total
Number of Properties	16	114	130
Percent of Properties	12%	88%	100%

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 130 properties, 55% indicated an interest in sharing space with other organizations. Exhibit 4 summarizes the 72 properties for which an organization indicated an interest in sharing space with other organizations by whether the property is owned or leased.

Exhibit 4: Properties for Which an Organization Indicated an Interest in Sharing Space with Other Organizations

Organizations Interested in Sharing Space by Owned and Leased Properties			
	Owned	Leased	Total
Number of Properties	21	51	72

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 130 properties, 40% indicated an interest in sharing back-office administrative operations such as human resources, IT services, and financial/accounting services.

Of the 130 properties, 91 are reported as being leased, as shown in Exhibit 5.

Exhibit 5: Survey Respondents’ Properties

	Owned	Leased	Total
Number of Properties	39	91	130

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

² Arts organizations may be under represented in this survey. This survey did not go out to Grants for the Arts grantees. In addition, many of the San Francisco Arts Commission grantees receive grants of under \$25,000, so they also did not receive the survey.

As shown in Exhibit 6, respondents' leased properties are located throughout the City. The 91 leased properties are located in 25 different zip codes. One of the zip codes is outside of the boundaries of the City and County of San Francisco.

Exhibit 6: Survey Respondents' Leased Properties by Zip Code and Type of Organization

Zip Code	Arts Organizations	Social Service Organizations	Total	% of Total
94102		9	9	10%
94103	3	18	21	23%
94104		2	2	2%
94105	1	3	4	4%
94107	2		2	2%
94108	1	2	3	3%
94109		1	1	1%
94110	5	3	8	9%
94111		7	7	8%
94112		2	2	2%
94114		1	1	1%
94115		6	6	7%
94117		1	1	1%
94118		2	2	2%
94121		1	1	1%
94122		2	2	2%
94123		1	1	1%
94124		5	5	5%
94127		2	2	2%
94129		4	4	4%
94130		1	1	1%
94132		2	2	2%
94133		2	2	2%
94134		1	1	1%
Outside SF		1	1	1%
	12	79	91	100%

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Exhibit 7 shows the average monthly rent, the average square footage and the average dollar per square foot per year by zip codes for the respondents' leased properties. Exhibit 7 also compares the respondents' leased properties average dollar per square foot per year to the market rate by zip code.

Exhibit 7: Average Monthly Rent, Square Footage and Dollar/Square Feet/Year for Respondents' Leased Properties by Zip Code, Compared to Market Rate

Zip Code	# of Properties	Average Monthly Rent	Annualized Rent	Average Square Footage	Average \$/Sq. Ft/Year	Market \$/Sq. Ft/Year
94102	9	\$13,192	\$158,308	5,997	\$26.40	\$44.72
94103	21	\$11,345	\$136,137	6,554	\$20.77	\$42.37
94104	2	\$52,048	\$624,571	14,525	\$43.00	\$62.11
94105	4	\$24,222	\$290,663	11,157	\$26.05	\$86.63
94107	2	\$2,319	\$27,828	4,192	\$6.64	\$46.98
94108	3	\$15,931	\$191,176	8,616	\$22.19	\$41.88
94109	1	\$798	\$9,579	800	\$11.97	\$29.86
94110	8	\$8,664	\$103,967	5,402	\$19.24	\$27.43
94111	7	\$13,957	\$167,484	7,157	\$23.40	\$59.41
94112	2	\$6,333	\$76,001	2,603	\$29.20	No data
94114	1	\$59,298	\$711,576	31,450	\$22.63	No data
94115	6	\$4,097	\$49,162	2,712	\$18.13	\$34.21
94117	1	\$4,000	\$48,000	3,000	\$16.00	No data
94118	2	\$4,425	\$53,100	2,825	\$18.80	\$44.65
94121	1	No data	No data	No data	No data	\$36.48
94122	2	\$49,910	\$598,916	24,400	\$24.55	\$20.54
94123	1	\$4,000	\$48,000	7,700	\$6.23	\$34.60
94124	5	\$10,050	\$120,600	8,060	\$14.96	\$28.22
94127	2	\$2,100	\$25,200	3,903	\$6.46	\$26.64
94129	4	No data	No data	No data	No data	\$36.00
94130	1	No data	No data	No data	No data	No data
94132	2	\$3,000	\$36,000	4,277	\$8.42	No data
94133	2	\$1,808	\$21,692	2,630	\$8.25	\$34.19
94134	1	\$1,800	\$21,600	900	\$24.00	\$21.57
Outside SF	1	\$21,336	\$256,032	9,698	\$26.40	No data
All Zip Codes	91	\$12,576	\$150,911	7,386	\$20.43	\$52.65

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014 and Northern California Community Loan Fund, LoopNet Lease Data, March 10, 2014

A total of 64 leases were reported to be either month-to-month or expiring in the next five years. Exhibit 8 shows the properties with expiring leases by year and by zip code. Half of these properties are located in three zip codes – 94102, 94103 and 94110.

Exhibit 8: Number of Respondents' Leases that are Month-to-Month or Expiring in 2014, 2015, 2016, 2017 and 2018 by Zip Code

Number of Month-to-Month and Expiring Leases by Zip Code							
	Month-to-Month	2014	2015	2016	2017	2018	Total
All Zip Codes	7	22	12	10	8	5	64
94102	1	4		1	2		8
94103	1	5	5	2	2	1	16
94104			1				1
94105		3				1	4
94107		2					2
94108					1		1
94109	1						1
94110	1	3	3		1		8
94111	1				2		3
94112			1				1
94114				1			1
94115				4			4
94117	1						1
94118	1	1					2
94121				1			1
94122		1				1	2
94123			1				1
94124		1	1			1	3
94127		1					1
94129						1	1
94134		1					1
Outside SF				1			1

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 64 properties with month-to-month leases or leases expiring within the next five years, 55 are leased by social service organizations and nine are leased by arts organizations, as shown in Exhibit 9.

Exhibit 9: Respondents' Leases that are Month-to-Month or Expiring in the Next Five Years by Type of Organization

Number of Month-to-Month and Expiring Leases by Type of Organization			
	Arts Organizations	Social Service Organizations	Total
Number of Properties	9	55	64

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 64 properties with month-to-month leases or leases expiring within the next five years, respondents reported that they plan to renew 25 leases, to not renew 12 leases. For the remaining 27, respondents reported that the future plans are not known at this time. See Exhibit 10.

Exhibit 10: Respondents' Plans for Leases that are Month-to-Month or Expiring in the Next Five Years

Plans for Month-to-Month and Expiring Leases			
	Renew	Not Renew	Not Known
Number of Leases	25	12	27

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

For the 64 properties with month-to-month leases or leases expiring within the next five years, more than two-thirds of the respondents indicated that it is essential for them to be located in their current neighborhood, as shown in Exhibit 11.

Exhibit 11: Number of Respondents with Leases that are Month-to-Month or Expiring in the Next Five Years that Need to be Located in Current Neighborhood

Essential to be Located in Current Neighborhood?			
	Yes	No	Total
Number of Properties	41	23	64

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

For the 64 properties with month-to-month leases or leases expiring within the next five years, nearly 60% of the respondents indicated a need for real estate-related technical assistance. Respondents were able to indicate more than one type of technical assistance need. Exhibit 12 shows the number of respondents that indicated each of the following types of technical assistance needs: commercial real estate brokerage services to find a new space, lease negotiation, financial analysis for owning or leasing, and analysis of organizational space needs.

Exhibit 12: Types of Real Estate-related Technical Assistance Needed by Respondents with Leases that are Month-to-Month or Expiring in the Next Five Years

Type of Technical Assistance	# of Respondents Indicating this Need
Commercial Real Estate Brokerage Services	18
Lease Negotiation	20
Financial Analysis for Owning or Leasing	14
Analysis of Organizational Space Needs	10

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

According to data provided by City departments on City investments in nonprofits, there are at least 130 City contracts totaling approximately \$75 million associated with the 64 properties with month-to-month or leases or leases expiring in the next five years.

Exhibit 13 is a breakdown of the 44 leases that are expiring within the next three years by calendar quarters. A total of 23, more than half of the properties with leases expiring in the next three years are located in three zip codes – 94102, 94103 and 94110.

Exhibit 13: Number of Respondents' Leases that are Expiring in 2014, 2015 and 2016 by Calendar Quarters and by Zip Code

Number of Expiring Leases by Calendar Quarters and by Zip Code													Total
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	
All Zip Codes	3	9	4	6	5	1	2	4	3	1	0	6	44
94102		2	1	1					1				5
94103	2	2		1	3			2				2	12
94104							1						1
94105	1		2										3
94107		2											2
94110		1		2	2			1					6
94112							1						1
94114									1				1
94115										1		3	4
94118		1											1
94121									1				1
94122				1									1
94123								1					1
94124		1				1							2
94127				1									1
94134			1										1
Outside SF												1	1

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

The Working Group’s survey asked respondents if they have extra space to rent out at the current space and if so, the number of square footage that is available for rent. Exhibit 14 summarizes the properties that respondents reported as being available for rent.

Exhibit 14: Respondents’ Properties with Available Space for Rent

	# of Properties	Sum of amount of square footage available for rent
Owned Properties	5	11,900
94102	1	400
94108	2	4,000
94117	1	7,500
94124	1	No data
Leased Properties	9	28,844
94103	3	3,144
94108	2	10,750
94110	1	200
94118	1	750
94122	1	5,000
94127	1	9,000
Total	14	40,744

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Historical Trends in the City

The issue of nonprofit displacement is not new. A 2000 study by CompassPoint Nonprofit Services³ published results from a San Francisco-based survey regarding facilities that showed 52 percent of respondents were at least somewhat likely to leave San Francisco due to then increasing rental rates, and 69 percent of respondents expressed an interest in co-location. Three years later, a 2003 publication produced jointly by CompassPoint and the Silicon Valley Council on Nonprofits identified three nonprofit co-location models to help mitigate the impact of rising rental rates and control other administrative costs, including: 1) neighborhood centers, in which multiple agencies co-locate; 2) multi-tenant office buildings in which one or more organizations (or a foundation) bands together to buy a building and leases it other nonprofits; and 3) incubators, which provide temporary co-located space to nonprofits.

In late October and early November of 2000, the Board of Supervisors approved two ordinances (Ordinances 266-00 and 267-00, which can be found in the Appendix) to appropriate \$1,500,000 from the City’s General Fund Reserve and establish the terms and conditions for the expenditure of those funds to provide rent subsidies to arts organizations that were in immediate danger of being evicted or displaced by rent increases in San Francisco. Records indicate that approximately 12 grants for rental subsidies were provided under this rental assistance program, ranging from a maximum of \$80,000 to a minimum of \$7,000.

³ CompassPoint Nonprofit Services, “Nonprofits at Risk: The Space and Occupancy Crisis Facing San Francisco’s Nonprofit Community,” 2000.

On November 20, 2000, the Board approved another ordinance (Ordinance 283-00, found in the Appendix) to appropriate \$3,000,000 from the City's General Fund Reserve for the Mayor's Office of Community Development to fund a \$500,000 grant program to provide rent subsidies to nonprofit service and advocacy organizations at risk of being evicted or displaced by rent increases and an additional \$2,500,000 to fund capital improvements and real property acquisitions by nonprofit organizations. The capital improvements program was administered through a grant to an intermediary organization, Northern California Community Loan Fund ("NCCLF"). Fifteen organizations received capital improvement/acquisition funds, and another two organizations received planning grants. In total \$2,250,977 was expended for capital funds/acquisition to a variety of nonprofits encompassing a wide range of services and arts organizations.⁴

In 2003, NCCLF issued a report focusing on the Nonprofit Space Capital Fund⁵, which was originally funded through the City grant detailed above. The Fund later added monies from private philanthropy including the Evelyn and Walter Haas, Jr. Fund; the Walter and Elise Haas Fund; the San Francisco Foundation; and from the financial institution Wells Fargo Bank. The report indicated that the Fund had supported twenty organizations, housing over 75 nonprofits.⁶ A review of the organizations that received funding through this program indicated that in 2014 all but one organization remained permanently housed in their existing space.

Best Practices

The Working Group identified a number of models for best practices, both here in San Francisco and in other locations. These best practices can serve as a potential model for San Francisco to emulate as appropriate.

Community Arts Stabilization Trust (CAST)

CAST was recently formed by the Kenneth Rainin Foundation and NCCLF to support the City's efforts to expand and provide long-term stability to arts groups in Central Market and the Tenderloin and adjacent neighborhoods in response to the Central Market Economic Strategy and the space affordability crisis that is sharply impacting the sustainability of its nonprofit art sector. The Kenneth Rainin Foundation committed \$5 million over five years as seed funding to pilot the effort for stabilizing space for community arts organizations in the Central Market area. CAST's pilot projects include the acquisition of two facilities in Central Market and the Tenderloin; the first currently houses an arts organization, and the second, a vacant adult theater, is intended for a multidisciplinary arts presenter currently programming in South of Market. The City's Grants for the Arts, the Arts Commission, and Office of Economic and Workforce Development (OEWD) are currently providing over \$300,000 in assistance for the Luggage Store Gallery, and \$180,000 to CounterPULSE for capacity-building and predevelopment for the Turk Street theater space. CAST will work closely with both organizations as they raise the remaining funds for building renovations. CAST purchases and

⁴ The funded organizations included Ark of Refuge, Chinatown Community Development Corp, Coleman Advocates for Children and Youth, Filipino American Development Foundation, Mercy Housing California, Nihonmachi Little Friends, 9th Street Media Consortium, North of Market Senior Services, ODC Theater/San Francisco, Portola Family Connections, Raphael House, S.F. Museum & Historical Society, S.F. Housing Development Corporation, Tenants and Owners Development Corp, Tenderloin Neighborhood Development Corp, Bindlestiff Studio, and the Museum of the African Diaspora.

⁵ Northern California Community Loan Fund, "The Nonprofit Space Capital Fund: Supporting Permanent Homes for Nonprofits," 2003.

⁶ As the Fund expanded to the greater Bay Area, not all organizations assisted were located in San Francisco.

leases space for the exclusive use of nonprofit arts organizations while also providing these groups with technical assistance to develop and expand their capacity to fundraise, manage their finances and facilities sustainably, and move toward property ownership if appropriate.

CAST has three primary program strategies: 1) Purchase buildings and lease them to suitable nonprofit arts organizations, then transition the agreement from lease to ownership over seven to ten years at the fixed purchase price; 2) Serve as master lease holder on multi-tenant properties and manage the space for arts subtenants; and 3) Identify underutilized, below-market rental spaces and match them to arts uses and programming. CAST thus helps preserve the ability of community arts organizations to remain in their neighborhood or return if they have been priced out. Its one-on-one technical assistance model provided by NCCLF nonprofit real estate and financial experts allows for planning for organizations to either purchase their facilities at a below market cost within a seven-year to ten-year period, or facilitate a move to an alternative space that is more appropriate for their operations. If organizations choose to move they take their equity with them, and the CAST buildings are available for another nonprofit arts organization whose programmatic needs require similar space. CAST's expertise also allows it to leverage contributed funds with otherwise difficult to obtain resources such as New Markets Tax Credits to increase the fundraising and property management capacity of the organizations that partner with CAST.

Its real estate and financing technical assistance services are provided through City funding for NCCLF and Urban Solutions. CAST, along with the Central Market/Tenderloin Technical Assistance Program, was developed as part of the implementation of the Central Market Economic Strategy, whose objectives included the cultivation of an arts district in the area and a vibrant cluster of retail storefronts. The program is coordinated through OEWD and assists existing nonprofit and small businesses in the neighborhood, as well as acts as a resource for those wishing to locate in the area. A primary goal of the program is to secure long-term leases for these businesses and organizations.

OEWD and NCCLF did an initial inventory of underutilized community space along Central Market and in the Tenderloin, including SRO spaces and other similar spaces. Upon identification of those spaces, OEWD, NCCLF, Grants for the Arts and the Arts Commission are working with nonprofit arts and culture organizations to strategically program those spaces.

CAST is governed by a 5-person board and works in ongoing partnership with NCCLF to provide technical assistance to nonprofit arts organizations. CAST's initial capitalization allowed it to secure a loan from Presidio Bank to facilitate its purchase of its first two spaces for nonprofits. CAST now owns those assets.

Under CAST's strategic plan it will raise funds over the next three years to expand the scope of its three-pronged strategy to mitigate the space challenges currently faced by the nonprofit arts sector in San Francisco. Pooled funds in the form of operating support for CAST and a perpetual capital pool to be used, and recycled, for facility acquisition using the same model as CAST's two pilot projects are actively being identified from local and national foundation sources. Local foundations including The William and Flora Hewlett Foundation, The Wallace Alexander Gerbode Foundation, The Walter and Elise Haas Fund, The San Francisco Foundation, and The Fleishhacker Foundation have been briefed on the CAST model and discussions have begun to align foundation efforts around nonprofit displacement in the arts sector.

CAST's approach is driven by facility inventory and availability, and aims to ensure density and mixed-

use neighborhood vitality by keeping organizations and artists in their communities. CAST uses a multiple site philosophy as opposed to creating one large building for many different nonprofits. CAST has the potential to play a similar role citywide, and is not limited to the mid-Market area. CAST thus enables permanent homes for arts groups that would not have been able to purchase their facilities without the price stabilization, leveraging of financial resources, and access to Federal programs that can only be accessed at scale.

Over the next three years CAST aims to:

- Create a new and inventive approach to asset development for cultural organizations;
- Contribute to neighborhood revitalization strategies with arts at the center of economic and community development;
- Demonstrate a new philanthropic strategy for the arts by recycling financial resources and forging unprecedented public-private partnerships;
- Mitigate space challenges for arts organizations in one of the hottest real estate markets and most important cultural communities in the US;
- Serve a mix of cultural organizations, artists and a community of people that is diverse by age, race, gender, economic status and cultural background.

Central Market Partnership

The Central Market Partnership is a coordinated effort to revitalize Central Market Street through a focus on the arts, business development, and quality of life enhancement. The Partnership brings together City agencies, community-based organizations, arts groups, property owners, small business owners, and residents in the area who share a vision for the revitalization of the central Market Street district through short term and long term arts, cultural and economic activation.

A goal of this effort is the improvement of existing and development of new arts spaces in the area and to populate now-vacant buildings with performing arts and visual arts venues, as well as restaurants, lounges and retail that create a positive experience for audiences coming to new or re-located arts venues.

In order to make this a reality, the Cultural Market Technical Assistance Program (CMTAP) provides feasibility and capacity assessments for nonprofit arts groups and small businesses interested in locating along the central market corridor. Resources include space identification assistance⁷, financial feasibility assistance through the Northern California Community Loan Fund, preliminary architectural services through Public Architecture's 1% program partners; lease/purchase agreement assistance; construction management assistance; and grant and/or loan assistance, if available/qualified.⁸

Denver Shared Spaces

Denver Shared Spaces (DSS) is a public-private collaborative dedicated to providing technical assistance and targeted support to the Denver shared space community. DSS works to connect mission-driven organizations with shared space resources, and advocate for a resource and policy environment that supports and utilizes shared spaces throughout the Denver Metro. Started in 2009 by the Denver

⁷ The Office of Economic and Workforce Development maintains a list of vacant, underutilized, and for-lease or for-sale properties to match prospective tenants with landlords.

⁸ Funding from OEWD, Grants for the Arts, OEWD's Cultural District Loan Fund and Small Business Revolving Loan Fund are some of the resources that may be available for operators expanding in or moving to Central Market.

Office of Strategic Partnerships, Piton Foundation, and Urban Land Conservancy, DSS supports efforts of organizations with a social mission to intentionally share spaces in order to create a sense of place, extend their reach, and achieve greater impact on local communities.

The initiative arose following a community survey in 2009, targeting nonprofits and commercial real estate professionals. The resulting report, "An Investment Worth Making,"⁹ identified these important elements as the underpinning of their work: nonprofits need stable, affordable space; boards and staff of nonprofits need education, resources and support to make good decisions around real estate and shared space; a facilitated process to define, analyze, reconcile, and capitalize on overlapping needs and potential conflicts for nonprofits involved in sharing space is important for maximizing potential of spaces; and resources can be invested and coordinated in new ways to support the creation and operation of successful nonprofit facilities and shared spaces." The report indicated that nonprofits often did not have experience in acquiring and maintaining facilities, and often had difficulty paying market rate rent. At the same time, there was a strong trend among government and philanthropic funders toward requiring collaboration between organizations as a prerequisite for securing funding. These two pressures - limited real estate capacity and an increase demand for collaboration - have continued to influence nonprofits and mission-driven businesses to pursue shared spaces as a tool to secure both.

Based on this initial study of market trends and needs, DSS was created to act as a resource for nonprofit real estate in general and shared space in particular. DSS has since grown to focus on three core goals: to create and optimize mission-driven shared spaces, to promote access to information and tools around the creation and operation of shared spaces, and to increase support and investment in shared space efforts to further City agency goals and better meet community needs. The initiative is governed by a Steering Committee with representation from the nonprofit, government, and commercial real estate sectors. Through this governing body, the efforts of three working committees and a full-time project coordinator, DSS serves nonprofits and social enterprises, real estate professionals, elected officials, civic leaders, and City and State agencies.¹⁰ DSS facilitates peer to peer learning and networking, provides access to templates and resources through its website, offers small group consulting and technical assistance, and individualized consulting. The initiative does not provide direct access to capital, but provides technical assistance to those nonprofits who seek capital. DSS has created a website that consolidates numerous resources essential for nonprofits into one easy to access site. Resources include items such as architectural design, building collaboration, and sustainability, and finance, grey space leasing in communities, other national models, organizational readiness, real estate support, sample leases, and how to access one-on-one assistance.

A significant part of DSS's work is also to influence municipal policy and process to allow for better access to private and public resources. As a result of this effort, the City of Denver issued a mayoral executive order¹¹ that explicitly stated that "shared space is an important tool to engage communities; ensure an appropriate combination of services to meet the needs of communities and neighborhoods; create space for local community convenings and community building activities; activate underutilized

⁹ Denver Shared Spaces, "An Investment Worth Making: A Report on Developing Shared Spaces for Denver's Nonprofit Community," May, 2010.

¹⁰ Through 2012, the Project has opened the new *Colorado Collaborative for Nonprofits*, a vital hub of support for nonprofit sector across Colorado; passed first broad-based policy around government support of shared space in the nation; enhanced development and operations of 8 shared spaces housing over 80 nonprofit tenants through individual and group consulting support; provided an ongoing forum for resources, support, and sharing of best practices amongst 24 shared spaces representing more than 200 organizations; increased DenverSharedSpaces.org traffic by 67% since 2011, providing access to useful resources and tools to find or list available space; and initiated outreach efforts with the commercial real estate community, providing ongoing educational and networking opportunities.

¹¹ Mayor's Office, City of Denver, Executive Order No. 138, "Coordination of Shared Space and Nonprofit Facilities Support."

real estate spaces; bring workers into communities; eliminate food deserts in neighborhoods, enhance the economic development and overall well-being of communities; and support efficient use of resources invested in nonprofit organizations. Agencies under the authority of the Mayor will include legally permissible shared space as a considered alternative in efforts around real estate usage; community and economic development planning efforts, nonprofit facilities investments as a means for supporting growth and innovation in small businesses.” This executive order provided the impetus for many City agencies to include shared spaces in their funding, financing and community planning work.

Recommendations: Technical Assistance

Intermediary Assistance

An immediate option to pursue is the City's ability to subsidize the provision of technical assistance to nonprofits facing the need to relocate. Input from the community, City departments, and a review of best practices show that technical assistance, especially one-on-one focused assessments and action plans with individual nonprofits, offers the greatest possibility of success in a tight rental market.

Nonprofits could benefit by receiving free or low-cost technical assistance from expert intermediaries who could offer resources in a number of different areas: space analysis, lease negotiation and review, public and private financing options, capital campaigns, back office sharing, co-location, brokerage services, building vacancy survey and use analysis and other related areas. The City could subsidize these costs through a grant to an intermediary or intermediaries, which could then offer free or low cost services to eligible nonprofits. The intermediary could also provide financial work-ups for potential real estate transactions. This model has been shown to be successful, both in the creation of the Nonprofit Space Capital Fund and through the technical assistance services currently offered to community arts organizations funded by San Francisco Grants for the Arts.

Long-term stabilization of nonprofits through an ongoing technical assistance program could be provided to nonprofits through an analysis of current leasing agreements so that nonprofits could possibly receive assistance in a cohort model based on the upcoming lease renewals, or by prioritizing by estimated lease expiration date. By examining groups in a cohort, an intermediary could identify geographic or programmatic proximities and explore the possibilities of co-location before the search process for a new lease location has begun.

The effectiveness of intermediary assistance should be evaluated on at least an annual basis by representatives of MOHCD and the Arts Commission to ensure that the technical assistance offered continues to meet the goals of the City and maximize nonprofit stability to the extent possible. Input from representatives from the nonprofit stakeholder community and/or an assessment committee of the Nonprofit Displacement Working Group should also be included in this review. An intermediary should produce a report that captures current data on the number of nonprofits facing displacement and the ability of an assistance program to stabilize those nonprofits at risk.

Recommendation: Pursue this option with MOHCD and Arts Commission. Priority: High. Possible short-term, medium-term, and long-term option.

CAST for Non-arts Organizations

Some stakeholders suggested that it would be beneficial for a nonprofit real estate holding company such as CAST to be created to support non-arts organizations. Currently there is no counterpart for CAST for non-arts groups.¹² The existing organizations that might have the capacity to provide the requisite expertise in real estate transactions are limited in number; many organizations would be reluctant to take on real estate responsibilities for programs that would be outside their mission, and many organizations are also focused on certain neighborhoods and thus would be unlikely candidates to take on the role of a city-wide intermediary.

A further study should be made of the possible roles or partnership opportunities with larger, city-wide nonprofits that already own property; affordable housing developers with expertise in real estate transactions; and groups such as land trusts that also share that kind of expertise. The appropriate roles for intermediary technical assistance organizations such as the NCCLF, which has offered significant assistance in the past to nonprofits struggling with this issue, and is currently offering specific services to arts organizations through its current contract with the San Francisco Grants for the Arts should be closely examined to explore similar possibilities for non-arts organizations.

The goals of such an organization could be to facilitate the acquisition of available space for nonprofits; work with potential tenants to position them for acquisition; focus on the creation of nonprofit hubs in key neighborhoods; offer general resources and information; streamline city and community resources; partner with the City to work with developers and commercial building owners to elicit engagement in nonprofit shared space efforts; and engage in shared space conversation around transit oriented development sites.

Recommendation: Pursue this option with MOHCD, OEWD, Arts Commission, Department of Real Estate, and CAST. Priority: Medium. Possible medium-term and long-term option.

Recommendations: Planning/Zoning/Developer Agreements

A number of recommendations required the coordination of various entities involved in City planning, zoning, and commercial business regulation. The feasibility of many of these options hinge upon the existing state restrictions regarding commercial rent control. Other options would rely on the flexibility of the City's planning processes and its ability to amend its existing regulations or grant waivers in limited circumstances in order to support the City's desire to support nonprofits searching for long-term affordable space.

Development Impact Fees

The Working Group considered the potential imposition of development impact fees that would require that these fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations.

Development impact fees are a form of exaction on new development, which must be satisfied as a condition of development approval. Cities, counties, and districts impose such fees to pay for and/or

¹² Some organizations, such as the San Francisco Community Land Trust, have capacity to oversee real estate transactions but focus primarily on housing developments as opposed to community facilities.

defray the costs of infrastructure or facilities needed to serve new development. The statutory authority to impose development impact fees was codified by the California Mitigation Fee Act. According to the Act, development impact fees must be established on a “reasonable relationship” between the impacts of types of development and the facilities needed to mitigate their impact. The reasonable relationships required must be legislatively adopted by a jurisdiction as findings in support of the impact fees it enacts. Cities, counties and districts should not impose fees to fix existing problems that are unrelated to the impacts of new development.

In order to enact impact fees, the Act requires that a nexus determination be made to identify: the purpose for collecting development impact fees; the specific use of the fee and the facilities to be built; the reasonable relationship between the facility funded by fees and the type of development projects paying the fee; the reasonable relationship between the need for the public facility and the type of development project paying the fee; and the reasonable relationship (proportionality) between the amount of the fee and the cost of public facilities. The reasonable relationships required should be legislatively adopted by a jurisdiction as findings in support of the impact fees it enacts.

The City has currently engaged a contractor to develop both an economic displacement study and a nexus study focusing specifically on the Central South of Market Plan area. The Economic Displacement Study will provide a literature review and best practices summary related to indirect economic displacement impacts of new development on existing community facilities and services; identify proposed level of service standards for specified community services and facilities within the Central SoMa Plan area; analyze the indirect economic displacement impact of new development on existing community services and facilities in the Central SoMa Plan area; and evaluate various mitigation strategies to address these impacts, including, but not limited to developer agreements, direct funding, development impact fees, and other strategies.

The nexus analysis will specifically determine the impact of new residential and commercial development on the demand for community services. The study will be limited to analyzing the impacts and demand from new growth, and any resulting fee would be used to meet the demand of new residents or workers, not the existing population. The nexus study will also include a brief overview of local government best practices related to mitigation of the impacts of development on the demand for City services through implementation of development impact fees.

Impact fees justified by this type of nexus study are limited in their utility, however, and can only be used to pay for a portion of the costs of the capital facilities needed to serve the new development.¹³ Impact fees justified by this type of nexus study are also limited to the specific geographic boundaries included within the study, so this solution would be of limited utility to those organizations located outside these boundaries. The City would need to commission multiple nexus studies in order to maximize the ability to leverage these funds.

Recommendation: Pursue this option with Controller's Office and Planning Department, pending result of Central SoMa nexus study. Priority: Medium. Possible medium-term and long-term solution.

¹³ Traditionally, impact fees are imposed and used for capital projects such as:

- water and waste water treatment facilities
- roads
- parks
- libraries
- schools
- police and fire protection facilities.

Inclusionary Zoning Ordinance

There is no precedent for imposing an inclusionary requirement for below market rate office space on commercial developers. Based on the current state law that prohibits any municipality from imposing any form of commercial rent control, it would be unlikely that such a program would be feasible. Public entities do retain jurisdiction to impose rent control as a condition of public funds or as part of a contract with a redevelopment agency or through a developer agreement. These options are detailed in separate sections below.

Recommendation: Delay pursuing this option. Priority: Low.

City Incentives for Property Owners

The Working Group also explored the possibility of offering incentives to building owners that would agree to provide below market rate rental space to nonprofits. If those incentives were considered direct financial benefits or contributions from the City under State law, the exception to the general state prohibition on commercial rent control as described above could potentially apply and such agreements could be enforceable. Agreements offered in exchange for other types of incentives, however, that were not direct financial contributions or otherwise exempt from the State law would likely be prohibited by the commercial rent control statute.

Recommendation: Delay pursuing this option. Priority: Low.

Second Floor Office Space

It was suggested that the Planning Department examine the possibility of loosening the restrictions on second floor space in neighborhood commercial districts where the zoning prohibits office and nonprofit office use. The Planning Department should be tasked with identifying neighborhoods, in addition to the aforementioned neighborhood commercial districts, where such restrictions exist, work in partnership with the rest of the City to determine whether any of these neighborhoods might offer appropriate space to nonprofits should the restriction be lifted, and then explore the possibility of rezoning these areas when appropriate. The City needs to determine whether or not this rezoning would be offered to all entities that need office space, or limit the use exclusively to nonprofits seeking office space. This option might not yield a significant amount of nonprofit space, because the City does not want to displace existing residential units, which is what is on the majority of second stories in the neighborhood commercial districts.

Recommendation: Pursue option with Planning Department. Priority: Medium. Possible medium-term and long-term solution.

Developer Agreements

For certain types of development projects (e.g. large multi-phase and/or mixed use development involving public improvements), the City occasionally enters into agreements with private developers to specify the standards and conditions that will govern the development of the property, over many

years and project phases. With a recent surge in development activity, the City is now entering into more and more complex development agreements. There are currently six active developer agreements pursuant to the relevant State and City Codes. As developer agreements are not subject to the State's prohibition on commercial rent control, there may be opportunities to include reduced rent for nonprofit organizations in certain limited circumstances as appropriate. The City should identify potential agreements that are either underway or likely to surface in the next few years and review each agreement to determine the appropriateness of including partnership opportunities for nonprofits within each development. While the location of these developments may not necessarily be in the exact locations from which nonprofits currently must vacate space, these developments may still offer permanent affordable space for those nonprofits that may be able to be located in those neighborhoods. The City should explore the capital needs of nonprofits and incorporate those costs into rent subsidies that can be transferred via the developer agreements.

Recommendation: Pursue option with OEWD, Department of Real Estate, and Port. Priority: Medium. Possible medium-term and long-term option.

Community Benefits Agreements

In April 2011, the Board of Supervisors amended Article 12-A of the San Francisco Business and Tax Regulations Code by adding Section 906.3 to establish a Central Market & Tenderloin Payroll Expense Tax Exclusion, exempting businesses located within a defined exclusion area from additional payroll tax as they add jobs during any six years in an eight-year period. Businesses applying for the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion with payroll of greater than \$1 million annually must enter a Community Benefit Agreement (“CBA”) with the City Administrator. For 2014, six companies-Microsoft, One Kings Lane, Spotify, Twitter, Zendesk and Zoosk have entered into a CBA with the City Administrator. The Working Group recommended that these Agreements be examined to determine whether offering below market rate rental space to nonprofits could be integrated into current or future documents.

The number of organizations entering into community benefit agreements now stands at six. The tax benefit to businesses that apply for the payroll expense tax exclusion is 1.5% per \$1 million of payroll. Given the small financial benefit of the exclusion, City advisors feel that it would be unlikely that businesses would be incentivized to provide such space. A more significant impediment, however, is that most if not all of these businesses do not have site control over their building, and their existing leases prohibit additional subletting. Additionally, if these organizations have existing space available, their lease-for-growth plan would require possible eviction with short notice to nonprofits should the company's hiring needs change. Finally, these office spaces are often not ideally designed for nonprofit client interactions. CBAs have instead often focused on supporting youth and educational outcomes, leveraging volunteers of the companies, and workforce development.

Recommendation: Delay pursuing option. Priority: Low.

Recommendations: Identifying Available Space

Key to assisting nonprofits facing displacement is the ability to identify appropriate alternate space. The Working Group identified a number of different options that offered potential opportunities to expand the pool of affordable short-term, medium-term, and long-term space for nonprofits.

Single Point of Contact for the City

The City should have a single point of contact for nonprofits searching for spaces and needing City support. Currently there is no designated entry point in the City for such inquiries. The City point of contact should have strong connections with City departments that provide funding for nonprofits as well as those City departments that interface with developers and real estate transaction. MOHCD and OEWD are two key departments that can serve as conduits to the other City departments that function in those two primary arenas. A partnership between those two departments that can integrate the programmatic and development expertise can yield a focused entry way for nonprofits to best access resources the City can offer. Similar to the City of Denver's Executive Order indicating City support for shared spaces and strategic partnerships with nonprofits, San Francisco should explore the possibility of issuing a similar statement as the City of Denver, or otherwise indicating support for these principles.

MOHCD has focused on providing technical assistance and capital funding since its initial establishment as a City department. Its broad range of programs and its long history of supporting capacity building and community facility support position it ideally to oversee these kinds of resources in partnership with other City departments which provide programmatic support to the variety of City contractors.

OEWD has the potential to offer substantial support to nonprofits seeking assistance because of their deep penetration into commercial corridors throughout the City, their knowledge of development opportunities, and their expertise in the relevant aspects of real estate acquisition, financing and development. Through its Invest in Neighborhoods programs, OEWD has already built connections with 25 different neighborhoods throughout the City, and has the capacity to identify possible vacancies in each neighborhood. Through its StorefrontSF program, it has shown its capacity to develop listings of available spaces that can be made available publicly to small businesses.

A comprehensive City website that connects all of the available City resources and community resources into one location would maximize access by nonprofits and eliminate the need to contact multiple departments in an attempt to locate services. MOHCD, OEWD, and the appropriate community-based intermediaries could work together to create such a comprehensive website.

Recommendation: Pursue this option with MOHCD and OEWD. Priority: High. Possible short-term and medium-term solution.

Multi-tenant Spaces

The possibility of identifying significant spaces for multi-tenant co-location should be examined, especially in neighborhoods with high concentrations of San Francisco residents who currently access services. The specific details of the rental status should be reviewed with the underlying goal of

determining possible co-location and the ability of the City to provide strategic support for permanently affordable space. Given that over half of the nonprofit organizations surveyed indicated an interest in sharing space, buildings that could provide this opportunity should be specifically investigated. Maximizing the long-term sustainability of nonprofits may require strategic acquisition of larger spaces by a nonprofit with the capacity to maintain such a space and manage the real estate financing required. The City can also examine the CAST model to determine the utility of creating an entity specifically to deal with the real estate acquisition so that the nonprofits focus on providing services instead of having to learn how to deal with a potentially complicated real estate transaction.

The opportunities to examine large developments, whether they are health institutions, multi-tenant shopping complexes, large housing developments, or other kinds of large-scale developments, should be reviewed with the possibility of effectively incorporating nonprofit organizations into those spaces. In many of these cases, the additional build out costs from development opportunities for nonprofit spaces would not be as significant in relationship to the size of the overall project, and could bring neighborhoods real benefit. In terms of location, some organizations might be located in a site that is not necessarily centrally-located, as long as clients could still access the services conveniently through transportation nodes. Including an analysis of public transit nodes could be helpful. A review should be made of the BART line past Civic Center as it extends through the Mission to Geneva to examine possibilities further down that line, as many nonprofits indicated that their staff depended upon BART to get to their places of employment.

Recommendation: Pursue this option with OEWD. Priority: High. Possible medium-term and long-term solution.

City-owned Buildings

City property could potentially be made available to nonprofit organizations at low cost to be used for administrative offices, performance spaces, educational sites and other purposes relevant to the organizations' missions. A 2006 San Francisco Arts Task Force study recommended that the City take inventory of its facilities and, where possible, make them available for arts activities through partnerships with community arts organizations.¹⁴ Administrative Code Chapter 23A prioritizes surplus property for affordable housing. Those sites that might not be appropriate for affordable housing are often oddly sized or in such bad condition that rehabbing the property would be very expensive. Proceeds from the disposition of these sites are earmarked for affordable housing. The City also needs to reduce its own tenancy costs by minimizing its need to lease space for its own employees by maximizing their placement in these City-owned spaces.

Attention also should be paid to the leasehold nature of nonprofits occupying City-owned property. Since the City has limited capital funds available, past practice has sometimes been to offer nonprofits a favorable lease payment agreement which, in return, requires the nonprofit to manage ongoing costs for management duties and capital and facilities maintenance. For many nonprofits, fulfilling this responsibility has been beyond their capacity and the City has had to terminate the lease and take over management responsibilities directly or shift them to another nonprofit with greater capacity.

Within that limited context, the City can examine the possibility of spaces in certain areas that could offer temporary solutions or require some flexibility on the part of the nonprofits. Waterfront sites

¹⁴ San Francisco Arts Task Force Findings and Recommendations, 2006

along the piers, while offering significant space opportunities, may have competing priorities with commercial needs that sometimes unexpectedly arise along the piers. The City may need to access certain piers with short notice, so that nonprofits might be pressured to relocate without too much notice. However, the City could scan the current inventory of docks to see the current availability. These kinds of institutional space need to be further explored. Space on the Shipyard, currently being developed by OCII, should also be explored, as described separately below.

The City in conjunction with the Treasure Island Development Authority could explore the possibility of siting nonprofits on appropriate development sites on the Island, although the existing binding agreement may not permit much flexibility in this arena. There is also the possibility of appropriate nonprofits being co-located in underutilized recreation centers under the jurisdiction of the Recreation and Parks Department. The City may be exploring larger industrial parks slightly outside the City boundaries, primarily because of lower costs and larger potential space acquisitions. Even those sites slightly outside the City on the peninsula may still provide long-term solutions for nonprofits that otherwise would have to move even further outside of San Francisco.

When public sites are being developed, the City should consider the necessity of programming a potential site with public services that are not present in the neighborhood. Enterprise departments should also coordinate with the service-provider agencies to discuss services that are already located in the neighborhood and whether or not those services could be housed more effectively at a new location. Doing this may mean that the City puts existing services into a more accessible location, a higher quality and more appropriately designed location, a more financially stable location, or a location that allows for the co-location of multiple services. To the extent that an enterprise department is considering housing a city-funded service, there should be discussions early on about the cost of and a strategy for paying for the physical improvements to the space, including furniture, fixtures and equipment. To the extent feasible, these costs should be incorporated into the larger project.

The Arts Commission grants noncompetitive operational support totaling \$2 million annually to four neighborhood cultural centers and two virtual cultural centers housed in City-owned buildings leased for \$1/year. These City-subsidized spaces (totaling 98,105 square-feet) serve hundreds of thousands of artists, nonprofits, audiences, students and patrons each year. The Arts Commission is currently working with the master tenant organizations to ensure that below-market rate rentals to nonprofits are occurring, that compliance mechanisms are in place to track these rentals, and that this system of below-market rate rentals is codified. The Arts Commission is also working with Capital Planning, the Mayor's Office of Disability and the Department of Real Estate to ensure that these buildings are fully operational and accessible to the public. The Cultural Centers' goal to provide affordable access to cultural space applies to nonprofit subtenants in the building as well as to classroom, theater, gallery and public programming rental spaces, thereby providing low-cost rental options for nonprofit arts groups and artists.

Recommendation: Pursue these options with Department of Real Estate. Priority: Medium. Possible medium-term and long-term solution.

Other Governmental Spaces

City College of San Francisco and the San Francisco Unified School District may also have available spaces. Both entities should be examined to determine the possibility of filing vacant or underutilized space with appropriate nonprofits. City College, for example, is looking to consolidate use of their current operations, and even now does not use all of their space. In one instance for their South East campus they have already consolidated their school activities into one part of the site, while the PUC is leasing the remainder. Additionally, the San Francisco Housing Authority may have available space in its current administrative office space. The City should explore the possibility of housing appropriate nonprofits in those spaces. State governmental entities that oversee properties such as CalTrans and CalTrain could also be possible sources of space.

Some stakeholders specifically requested exploring a collaboration of municipal government, local and federal transportation agencies and commercial finance to create a nonprofit center on or above transit property.¹⁵ This kind of opportunity could bring together a combination of FTA dollars and new market tax credits as well as employment opportunities for low/middle income workers at the nonprofits themselves.

Recommendation: Pursue this option with Department of Real Estate, San Francisco Unified School District, City College of San Francisco, San Francisco Municipal Transportation Agency, and Mayor's Office. Priority: Medium. Possible medium-term and long-term solutions.

Support from the City Capital Plan

Members of the working group requested information regarding the City's Capital Plan and its ability to provide ongoing support to City-owned buildings that house nonprofits. Historically there have been a number of nonprofit organizations, including both social service providers and cultural/arts organizations, that have occupied City-owned buildings. Often these organizations have benefited from a multi-year master lease that provided nonprofits with a rent subsidized by the City at below fair market rent. In exchange for this below market rent, the master tenants were often required to raise all revenue to support the ongoing facility operation costs and the capital funds to support all maintenance and rehabilitation work necessary for the facility. However, in many of these cases the City has had to step in because the nonprofit has not been able to raise the funds necessary to maintain the facility. In a number of cases the nonprofit has had to vacate the space and in some cases the pressure placed upon the capacity of the nonprofit from managing the facility has resulted in the ultimate dissolution of the nonprofit.

The City has a Ten-Year Capital Plan that was first created in 2006 to protect against the historic underinvestment in capital for the city. Its goal was to develop and implement a sustainable plan for the long-term safety, accessibility and modernization of San Francisco's public infrastructure and facilities. The current Capital Plan¹⁶ proposes \$4.7B in capital funding for General Fund departments, while deferring \$4.0B in need over the next 10 years. Meeting Capital Plan recommendations has been challenging, especially capital renewal recommendations which preserve the life of an existing asset. City facilities that house nonprofits have been recently included in the Plan, but have not been included

¹⁵ For example, the City of Berkeley's initiative to permanently house a collective of 8 disability services non-profits in the Ed Roberts Campus project built above the Ashby BART station.

¹⁶ City and County of San Francisco, Capital Plan, Fiscal Years 2014-2023

within the funding priorities. Given the deferred need of the City's existing capital stock of assets is already \$4 billion, priority should be placed on reducing that backlog first.

Recommendation: Delay pursuing this option. Priority: Low.

Storefronts along Commercial Corridors

The Office of Economic and Workforce Development has launched the Invest in Neighborhoods Initiative, which aims to strengthen and revitalize neighborhood commercial districts around the City by leveraging resources from across multiple departments and nonprofit partners. These include existing services, such as the Small Business Revolving Loan Fund, public art installations, streetscape improvements, and brand new services such as the Jobs Squad, a neighborhood improvement grant program, and StorefrontSF, a citywide storefront vacancy tracking and lease advertising system.

StorefrontSF is a free tool overseen by OEWD that allows property owners, managers, and brokers to lease or sell vacant ground floor space along commercial corridors. The current website interface allows businesses to search by address property type, neighborhood, square footage, agent, and possession type. The site is free for all users to search and to post. Listings in the 25 Invest in Neighborhoods corridors are updated at least once per month.

This web site could be a tool for nonprofits that are looking to be located on one of the City's many commercial corridors; however the spaces currently listed on StorefrontSF are mainly suitable for ground floor retail and do not include office spaces. However, StorefrontSF could provide a model or template for a companion nonprofit space-focused online database, such as the orgspaces.org site that NCCLF used to run.

Recommendation: Explore development of a companion database to StorefrontSF with OEWD. Priority: Medium. Possible short-term and medium-term solution.

Office of Community Investment and Infrastructure

The City should explore the possibility of development on ongoing former redevelopment project areas administered by the Office of Community Investment and Infrastructure since those developments are in larger parcels with the possibility of more extensive opportunities. The Transbay Terminal is a particularly attractive possibility since it is located adjacent to the Market Street Corridor, and may have long term potential for housing a number of nonprofits. Although this project is five years into the future, it may take that much time for potential nonprofit partners to be identified and for the requisite capital to be amassed. The Mission Bay project area is also a possibility, although the cost for development may be much higher since the land is held privately. The Hunters Point Shipyard is also a possibility given the large area that is being developed, although the public transportation to that area is less well connected to the major BART lines that often serve the staff that work at the City's nonprofits.

Recommendation: Pursue this option with Office of Community Investment and Infrastructure and Department of Real Estate. Priority: Medium. Possible long-term solution.

Spaces within Affordable Housing Developments

A number of working group members suggested investigating the possibility of locating nonprofits in affordable housing developments, either in vacant storefront space or in other office space that might be available in the building. Many such housing developments are already providing supportive services and are comfortable with the idea of clients directly accessing the property. On-site community based organizations could provide a direct benefit to the residents of those buildings, and might be appreciated because of their role providing resources to neighborhoods already challenged by the needs of low-income residents with multiple barriers.

Affordable housing development can offer both storefront space and office space. Some developments already house services such as childcare facilities or health clinics. Some facilities offer retail storefronts, but not in every location. Retail storefronts also vary from site to site depending upon the surrounding businesses and the streets abutting the entrances. Opportunities also exist for office space on the second floor of some developments. A review should be done of the existing affordable housing developments to complete an inventory of possible spaces. The City's current affordable housing pipeline includes scheduled development at numerous sites throughout San Francisco, representing a significant possibility of additional space for nonprofits. Research should also be done to determine the possibilities for financing for a build-out that would incorporate nonprofit space and how to do that in a tax credit structure. The implications on zoning requirements as well as impact on the commercial corridor should also be reviewed.

Recommendation: Pursue this option with MOHCD, Planning Department and Council of Community Housing Organizations. Priority: High. Possible short-term, medium-term, and long-term solution.

Spaces within Existing Nonprofits

Data from the MOHCD survey, as well as anecdotal data from City staff, indicate that some existing nonprofits may have sub-leasable space currently available. A more comprehensive survey should be done of City-funded nonprofits to map available space for the purpose of identifying possible tenancy opportunities. As over half of the nonprofits surveyed indicated an interest in sharing space, this could present an immediate solution for certain nonprofits.

Recommendation: Pursue this option with MOHCD and other City departments with nonprofit contracts. Priority: High. Possible short-term solution.

Single Room Occupancy Hotels

Similar to the situation with affordable housing development, it was suggested that single room occupancy hotels ("SROs") may have vacant storefronts in neighborhoods with a high number of individuals that might benefit from or need city-funded services. These SROs are often challenged by retaining commercial tenants because of the nature of their residents and location. They may welcome the opportunity to have nonprofit service providers co-locate at their site providing services out of the storefront, rather than have their storefront sit empty. The City should explore its own Housing First properties, where the City has master leases with SROs. In cases of long-term ground floor vacancies

in these buildings, there could be significant opportunities for nonprofits to provide services, especially since those services may also benefit the people living in these SRPs and the surrounding neighborhood.

Recommendation: Pursue this option with Department of Public Health, the Human Services Agency, Central City SRO Collaborative and Mission SRO Collaborative. Priority: Medium. Possible medium-term and long-term solution.

Non-traditional Spaces

A number of non-traditional spaces were identified. The possibility of identifying sites which had space available during off-hours was mentioned. One example given was that of a senior center, which might only have activities planned during the lunch hour, leaving the space free during the afternoons for after-school programs. It was also suggested that certain faith-based buildings might have additional office space available for nonprofits during certain hours. Members also suggested the possibility of examining space-sharing where individuals from multiple organizations could share desks. The possibility of providing services where appropriate through telecommuting was discussed. It was also suggested that program staff from multiple organizations be co-housed in neighborhoods where clients could easily access those services, while separating the administrative staff into offsite locations that may not be as accessible to clients but could be located in less expensive neighborhoods.

Old theater spaces might be a possibility. Some of these theater spaces have small retail spaces facing the street, but large spaces in the back that had originally been set aside for parking. In many cases there may be a tradeoff between including additional parking or setting aside more build-out space for nonprofits. The City would need to explore setting aside capital funding to help subsidize this kind of build-out. The Department of Building Inspection and Mayor's Office on Disability would need to be brought in to help assist in determining how best to make these tenant improvement work affordably and brought up to code. Affordable housing developers could partner in some cases with nonprofit agencies to develop spaces that might not include residential development at all, if the opportunity presented itself and the particular partnership offered the best combination of development expertise and programmatic sophistication.

One recommendation was to explore the possibility of creating a hub for temporary relocation for organizations that need an immediate space and may be ready later to move into a more permanent space. It was also suggested that the City explore the possibility of creating an incubator for smaller nonprofits, so that emerging organizations could have the benefit of a shared space in the way that emerging startups in the commercial sector have benefited. Commercial sites such as Liquid Space and PeerSpace may also provide resources for organizations seeking such spaces.

Recommendation: Pursue this option with Interfaith Council, Human Services Network, OEWD, CCHO. Priority: Medium. Possible medium-term and long-term solution.

Co-location, Co-working and Back Office Sharing

Organizations can benefit from partnering together to search for shared space; organizations that might not be large enough or have the scale necessary to rent space may benefit from joining up with one, two, or more other organizations that are aligned in terms of interest and mission. Organizations may also

be able to maximize space by sharing certain back office functions such as finance, human resource, and IT. Organizations can also explore the possibility of co-working and sharing the same workspace, following the model in use by smaller commercial start-ups that share desk space, often in incubator spaces. The City can create a database that actively solicits interest by nonprofits for colocation, co-working, and back office sharing to facilitate these opportunities.

Recommendation: Pursue this option with MOHCD and OEWD. Priority: High. Possible short-term, medium-term and long-term solution.

Family Trusts

A number of stakeholders noted that family trusts occasionally hold properties and need assistance in determining the ultimate disposition of these properties. One challenge, however, was a method to identify these family-held properties.

Recommendation: Delay pursuing this option. Priority: Low.

Recommendations: Direct Financial Assistance

Acquisition/Rehabilitation Funds

A fund can be created to provide support to nonprofits that are purchasing a building, or making substantial renovations that will increase the amount of nonprofit space in an already owned space. Organizations with long-term leases could also be eligible. These funds could be given out as grants, with a requirement that the space is held for nonprofits in perpetuity. These funds could be augmented with funds from private sources. This could be modeled on the Nonprofit Space Capital Fund initially created by the City in 2000 and supplemented by funding from private philanthropy.

As discussed above, some nonprofit organizations in San Francisco and elsewhere have undertaken capital campaigns in recent years to acquire their own buildings or facilities which they then either occupy themselves or occupy a portion and lease the rest of the space to other nonprofit organizations with limits on the rate of allowable increase in rent. Many of these initiatives have been funded by foundations and/or private donors, with some involvement by local government. The Tides Foundation of San Francisco established the nonprofit multi-tenant Thoreau Center for Sustainability at the Presidio in 1996, which now houses not only the foundation but approximately 60 primarily nonprofit organizations. The owner and the tenants share certain administrative costs and facilities and have reduced tenant rent costs compared to leasing space on the private market. The Center hosts educational events and activities to develop a community of tenants under the principle that all of the organizations will be more effective by sharing experiences and resources.

The City could potentially contribute to creation of multi-tenant nonprofit centers by making loans and/or grants to organizations for such endeavors either through existing City programs or through creation of new programs. Presently, one of the purposes of the Mayor's Office of Housing and Community Development's Facility Capital Improvement and Public Space Improvements program is to provide funding for rehabilitation or new construction of nonprofit facilities that predominantly serve low-income families and individuals. The Office of Economic and Workforce Development has

numerous programs in place to assist specific business sectors in moving to or remaining in San Francisco and could potentially develop a new sector initiative aimed at supporting nonprofit organizations.

Recommendation: Pursue this option with MOHCD, Arts Commission and OEWD. Priority: High. Possible medium-term and long-term solution.

Tenant Improvements

The City could establish a tenant improvement/tenant relocation fund that could provide support for nonprofits as they move into new spaces. Expenses covered could include cost of setting up new work spaces, office furniture, IT, phones and cabling, paint, carpeting, subdividing, and other similar expenses, especially if those tenant improvements serve to lower the requested rent.

Recommendation: Pursue this option with MOHCD and Arts Commission. Priority: High. Possible short-term solution.

Emergency Rental Stipends and Security Deposits

Short-term rental stipends may be problematic if the organization receiving the stipend is unable to maintain the higher rent after the limited term of the stipend has been reached. Providing such a stipend without assurance that the organization can later maintain the higher rent may postpone relocation for a period of months, but does not offer a permanent solution. However, in certain circumstances a stipend may be strategic. If an organization has identified a future lease possibility with a sustainable rent and needs assistance in covering a rent increase for a limited period of time until the future lease becomes available, the City may be able to offer a rental assistance program through a formal application process. There may also be challenges for some organizations for their ability to provide the requisite security deposit necessary for move-in. The City could provide a program that offers partial assistance towards the security deposit if the organization can show the ability to pay the monthly lease payments. Stakeholders recommended that such programs be administered in a way that ensures timeliness of granting out funds and demonstrates ability to quickly respond to urgent needs.

Recommendation: Pursue this option with MOCHD and Arts Commission. Priority: High. Possible short-term solution.

New Market and Other Federal Tax Credits

The former San Francisco Redevelopment Agency created the San Francisco Community Investment Fund, one of a number of community development entities located in San Francisco that are certified by the US Department of Treasury's Community Development Financial Institutions Fund (CDFI Fund) to apply for and award federal new market tax credits to eligible projects.

Certified community development entities like the San Francisco Community Investment Fund utilize the new market tax credits program to facilitate bridge financing to high-impact projects that benefit qualified low-income communities and organizations. New market tax credits provide gap financing

for a portion of the costs of acquisition, construction, rehabilitation and other eligible costs. Other community development financial institutions and community development entities – NCCLF, Nonprofit Finance Fund, Opportunity Fund, Clearinghouse CDFI, and others – also participate in the new market tax credits program.

The San Francisco Community Investment Fund allocates its new market tax credits exclusively in qualified low-income areas in San Francisco. The City should continue to engage the San Francisco Community Investment Fund and other certified community development entities to ensure eligible nonprofit organizations and projects continue to participate in the program.

There may also be the potential to leverage other kinds of tax credit programs, such as Historic Tax Credits and Low Income Housing Tax Credits that may be available in conjunction with certain eligible projects. These other programs should also be investigated in case they may provide additional sources of capital financing. Many of these tax credit programs could be used to support a number of the recommendations in this report that require leveraged financing.

Recommendation: Pursue tax credits financing in conjunction with implemented recommendations. Priority: Medium. Possible medium-term and long-term solution.

Structure of City Contracts and Cost of Living Allowance/Cost of Doing Business

A number of nonprofits have requested changes in the way in which their contracts with the City are structured to enable them to respond to rising rental costs. Specifically, nonprofits have requested that the City incorporate the increased rental costs into a cost of doing business budget increase in the City's General Fund. The City currently builds into budget projections a cost of living increase for all of its General Fund contracts, including nonprofit contracts; however, final decisions on appropriated funding level increases to contracts and materials and supplies are determined by the Mayor and the Board of Supervisors as part of the budget balancing process. Most recently, the City funded an increase for General Fund non-profit contractors of 1.9% in FY 2012-13 and an additional 1.6% in FY 2013-14. A number of nonprofits requested that this amount be expanded so that nonprofits would not have to choose between using the increase for payroll costs and using it for rent increases. Nonprofits also asked the City to recognize that with rising costs, departments need to recognize the need to reduce the expected deliverables from nonprofits when funding has remained constant over many years. It was recommended that the City include escalators annually in each budget to offset, in part or in whole, the escalators that nonprofits face when dealing with commercial rent. Nonprofit stakeholders requested that the City pursue an ongoing structural solution to this situation and stated that the City's inability to support increasing costs is a contributing factor to nonprofit displacement.

This report's position on this recommendation focuses on the use of escalators or cost of doing business increases to explicitly help nonprofits address challenges associated with rental cost increases.

One challenge to a policy of across-the-board cost of doing business increases in City contract funding specifically for nonprofit rental increases is that not every nonprofit is positioned similarly. Some nonprofits own, while others rent; some have multi-year leases with no rental increase in the foreseeable future, while some have leases expiring this year. Even among those with leases expiring the same year, the anticipated rental increase for each nonprofit could be substantially different, so that an across the board increase would impact each nonprofit quite differently. Further, given the high

volatility of the real estate and rental markets, as well as the large amount of funding the City currently has in contracts with nonprofits, it is unlikely that any increase that the City could provide across-the-board would prove sufficient to close the gap that a significant rent increase would create. For these reasons, including an automatic across-the-board cost of doing business increase or escalator for nonprofit rents in City contracts is not recommended as a viable solution.

However, this report does acknowledge that recognizing escalating operating costs and the need for flexibility in contracts with nonprofits is an important facet of contract negotiation with the City and should be investigated by contracting departments.

Recommendation: Delay pursuing option as it affects Cost of Doing Business increases specifically to address rent increase. Priority: Low.

Recommendation: Pursue this option with funding departments as it relates to investigating flexibility allowed in existing contracts for share of administrative costs. Priority: High. Possible short-term solution.

Recommendations: Public/Private Partnerships

In order to maximize the resources for nonprofits facing displacement, resources from the private sector should also be explored to determine how nonprofits could effectively leverage additional support from philanthropy and the corporate sector.

Foundations and Philanthropy

Philanthropic partnerships, including seed funding, space contribution, and convening foundations were recommended as a source of additional funding for initiatives to support nonprofits in their relocation to supplement City funds. Foundations were also seen as potentially having space available to lease to nonprofits.

Foundations are currently focused on the broader range of financial challenges facing nonprofits as the Bay Area slowly recovers from its long recession. This is only a part of a much larger conversation. The financial strain of increased rents is just one of a multitude of factors that the philanthropic community is examining, including increased demand, loss of talent, reduced government support of direct program services, a marked decrease in individual and corporate support, the rapid rise of ancillary costs such as employee health insurance and workers compensation, and other similar factors that have been affecting the broader nonprofit community.

The finished report should be presented to philanthropy to better inform them about the importance of stabilizing the locations for nonprofits, and share the City's thinking about strategies and partnerships with philanthropy. Philanthropy should also be informed as to the need to include support for the capital needs of nonprofits to accompany their programmatic support. The City's strategy should include a thoughtful discussion of the intersection of nonprofit displacement, affordability, major development, housing and the role of the private sector. The report should send a strong message that to address this problem all sectors are needed; these needs to be a joint, collaborative effort to bring together resources and to create solutions. The City should incorporate into its future planning the identification of what the ideal communities that we'd like to create would look like. The City's Area

Plans should in the future be created with a conscious desire to incorporate nonprofit organizations into its structures.

Philanthropy could be an important partner, especially in terms of mid-term and long-term solutions that could be aligned with their long-term strategic planning processes. Philanthropy also suggested that financial institutions and the broader business community should take a leadership role in the effort to stabilize nonprofits in their need to find permanently affordable space.

Recommendation: Pursue this option with MOHCD and San Francisco Foundation. Priority: High. Possible medium-term and long-term solution.

Partnership with Developers, Owners and Brokers

Creating clear pathways to identify brokers interested in working with nonprofits to help locate spaces may expedite the search process. As brokers receive their compensation from landlords, the hiring of a broker is at no cost to the nonprofit. Some nonprofits have reported that they have found it challenging to find a broker interested in working with nonprofit tenants because of the nature of their needs; if the City was able to provide a pre-qualified list of brokers easily accessible to nonprofits, the identification and selection process might become much easier. Individual brokers or brokerage firms as an entity could be pre-qualified and listed on a public-available city website. Brokers are in the strongest position to identify space and nonprofits should be encouraged to work with brokers instead of attempting to search for the space without access to the expertise that brokers provide.

The City could also explore the possibility of working with private stakeholders that are currently considering the possibility of identifying architects and general contractors interested in working with nonprofit organizations to design space and provide tenant improvements if necessary prior to move-in. These architects and general contractors may be able to offer pro bono or reduced rates to city-supported nonprofits. The City can also provide funding to subsidize the cost of legal review of real estate transactions to provide a larger range of services to nonprofits that might not otherwise be able to afford it.

Recommendation: Pursue this option with OEWD and MOHCD in partnership with owner/developers (i.e. BOMA, Urban Land Institute, SPUR). Priority: High. Possible medium-term, and long-term solution.

Corporate Partners

A common theme among nonprofits was the desire for commercial businesses that benefit from their location in the mid-Market corridor to offer support to nonprofits who are now struggling to maintain their leases in those same locations. Tech industries in particular have been identified, in part because of their increased visibility in the City and in the mid-Market area in particular. A number of tech companies have been approached by nonprofits and have been asked if they have space available to sublet to nonprofits. Tech industries have stated that those requests have been difficult to satisfy because their existing leases often prohibit any subleasing, and because it is difficult to offer permanent leasable space because existing space is leased for potential growth. Commercial space is also

configured in a way that might make it difficult for clients to meet in private spaces. These same restrictions are often in place for non-tech companies.

One possible area to explore is the possibility for companies, tech and non-tech, to offer space for limited-time events, such as conferences and retreats. Spaces for these kinds of one-time events are often difficult to obtain for nonprofits, but could be made available without too much difficulty by companies. Non-profits should explore more robust use of commercial sites such as Liquid Space and PeerSpace to secure potential meeting room/event space. The San Francisco Citizens Initiative for Technology and Innovation (sf.citi), the San Francisco Chamber of Commerce, and the Committee on Jobs are possible partners to which to reach out.

Recommendation: Pursue the option of limited-time event space. Priority: Medium. Possible limited medium-term and long-term solutions.

Next Steps

Following the adoption of this report, the City should take immediate action on those recommendations that offer short-term solutions. Strategic technical assistance and potential access to an emergency rental fund and/or tenant improvements can be made available in a timely way most efficiently through an experienced intermediary, utilizing the funds appropriated through Ordinance 33-14. The City should move quickly to identify and secure such an intermediary or intermediaries to serve both arts and human services organizations. In addition, the City should consider convening key city departments on a regular basis to continue to evaluate the progress made on all of the recommendations, including those that will require more medium and long-term strategies. Community based organizations should also be integrated into the ongoing review process in the appropriate manner so that the efficacy of the options provided is evaluated on an ongoing basis.

As a potential timeline, the following rough dates are recommended for milestones:

May 2014	Presentation of report and release of funds
June 2014	Release of Request for Proposals from MOHCD and Arts Commission for the procurement of intermediary organizations
July 2014	Selection of intermediaries and launch of technical assistance program; launch of sub-grant program for tenant improvements, emergency rental stipends and security deposits
July 2014	Check-in with City departments to prioritize medium- and long-term recommendations
July 2015	Evaluation report on results of assistance programs and update on nonprofit displacement

Conclusion

“Nonprofit organizations are not only vital contributors to the quality of life in San Francisco's varied communities, they are important economic players as revenue generators, as employers, and as participants in San Francisco's economic life.” This quote, from “Nonprofits at Risk” published in 2000, is just as relevant today as it was fourteen years ago. In order to ensure that San Francisco residents continue to benefit from these thriving nonprofits, all of San Francisco's stakeholders need to commit to working towards an integrated strategy that recognizes nonprofits as a source of the arts and cultural fabric of the city; the significance of neighborhood and citywide development incorporating

nonprofits as an essential part of community and economic development; and the importance of offering structural and financial supports as appropriate to allow the City to continue to benefit from the community assets that these organizations provide to San Francisco.

Working Group Members

Sherilyn Adams, Larkin Street Youth Services
Michelle Allersma, Controller's Office
Brett Andrews, Positive Resource Center
Rachelle Axel, Arts Commission
Bill Barnes, Office of the City Administrator
Leiasa Beckham, Northern California Community Loan Fund
Jeff Bialik, Catholic Charities
Mark Burns, In-Home Supportive Services Consortium
Brian Cheu, Mayor's Office of Housing and Community Development
Leo Chyi, Mayor's Office of Public Policy and Finance
Amy Chan, Office of Supervisor David Chiu
Brett Conner, Department of Children, Youth and their Families
Deborah Cullinan, Yerba Buena Center for the Arts
David Curto, Human Services Agency
Tom DeCaigny, Arts Commission
Kimia Haddadan, Planning Department
James Head, San Francisco Foundation
Howard Levy, Legal Assistance for the Elderly
Michelle Long, Department of Public Health
Jackie Jenks, Central City Hospitality House
Jessica Kinard, Mayor's Office of Public Policy and Finance
Hatty Lee, Tenderloin Neighborhood Development Corporation
Laura Moyer, Department of Children, Youth and their Families
Drew Murrell, Controller's Office
Nancy Nielsen, Lutheran Social Services
Fernando Marti, Council of Community Housing Organizations
Ellyn Parker, Office of Economic and Workforce Development
Andrico Penick, Department of Real Estate
Mary A. Rogier, Northern California Community Loan Fund
Chris Simi, Mayor's Office of Public Policy and Finance
Maria Su, Department of Children, Youth and their Families
Joaquin Torres, Office of Economic and Workforce Development
John Updike, Department of Real Estate
Ben Van Houten, Office of Economic and Workforce Development
April Veneracion, Office of Supervisor Jane Kim
Landon Williams, San Francisco Foundation
Gloria Woo, Mayor's Office of Housing and Community Development
Bill Worthington, YMCA of San Francisco
Judy Yung, Vietnamese Youth Development Center
Lisa Zayas-Chien, Department of Public Health

Appendix

Chart of Recommendations (4 pages)

San Francisco Board of Supervisors Resolution No. 395-13, "Resolution urging the Director of the Mayor's Office of Housing and Community Development to convene work group to develop a series of recommendations on how the City can address the issues of nonprofit displacement" (3 pages)

San Francisco Budget and Legislative Analyst's Office, October 8, 2013, "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits" (31 pages)

San Francisco Board of Supervisors Ordinance No. 33-14, "Ordinance appropriating \$2,515,000 for nonprofit rent stabilization to the Mayor's Office of Housing" (5 pages)

San Francisco Board of Supervisors Ordinance No. 266-00, "Appropriating \$3,000,000 from the General Fund Reserve to provide rent subsidies to nonprofit art organizations that are in immediate danger of being evicted or displaced by rent increases, through the Art Commission for Fiscal Year 2000-2001" (4 pages)

San Francisco Board of Supervisors Ordinance No. 267-00, "Ordinance to provide rent subsidies to nonprofit arts organizations" (9 pages)

San Francisco Board of Supervisors Ordinance No. 283-00, "Ordinance to provide funds for rent subsidies, displacement assistance, capital improvement and real property acquisition for nonprofit organizations" (10 pages)

Chart of Recommendations

Group	Option	Recommendation	Priority	Time Frame
Direct Financial Assistance	Acquisition/Rehabilitation Funds	Pursue this option with MOHCD, Arts Commission and OEWD	High	Medium-term and long-term
Direct Financial Assistance	Emergency Rental Stipends and Security Deposits	Pursue this option with MOHCD and Arts Commission	High	Short-term
Direct Financial Assistance	Structure of City Contracts and Cost of Living Allowance/Cost of Doing Business	Pursue this option with funding departments as it relates to investigating flexibility allowed in existing contracts for share of administrative costs	High	Short-term
Direct Financial Assistance	Tenant Improvements	Pursue this option with MOHCD and Arts Commission	High	Short-term
Identifying Available Space	Co-location, Co-working and Back Office Sharing	Pursue this option with MOHCD and OEWD	High	Short-term, medium-term and long-term
Identifying Available Space	Multi-tenant Spaces	Pursue this option with OEWD	High	Medium-term and long-term
Identifying Available Space	Single Point of Contact for the City	Pursue this option with MOHCD and OEWD	High	Short-term and medium-term
Identifying Available Space	Spaces within Affordable Housing Developments	Pursue this option with MOHCD, Planning Department and Council of Community Housing Organizations (CCHO)	High	Short-term, medium-term and long-term
Identifying Available Space	Spaces within Existing Non-profits	Pursue this option with MOHCD and other City departments with non-profit contacts	High	Short-term
Public/Private Partnerships	Foundations and Philanthropy	Pursue this option with MOHCD and San Francisco Foundation	High	Medium-term and long-term

Group	Option	Recommendation	Priority	Time Frame
Public/Private Partnerships	Partnership with Developers, Owners and Brokers	Pursue this option with OEWD and MOHCD in partnership with owners/developers (i.e. BOMA, Urban Land Institute, SPUR)	High	Medium-term and long-term
Technical Assistance	Intermediary Assistance	Pursue this option with MOHCD and Arts Commission	High	Short-term, medium-term and long-term
Direct Financial Assistance	New Market and Other Federal Tax Credits	Pursue tax credit financing in conjunction with implemented recommendations	Medium	Medium-term and long-term
Identifying Available Space	City-owned Buildings	Pursue this option with Department of Real Estate	Medium	Medium-term and long-term
Identifying Available Space	Non-traditional Spaces	Pursue this option with Interfaith Council, Human Services Network, OEWD and CCHO	Medium	Medium-term and long-term
Identifying Available Space	Office of Community Investment and Infrastructure	Pursue this option with Office of Community Investment and Infrastructure and Department of Real Estate	Medium	Long-term
Identifying Available Space	Other Governmental Spaces	Pursue this option with Department of Real Estate, San Francisco Unified School District, City College of San Francisco, San Francisco Municipal Transportation Agency and Mayor's Office	Medium	Medium-term and long-term

Group	Option	Recommendation	Priority	Time Frame
Identifying Available Space	Single Room Occupancy Hotels	Pursue this option with Department of Public Health, Human Services Agency, Central City SRO Collaborative and Mission SRO Collaborative	Medium	Medium-term and long-term
Identifying Available Space	Storefronts along Commercial Corridors	Explore development of a companion database to StorefrontSF with OEWD	Medium	Short-term and medium-term
Planning/Zoning/Developer Agreements	Developer Agreements	Pursue this option with OEWD, Department of Real Estate and Port	Medium	Medium-term and long-term
Planning/Zoning/Developer Agreements	Development Impact Fees	Pursue this option with Controller's Office and Planning Department, pending result of Central SOMA nexus study	Medium	Medium-term and long-term
Planning/Zoning/Developer Agreements	Second Floor Office Space	Pursue this option with Planning Department	Medium	Medium-term and long-term
Public/Private Partnerships	Corporate Partners	Pursue the option of limited-time event space	Medium	Medium-term and long-term
Technical Assistance	CAST for Non-arts Organizations	Pursue this option with MOHCD, OEWD, Arts Commission, Department of Real Estate and CAST	Medium	Medium-term and long-term
Direct Financial Assistance	Structure of City Contracts and Cost of Living Allowance/Cost of Doing Business	Delay pursuing this option as it affects Cost of Doing Business increases specifically to address rent increase	Low	
Identifying Available Space	Family Trusts	Delay pursuing this option	Low	
Identifying Available Space	Support from the City Capital Plan	Delay pursuing this option	Low	

Group	Option	Recommendation	Priority	Time Frame
Planning/Zoning/Developer Agreements	City Incentives for Property Owners	Delay pursuing this option	Low	
Planning/Zoning/Developer Agreements	Community Benefits Agreements	Delay pursuing this option	Low	
Planning/Zoning/Developer Agreements	Inclusionary Zoning Ordinance	Delay pursuing this option	Low	

1 [Urging the Director of the Mayor's Office of Housing and Community Development to
2 Convene a Nonprofit Displacement Work Group]

3 **Resolution urging the Director of the Mayor's Office of Housing and Community**
4 **Development to convene a work group to develop a series of recommendations on how**
5 **the City can address the issue of nonprofit displacement.**

6
7 WHEREAS, On October 9, 2013 the Budget and Finance Committee of the Board of
8 Supervisors conducted a hearing on the impact of the rapid rise of commercial rents and early
9 termination of leases on non-profit organizations; and

10 WHEREAS, The hearing included a presentation from the Budget and Legislative
11 Analyst's Office to provide research on rental rates from 2011 to 2013 during which period the
12 rental rates increased from \$39.67 per square foot per year to \$52.69 per square foot per
13 year, a 32.8 percent increase over a two year period; and

14 WHEREAS, Within the same period, the Budget and Legislative Analyst also reported
15 a decrease in commercial vacancy from 12.4 percent to 9.3 percent in 2013; and

16 WHEREAS, Representatives from over 50 nonprofit organizations and their clients
17 testified during public comment on the impact of rising rents on their organizations and spoke
18 about the importance of developing solutions to stabilize operations of the nonprofit
19 organizations during this economic boom; and

20 WHEREAS, The discussion spurred by the hearing requires deeper analysis and
21 participation with a broad range of stakeholders from City departments, the philanthropic
22 community, private sector, nonprofit organizations and clients; and

23 WHEREAS, A work group should begin working immediately and include staff from the
24 Mayor's Office of Housing and Community Development, Mayor's Budget Office, Arts
25 Commission, Office of Economic and Workforce Development, the Human Service Agency,

1 the Department of Public Health, Department of Children, Youth and their Families,
2 Department of Real Estate and the Planning Department; and

3 WHEREAS, The work group should also include a broad representation of nonprofit
4 organizations, neighborhood advocates and impacted clients; now, therefore, be it

5 RESOLVED, That the Director of the Mayor's Office of Housing and Community
6 Development convene the work group within 30 days; and be it

7 FURTHER RESOLVED, That the work group will present a report that includes a series
8 of recommendations and action items to the Board of Supervisor within 120 days from its first
9 meeting.

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City and County of San Francisco

Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 131072

Date Passed: November 05, 2013

Resolution urging the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement.

November 05, 2013 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Wiener and Yee
Excused: 1 - Tang

File No. 131072

I hereby certify that the foregoing Resolution was ADOPTED on 11/5/2013 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Unsigned

Mayor

November 15, 2013

Date Approved

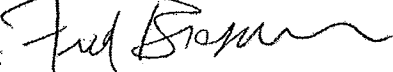
I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102
(415) 552-9292 FAX (415) 252-0461

POLICY ANALYSIS REPORT

To: Supervisor Kim
From: Budget and Legislative Analyst 
Date: October 8, 2013
Re: Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits

SUMMARY OF REQUESTED ACTION

You requested that the Budget and Legislative Analyst review the impact of perceived increasing rental rates for commercial spaces in the City of San Francisco on San Francisco-based nonprofits. It was requested that the following overview be provided: (1) a description of the shift in average commercial rental rates in the City for Class A, B, and C buildings, (2) an analysis of the shift in average commercial rental rate for all commercial spaces in the City over the past year, and (3) a review of the current commercial vacancy rates in the City's District 6.

Specifically regarding the City's nonprofit sector, the request included: (1) how many City-funded nonprofit agencies there are Citywide, (2) where these organizations are located throughout the City, (3) the total of all City funds contracted to nonprofits in San Francisco, and then, (4) the overall proportion of those funds allocated for rent. You also asked that the number of nonprofits that own commercial space be provided.

EXECUTIVE SUMMARY

As of July 2013, there were 6,005 nonprofits in San Francisco, accounting for 4.1 percent of the total 146,383 nonprofits in California, according to the Internal Revenue Service. In Fiscal Year (FY) 2013-14, there are a total of 1,425 nonprofits, or 23.7 percent of all reported nonprofit organizations in San Francisco, reported by the City and County of San Francisco as contractors for FY 2013-14 and/or one or more of the past two fiscal years. Total payments to nonprofit organizations by the City and County of San Francisco are projected to be \$528.8 million in FY 2013-14.

According to data provided to the Budget & Legislative Analyst's Office by the real estate firm Cushman & Wakefield:

- Job growth between 2011 and 2013 has been strong in San Francisco, with 41,300 new jobs added in the twelve months ending in January 2013, primarily in professional and business services. This job growth has fueled demand for commercial real estate. Forecasts are for job growth in San Francisco to continue and to outpace national job growth in the coming three years.
- Commercial vacancy rates decreased Citywide from 12.4 percent in 2011 to 9.3 percent in 2013.
- Average Citywide commercial rental rates increased between 2011 and 2013 from \$39.67 per square foot per year to \$52.69 per square foot per year, a 32.8 percent increase.

- Commercial vacancy rates decreased and rental rates increased for all building classes between 2012 and 2013, as shown in Exhibit A. Class C buildings were subject to the greatest rate of increase from an average of \$31.40 per square foot per year to \$42.94 per square foot per year, an increase of 36.8 percent.

**Exhibit A: Commercial Vacancy and Average Gross Rental Rates
 in San Francisco, by Building Classification
 2012 and 2013**

Building Classification	Vacancy Rate		Rent/sq. ft./year		% Change
	2012	2013	2012	2013	
Class A	10.5%	8.9%	\$49.26	\$54.23	10.3%
Class B	13.6%	12.0%	\$40.07	\$45.93	14.6%
Class C	8.4%	8.3%	\$31.40	\$42.94	36.8%

Source: Market data provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield for second quarter 2012 and 2013.

The Budget & Legislative Analyst's Office conducted a survey of nonprofit organizations in San Francisco, with the assistance of the San Francisco Human Services Network, to identify rents being paid by these organizations and to determine how they are being affected by current commercial real estate market conditions. The following key survey findings are summarized from a total of 90 unduplicated, usable responses to the survey:

- A total of 71 out of 90 responding organizations reported being a current contractor with the City and County of San Francisco, providing a mix of mental health, health, housing, legal and other services. Respondents were located throughout the City. Of the 46 respondents who reported the zip codes associated with their leases, 17, or 37 percent of the 46, were located in either 94103 or 94105, the two zip codes primarily comprising the South of Market neighborhood. SOMA was the neighborhood with the highest density of survey respondents.
- The average total budget for respondents for their current fiscal year was \$4,856,166. Average rent for the organizations in their current fiscal year was \$224,738, or 4.6% of their total budget.
- For the 14 survey respondents who reported renewing or entering into a new lease in 2012 or the first nine months of 2013, their rent increased from an average of \$16.12 per square foot per year to \$21.53 per square foot per year, a 33.6 percent increase.
- Survey respondents reported that 25 of their leases will be expiring in the last three months of 2013 or during the course of 2014. Most respondents reported that they do not know what their new rents will be but they will be facing the decreasing commercial vacancy rate and increasing commercial rental rates described above.
- A total of 32 out of 45 respondents to this question, or 71.1 percent, indicated that they need to remain in their current location or area to fulfill their mission.
- Of 58 respondents to this question, 35 reported leasing their facilities, nine respondents reporting owning their own facilities, and 14 reported a combination of owning and leasing facilities.

Some key findings from other pertinent research on nonprofit organizations include:

- A 2000 study by CompassPoint Nonprofit Services published results from a San Francisco-based survey regarding facilities that showed 52 percent of respondents were at least somewhat likely to leave San Francisco due to then increasing rental rates, and 69 percent of respondents expressed an interest in co-location.
- A 2003 publication produced jointly by CompassPoint and the Silicon Valley Council on Nonprofits identified three nonprofit co-location models to help mitigate the impact of rising rental rates and control other administrative costs, including: 1) neighborhood centers, in which multiple agencies co-locate; 2) multi-tenant office buildings in which one or more organizations (or a foundation) bands together to buy a building and leases it other nonprofits; and 3) incubators, which provide temporary co-located space to nonprofits.
- A 2012 national survey of nonprofit organizations by GuideStar showed that approximately 37 percent of respondents experienced a decrease in total contributions to their organization in 2012, and about 13 percent of organizations had merged with other organizations to weather the economic downturn.
- A 2013 national survey by Nonprofit Finance Fund reported 77 percent of respondents experienced a slight or greater increase in demand for their services, and a total of 52 percent of survey respondents reported being unable to meet the demand for their services in 2012. A total of 16 percent of survey respondents reported collaborating with other organizations to reduce administrative expenses in 2012; 21 percent of respondents stated they planned such collaborations for the next 12 months.

POLICY OPTIONS

The Board of Supervisors could consider the following options to address the issue of escalating commercial rents impacting nonprofit organizations and their ability to maximize their resources available for services. While the options above are for the Board of Supervisors to consider, all of the possible roles for the City government to take to reduce the impact of the escalating rents on nonprofit organizations would require some further research and input from various City departments, nonprofit organizations, and other stakeholders.

1. The Board of Supervisors could request input from the City Attorney's Office and the Planning Department to consider imposition of development impact fees that would require that certain fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations with controls on the amounts these organizations would pay in rent.
2. The Board of Supervisors could request input from the City Attorney's Office and Planning Department to consider establishment of inclusionary zoning requirements instituting incentives for commercial developers, who would (1) be required to provide a certain amount of space for nonprofit organizations in their developments at below-market rates, or (2) be required to provide fees in-lieu of space with those fees redistributed by the City to nonprofit organizations for the acquisition or rehabilitation of buildings to be occupied by one or more nonprofit organizations with controls on the amounts these organizations would pay in rent.

3. The Board of Supervisors could request input from the City Attorney's Office to consider the establishment of City incentives for commercial facility landlords to offer below market rents to certain nonprofit organizations, with particular consideration to those with ongoing contracts with the City.
4. The Board of Supervisors could request input from the Mayor's Office of Housing and Community Development and Office of Economic and Workforce Development to consider enhancing existing City programs or creating new ones to provide loans and/or grants to nonprofit agencies to acquire or rehabilitate facilities for nonprofit organizations with controlled rent costs. These could include enhancements to the existing Facility Capital Improvement and Public Space Improvements program administered by the Mayor's Office of Housing and Community Development or business assistance programs administered by the Office of Economic and Workforce Development.
5. The Board of Supervisors could request input from the Department of Real Estate to identify unutilized or underutilized City property that could potentially be occupied by nonprofit organizations at controlled rent.
6. The Board of Supervisors could request Mayor's Office of Housing and Community Development and/or other appropriate City staff to establish an approach to collaborations with foundations, private donors, and others to pool property and financial resources in the interest of providing other ownership or leased facilities opportunities to nonprofit organizations with low or controlled rent.

IMPACT OF CHANGES IN COMMERCIAL RENTAL RATES ON SAN FRANCISCO NONPROFIT ORGANIZATIONS

BACKGROUND

For purposes of this report, nonprofits are defined as an organization that meets the requirements of U.S. Internal Revenue Code, Section 501(c), as registered with the U.S. Internal Revenue Service (IRS). Organizations with 501(c) status, of which there are over 20 different qualifying types in the United States, such as religious organizations and labor organizations, are tax-exempt.¹ It is likely that the most common nonprofit organization contracting with the City and County of San Francisco would qualify as a 501(c)3 organization with the IRS, which can be "corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition...or for the prevention of cruelty to children or animals..." and which cannot exist to benefit private shareholders or an individual and cannot promote propaganda nor intervene on a political campaign.

As reported by the Internal Revenue Services in July 2013, there were 1,424,918 nonprofit organizations in the United States. In 2010, nonprofit organizations accounted for 9.2% of all wages and salaries paid in the United States, and contributed a total of \$804.8 billion in the United States economy, comprising nearly six percent of the U.S. gross domestic product. According to *The Nonprofit Almanac 2012* published by the Urban Institute Press, while employment in the United States business sector declined

¹ U.S. Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter F, Part I, § 501.

six percent from 2000 to 2010, employment in the nonprofit sector increased by a full 17 percent from 2000 to 2010.

The Internal Revenue Service reported 6,005 nonprofits in the San Francisco as of July 2013. As shown in Exhibit 1, these 6,005 nonprofits account for 4.1 percent of the total 146,383 nonprofits in California.

Exhibit 1: Number of Nonprofit Organizations in San Francisco Relative to Number of Nonprofits in California, 2011-2013

Year	Number of Nonprofits in San Francisco	Total Number of Nonprofits in California	Percent of California Nonprofits in San Francisco
2011	7,865	161,832	4.86%
2012	7,612	161,139	4.72%
2013	6,005	146,383	4.10%

Source: U.S. Internal Revenue Service, Exempt Organizations Business Master File (2013, July)

There was a general downward trend in the number of nonprofits in California from 2011 through July 2013. There was also a downward trend in the proportion of nonprofits in California located in San Francisco during that time period. From 2011 to 2013, the number of nonprofits located in San Francisco decreased from 7,865 to 6,005, or by a total of nearly 24 percent.

As of July 2013, 5,003 of the 6,005 nonprofits in San Francisco reported revenue to the Internal Revenue Service totaling \$31.6 billion, or an average of \$6.3 million in revenue per organization, shown in Exhibit 2. It should be noted that these are average revenues, not expenditures, and the amounts shown do not mean that each reporting organization necessarily spends that much in a year in San Francisco, or elsewhere. The reported revenue received includes funds that are invested by some organizations for future use as well as monies that are spent outside San Francisco in the case of nonprofit organizations with national or international operations.

Exhibit 2: Total IRS-Reported Revenue for Nonprofit Organizations in San Francisco, 2013

Number of Nonprofits in San Francisco	Number of Organizations Filing Form 990 or 990-N	Total Reported Revenue on Form 990 or 990-N	Dollar Per Filing Organization
6,005	5,003	\$ 31,569,010,017	\$ 6,310,016

Source: U.S. Internal Revenue Service, Exempt Organizations Business Master File (2013, July)

Note: The IRS reports revenue for a given Tax Period, which is defined as the organization's most recently completed tax period. The date is typically the last day of the organization's fiscal year.

The City and County of San Francisco ("the City") contracts regularly with nonprofit organizations to provide goods and services. For FY 2013-2014, there are a total of 1,425 nonprofits registered with the City as receiving payments for goods and services for Fiscal Year 2013-14 and/or one or more of the prior two fiscal years (some contracts span multiple years). Exhibit 3 shows that total payments made to nonprofit organizations by the City and County of San Francisco ranged from approximately \$485.2 million in FY 2011-12 to a projected \$528.8 million for FY 2013-14.

**Exhibit 3: Total City and County Payments to
 Nonprofit Organizations in San Francisco, FY 2011-12 through 2013-14 (projected)**

City Payments to Nonprofit City Vendors			
	FY 2011-2012 Actual City Payments	FY 2012-2013 Actual City Payments	FY 2013-2014 Actual + Projected City Payments
Dollar Amount	\$ 485,189,353	\$ 497,522,089	\$ 528,777,363

Source: San Francisco's Controller's Vendor Payment Summaries Website Report for Nonprofits, 09/29/13

Of the 1,425 nonprofits registered with the City as receiving payments in Fiscal Year 2013-14 and/or one or more of the prior two fiscal years, some number of these organizations may not be located in San Francisco. Therefore, the fiscal year payments reported above may not be paid solely to San Francisco-based organizations.

PERTINENT PRIOR RESEARCH ON NONPROFITS ORGANIZATIONS

The following reports provide background information on recent trends impacting the nonprofit sector, demonstrating the problematic trends of increasing scarcity of affordable commercial space for nonprofits in San Francisco and decreases in revenues for nonprofits nationwide.

In October 2000, CompassPoint Nonprofit Services published a report, "Nonprofits At Risk: The Space and Occupancy Crisis Facing San Francisco's Nonprofit Community" which presented issues facing nonprofit organizations utilizing commercial rental space in San Francisco. The report reviewed the impact of the then increasing rental rates on the nonprofit sector in the City. The study included 301 written surveys, five focus groups, 15 key informant interviews, and six case stories. The following are key points from the CompassPoint study that continue to be relevant today:

- Results from the CompassPoint survey showed that, in 2000, 87 percent of nonprofits in San Francisco leased space. About 22 percent of nonprofits leasing space were located Downtown, 16 percent were located in the South of Market district, and 13 percent were located in the Mission district.
- Of the respondents to the survey, 52 percent reported that they were either somewhat likely, moderately likely, or already committed to leaving San Francisco with the expiration of a current lease because rental rates were becoming prohibitive.
- With regard to solutions in the CompassPoint survey, a total of 69 percent of respondents expressed an interest in co-location with other nonprofit organizations. Nonprofits also expressed the need for low-interest loan capital and for technical assistance on raising funds and purchasing buildings.

A 2003 publication produced jointly by CompassPoint and the Silicon Valley Council on Nonprofits provided advice for nonprofits on how to conduct capital campaigns to acquire their own real estate in the interest of stabilizing their locations and lease costs². This report was published in the aftermath of

² "A Nonprofit Space Odyssey: A Capital Projects Primer", CompassPoint and Silicon Valley Nonprofit Council, 2003

the economic boom of the late 1990s when, “many nonprofits found their office, program delivery and performance spaces at risk.” The report references nonprofit co-location models including: 1) neighborhood centers, in which multiple agencies co-locate to provide several different services at a single site; 2) multi-tenant office buildings in which one or more organizations (or a foundation) bands together to buy a building and leases it other nonprofits; and 3) incubators, which like business incubators, provide temporary co-located space to nonprofits along with support services to get them launched.

According to the study, ownership of nonprofit buildings, can be structured as: 1) single ownership, such as a foundation or nonprofit owning and occupying the building, 2) an owner/lessor model, with the owner occupying some of the building and leasing out the rest to other nonprofit organizations, 3) a co-op model, in which a separate corporation is formed and nonprofit tenants own a share of the corporation, and 4) a condominium model in which the building is divided into condominiums, each of which is owned separately by a nonprofit occupant.

The 2003 study discusses the potential role of local government and suggests that cities and counties could possibly provide some of its property for nonprofit co-location sites. The study cites Preservation Park in Oakland, an area redeveloped through a public-private partnership that now provides office space primarily for nonprofit organizations.

The following two surveys reported are national surveys, the “2013 State of the Nonprofit Sector Survey” by the Nonprofit Finance Fund and “The Effect of the Economy on the Nonprofit Sector, an October 2012 Survey” by GuideStar. Given that a portion of the organizations surveyed are California-based organizations, and given that of those California-based organizations, there are likely to be some San Francisco-based organizations, the results of the survey were included in this report as they illustrated relevant trends for nonprofit organizations in San Francisco, even if the trends reported are more general, national trends.

In October 2012, GuideStar, an organization that collects and reports data on the nonprofit sector, published their 11th annual survey of nonprofits, “The Effect of the Economy on the Nonprofit Sector, an October 2012 Survey,” to review of the impact of the United States’ economy on nonprofits across the country. The survey yielded 500 responses from both public charities and private foundations. A total of almost 10 percent of respondents were located in California, the state with the highest concentration of nonprofits. The following are key observations from the 2012 report:

- The responses showed that about 37 percent of respondents saw a decrease in total contributions to their organization in the first nine months of 2012. The 2012 results are a moderate improvement from the results of the same survey in 2009, which showed that over 50 percent of respondents in 2009 were seeing a decrease in overall contributions.
- Of the 37 percent of respondents who saw a decrease in the total contributions to their organization, a total of about 77 percent of respondents said that gifts from individuals were smaller in the first nine months of 2012 and 75 percent said that fewer individuals gave in that period. Only 17 percent reported a decrease in government grants and 13 percent reported discontinuations of government grants.

- The October 2012 GuideStar report showed that as of October 2008, about 13.4 percent of organizations had merged with other organizations to weather the economic downturn.

Finally, in a 2013 Nonprofit Finance Fund national survey of 5,983 nonprofit organizations, including 749 located in California³, the following key results were presented:

- For 2012, 44 percent of respondents reported a slight increase in demand for their services and 33 percent of respondents reported a significant increase in demand for their services. The organizations predicted similar trends for 2013.
- A total of 52 percent of survey respondents reported being unable to meet the demand for their services in 2012; 54 percent predicted they would be unable to meet the demand for their services in 2013.
- Many respondents reported a decrease in state and local government funding in 2012 compared to 2011. Over a third of the respondents, or 38 percent, reported receiving slightly or significantly less funding from state and local government sources in 2012 than they had in 2011 (24 percent reported receiving slightly less and 14 percent reported receiving significantly less). Only 16 percent reported a slight increase in state and local government funding in 2012 compared to 2011 and only 6 percent reported a significant increase for the same comparison period.
- To continue to meet the demand for their services with reduced resources, 16 percent of survey respondents reported collaborating with other organizations to reduce administrative expenses in 2012; 21 percent of respondents stated they planned such collaborations for the next 12 months.

COMMERCIAL RENTAL MARKET IN SAN FRANCISCO

According to Center for Economic Development, a department of the San Francisco Chamber of Commerce that collaborates with the Mayor's Office of Workforce and Economic Development, there are approximately 75 million square feet of commercial real estate in the City. Over the past two years, vacancy of the City's commercial real estate has been declining at a rate of approximately 14.5 percent. Exhibit 4 below shows the trend of decreasing vacancy across building classifications and then for the City overall. Commercial buildings are classified as A, B or C by realtors and others based on their location, amenities, building finishes, efficiency and other factors. There is no standardized set of criteria for these classifications.

³ "2013 State of the Nonprofit Sector Survey", Nonprofit Finance Fund, 2013

**Exhibit 4: Citywide San Francisco Commercial Vacancy Rates
 from 2012 to 2013 by Building Class***

Citywide San Francisco Commercial Vacancy Rates			
Building Classification	2012 Overall Vacancy	2013 Overall Vacancy	Change
Class A	10.5%	8.9%	-15.2%
Class B	13.6%	12.0%	-11.8%
Class C	8.4%	8.3%	-1.2%
All Classes	11.0%	9.4%	-14.5%

Sources: Market data provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield for second quarter 2012 and 2013.

Note: Rental rate data by building class was only provided for 2012 and 2013. Overall Citywide rental rate data presented below in this report was provided for 2011-2013.

*Citywide is defined to include the traditional downtown Financial District (or Central Business District) and the following submarkets: SOMA Financial District, Jackson Square, North Waterfront, South Beach/Rincon Hill, San Francisco South of Market, West of Kearny Street, the Presidio, Union Square, Van Ness Corridor/Civic Center, Portrero Hill/Inner Mission and Mission Bay.

The decrease in available space in the City and the constant, if not increasing, demand for space in the City are the forces likely driving the increase in rent. Cushman and Wakefield, along with other organizations, report that 41,300 new jobs were added in San Francisco in the twelve months ending in January 2013, a 4.3 percent increase, led by growth in professional and business services.⁴ The firm also reports that leasing activity was very strong in 2012 and that employment in San Francisco is forecast to grow by an average of 2.7 percent per year over the next three years, outpacing the national average of 1.9 percent. As Exhibit 5 demonstrates, overall average gross rent for all building classes in San Francisco increased by 11.4 percent between the second quarter of 2012 and the second quarter of 2013. Notably, Class C buildings saw an increase of an average 36.8 percent in gross rent from second quarter 2012 to second quarter 2013.

**Exhibit 5: Citywide San Francisco Commercial Average Gross Rent Rates
 by Building Class, 2012 to 2013**

Citywide San Francisco Commercial Rent Rates			
Building Classification	2012 Overall Average Gross Rent	2013 Overall Average Gross Rent	Change
Class A	\$49.26	\$54.32	10.3%
Class B	\$40.07	\$45.93	14.6%
Class C	\$31.40	\$42.94	36.8%
All Classes	\$46.49	\$51.81	11.4%

Source: Market data provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield for second quarter 2012 and 2013.

Note: Rental rate data by building class was only provided for 2012 and 2013. Overall Citywide rental rate data presented below in this report was provided for 2011-2013.

⁴ MarketBeat Office Snapshot, San Francisco, CA, 1st Quarter of 2013. Cushman and Wakefield.

The San Francisco Center for Economic Development also reports that the bulk of the City's 75 million square feet of commercial space is located in the Financial District, or Central Business District, which is split between the area north of Market Street and the area south of Market Street.

It should be noted that the original request for this report included a request for specific data on vacancies in Supervisorial District 6, but the data available is not categorized by Supervisorial District. However, the data in Exhibit 6, generated by the real estate firm Cushman & Wakefield, provides rental market data on at least a portion of Supervisorial District 6.

While the vacancy rates of the Financial District, both north and south of Market Street were relatively steady between 2011 and 2013, there was a dramatic shift in commercial vacancy rates for the broader South of Market (SOMA) neighborhood, from 23.1 percent in 2011 to 10.1 percent in 2012. This downward trend in vacancy rates continued from 10.1 percent in the SOMA neighborhood to 6.7 percent and 2.8 percent, respectively, in the Cushman & Wakefield newly defined submarkets of East and West SOMA, in 2013.

**Exhibit 6: Commercial Vacancy Rates Citywide and for the South of Market Area
 2011 to 2013**

Third Quarter Vacancy Rates for Three Years			
Neighborhood	2011 Overall Vacancy Rate	2012 Overall Vacancy Rate	2013 Overall Vacancy Rate
Citywide	12.4%	10.4%	9.3%
Financial District north of Market Street	12.1%	9.3%	9.0%
Financial District south of Market Street	8.1%	8.9%	8.3%
SOMA *	23.1%	10.1%	East SOMA*: 6.7%
			West SOMA*: 2.8%

Source: MarketBeat San Francisco Office Report for third quarter of 2011, 2012, and 2013 provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield.

Note: Citywide and South of Market submarket rental rate data was provided for the third quarters of 2011-2013. Overall Citywide rental rate data presented above, by building class, was provided for the second quarter of 2012 and 2013 only.

* Submarket designation discontinued or initiated by Cushman & Wakefield 2013. While the boundaries of the new 2013 neighborhoods, East SOMA and West SOMA, do not necessarily align precisely with the discontinued broader SOMA neighborhood, the Budget & Legislative Analyst's Office is comparing metrics for these neighborhoods to be able to speak broadly to trends in that particular region of the City.

As commercial vacancies decrease, corresponding increases in rents occur. During the period between 2011 and 2013, when commercial vacancy rates Citywide decreased from 12.4 percent to 9.3 percent, as shown in Exhibit 6 above, average annual commercial rents increased from \$39.67 to \$52.69 per square foot, a 32.8 percent increase, as presented in Exhibit 7 below. Similarly, while the commercial vacancy rate for SOMA as a whole was 23.1 percent in 2011, the vacancy rate for just East SOMA was 6.7 percent by 2013 and only 2.8 percent for West SOMA. Commercial rents were \$38.54 for SOMA as a whole in 2011, but \$56.65 for just East SOMA and \$44.56 for West SOMA only in 2013.

**Exhibit 7: San Francisco Commercial Average Gross Rent Rates
 Citywide and for the South of Market Area
 from 2011 to 2013 (dollar per square foot per year)**

Third Quarter Overall Weighted Average for All Classes Gross Rental Rate for Three Years					
Neighborhood	2011	2012	2013	2011 to 2012 Percent Change	2012 to 2013 Percent Change
Citywide	\$39.67	\$48.18	\$52.69	21.5%	9.4%
Financial District north of Market Street	40.35	48.83	55.03	21.0%	12.7%
Financial District south of Market Street	42.97	48.83	54.50	13.6%	11.6%
SOMA *	38.54	50.57	East SOMA*: 56.65	31.2%	12.0%
			West SOMA*: 44.56		-11.9%

Source: MarketBeat San Francisco Office Report for third quarter of 2011, 2012, and 2013 provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield

Note: Citywide and South of Market submarket rental rate data was provided for the third quarters of 2011-2013. Overall Citywide rental rate data presented above by building class was provided for the second quarter of 2012 and 2013 only.

* Submarket designation discontinued or initiated by Cushman & Wakefield 2013. While the boundaries of the new 2013 neighborhoods, East SOMA and West SOMA, do not necessarily align precisely with the discontinued broader SOMA neighborhood, the Budget & Legislative Analyst's Office is comparing metrics for these neighborhoods to be able to speak broadly to trends in that particular region of the City.

If comparing average gross rental rates in East SOMA to the original SOMA 2012 rates, there is a 12 percent increase in average gross rental rates. Conversely, if comparing the average gross rental rates in West SOMA to the original SOMA 2012 rates, there is an 11.9 percent decrease in gross rental rates. This likely reflects the fact that rental rate increases in SOMA overall were fueled largely by increases in East SOMA between 2011 and 2013.

RESULTS OF BUDGET AND LEGISLATIVE ANALYST'S RENT SURVEY OF SAN FRANCISCO NONPROFIT ORGANIZATIONS

The Budget & Legislative Analyst conducted a survey in collaboration with the San Francisco Human Services Network to assess the ongoing impact of the increasing rental rates and the decreasing availability of commercial rental space in the City on nonprofits currently located in San Francisco. The San Francisco Human Services Network, established in 1997, self-identifies as "an association of over 110 community-based nonprofit agencies united into a public policy organization dedicated to addressing issues critical to the health and human services sector of San Francisco." The survey instrument used is included as an attachment to this report.

The Survey was administered over six days in September 2013 and included questions to assess the market pressures facing nonprofit organization renters with leases that recently expired, with leases set to expire in the coming year, or property owners. The results show that, like all tenants, nonprofit organizations in San Francisco have been subject to the City's rising rental rates, particularly in instances where the organizations have renewed or entered into new leases, either in 2012 or the first nine months of 2013. Out of 90 total survey respondents, 23 responded to a survey question about the state of their current leases, reporting that their organizations have leases expiring in the next 15 months and will thus face the rental market forces described above.

In total there were 121 responses submitted to the survey. Of those 121 responses, 90 unduplicated responses were sufficiently complete to utilize for the analysis. Despite receiving 90 responses to the

survey, though, not all of the respondents completed all questions asked. The following tables distilling the survey results report the number of respondents that answered each question to give the results a sense of scale.

In some cases, unanswered questions were explained in a discussion box at the close of the survey. The responding organizations occasionally were unable to answer the specific questions because their occupancy arrangements were not traditional occupancy arrangements and did not conform to the questions posed. Alternative occupancy arrangements varied and reportedly included: (1) some organizations reported their landlords provided them with subsidized leases in exchange for the organization taking on the burden of maintaining all parts of the rental structure, such as plumbing and electrical fixtures, except for the foundation and roof, and (2) some organizations reported receiving rental space as an in-kind donation from the landlord.

The respondents represented a variety of organizations, as shown in Exhibit 8.

Exhibit 8: Survey Respondents by Service Provided

Service Provided by Respondent Nonprofit Organization						
	Health Services	Mental Health Services	Housing Services	Legal Services	Other	Total
Number of Respondents	7	16	11	5	33	72

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
 Responding Sample Size: 72

A total of 71 responding organizations out of 90 reported being a current City contractor, with 19 reporting not being a City contractor.

Respondents were located throughout the City. A total of 46 respondents reported 13 zip codes associated with reported leases. Of those 46 responses, 17 responses, or 37 percent of the 46 total, were located in either 94103 or 94105, the two zip codes primarily comprising the South of Market neighborhood. SOMA was the neighborhood with the highest density of survey respondents.

Respondents reported annual budgets for the current and most recent prior fiscal years. The average total budget for the respondents for their current fiscal year was approximately \$4.9 million, as shown in Exhibit 9. Average rent for the organizations in their current fiscal year was \$224,738.

Exhibit 9: Average and Median Respondent Current Fiscal Year Rent as Percent of Total Current Fiscal Year Budget

Average Nonprofits' Rent as Percent of Total Budget		
Total Annual Budget	Total Annual Rent	Percent Budget
\$ 4,856,166	\$ 224,738	4.6%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
 Responding Sample Size: Current Fiscal Year Total Budget: 59; Current Fiscal Year Budget for Rent: 41

A total of 29 of the 90 survey respondents reported 45 leases that either expired in 2012 or through September 2013, or are going to expire in the last quarter of 2013 or in 2014, as shown in Exhibit 10.

Exhibit 10: Total Number of Respondent Leases Expiring in 2012, 2013, or 2014

Number of Leases Expiring by Year				
	2012	2013	2014	Total
Total Number of Leases Expiring in a Given Year for All Respondents	4	18	23	45

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
 Responding Sample Size: 29

For the 14 respondents that renewed or entered in to new leases in 2012 or the first nine months of 2013, their average annual rent increased by 33.6 percent from \$16.12 per square foot per year to \$21.53 per square foot per year. Average monthly rents were reported to have increased from \$8,599 to \$10,503, but the new higher rents were for a smaller amount of space, decreasing from an average of 6,401 square feet to 5,853 square feet. The median figure for the sample also shows, similar to the average, a 32.6 percent increase in cost per square foot from the previous lease to the current lease. Exhibit 11 presents the results of these changes in rents.

Exhibit 11 also shows that the organization with the lowest rent of \$1,000 per month for 700 square feet of space, or \$17.14 per square foot per year, reported an increase to \$2,250 per month in rent, or \$33.75 per square foot per year, an increase of 96.9 percent, for a slightly larger 800 square feet. The lease for the respondent organization reporting the largest monthly rent increased from \$34,231 for 17,771 square feet, or \$23.11 per square foot per year, to \$51,117 for the same space, or \$34.52 per square foot, a 49.3 percent increase.

Exhibit 11: Changes in Monthly Rent for Respondents with Leases that Expired in 2012 or 2013

	Old Lease				New Lease				% Change
	Monthly Rent	Annualized Rent	Square Footage	\$/Sq. Ft./ Year	Monthly Rent	Annualized Rent	Square Footage	\$/Sq. Ft./ Year	
Average	\$ 8,599	\$ 103,188	6,401	\$ 16.12	\$ 10,503	\$ 126,036	5,853	\$ 21.53	33.6%
Median	\$ 4,190	\$ 50,280	3,315	\$ 15.17	\$ 5,461	\$ 65,532	3,258	\$ 20.11	32.6%
Minimum	\$ 1,000	\$ 12,000	700	\$ 17.14	\$ 2,250	\$ 27,000	800	\$ 33.75	96.9%
Maximum	\$ 34,231	\$ 410,772	17,771	\$ 23.11	\$ 51,117	\$ 613,404	17,771	\$ 34.52	49.3%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.

Responding Sample Sizes: Old Lease Monthly Rent: 20; Old Lease Square Feet: 19; New Lease Monthly Rent: 14; New Lease Square Feet: 14

Overall, 23 respondents reported 25 leases will be expiring in the last three months of 2013 or during the course of 2014. Of those 25 expiring leases, respondents are planning: to renew 14 leases and to not renew five leases. For six leases the future plans are reported as unknown, as shown in Exhibit 12.

Exhibit 12: Lease Plans for Survey Respondents with Leases Set to Expire in 2013 or 2014

Number of Expiring Leases to Be Renewed		
Yes	14	56.0%
No	5	20.0%
Unknown	6	24.0%
Total	25	100%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.

Responding Sample Size: 23

The majority of survey respondents with leases set to expire in 2013 or 2014 did not report their anticipated new rent, but unless they are able to make other arrangements, they are likely to face the commercial real estate market and average rents described above.

The number of organizations planning to renew their existing leases may reflect the need of the organizations to remain in their current locations to serve their clients. While for some organizations, their location is not critical to the organization's mission, most survey respondents indicated that their location is essential. As shown in Exhibit 13, out of 45 total respondents to this question, a total of 32 respondents with leases that either expired in 2012 or 2013 (through September) or that will expire in the last quarter of 2013 or in 2014, or 71.1 percent, indicated that they need to remain in the particular neighbor in which they are currently located to fulfill their organization mission.

**Exhibit 13: Number of Organizations Needing to Remain in Same Area
when Lease Expires**

For a Particular Lease: Is This Location Essential to Organization Mission?		
Yes	32	71.1%
No	13	28.9%
Total	45	100.0%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 45

As shown in Exhibit 14, a total of nine out of 58 respondents to this question reported owning one or more buildings or facilities instead of renting spaces; 14 respondents reported both leasing and owning facilities in San Francisco. All respondents to this question reported renting space.

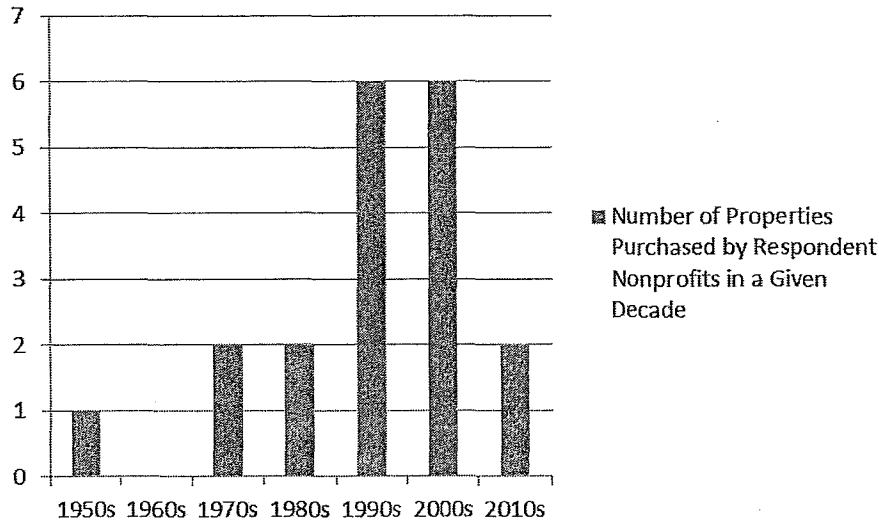
**Exhibit 14: Number of Respondent Nonprofit Organizations Renting and Owning
Properties in San Francisco**

	Rent	Own	Both
Number of Respondents	35	9	14
Total Properties	98	34	-

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 58

Exhibit 15 demonstrates that most of the respondent organization property purchases took place in the 1990s or 2000s. As discussed above in this report, building ownership was analyzed and promoted for nonprofit organizations during that period by a number of organizations due to steep increases in commercial rents during some years during that period.

Exhibit 15: Decade in which Respondent Organizations Purchased Currently Owned Properties



Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 14

POSSIBLE ROLES FOR CITY GOVERNMENT IN REDUCING THE IMPACT OF COMMERCIAL RENT INCREASES ON SAN FRANCISCO NONPROFIT ORGANIZATIONS

With nonprofit organizations facing decreasing vacancy rates and rising commercial rents in San Francisco, likely eroding their resources available for services, the Board of Supervisors could consider a number of actions to stem this impact. Though it raises many complicated questions, commercial rent control for nonprofit organizations is one legislative option that would seemingly put controls over escalating rents. However, State law prohibits commercial rent control so, without an amendment to State law, commercial rent control is not a feasible option at this time⁵.

Other legislative approaches to controlling nonprofit organization facility costs include imposition of developer exactions, or impact fees, that would require developers of certain private commercial buildings and facilities to pay fees to the City which could be used to provide stabilized rents for nonprofit organizations and/or for acquisition and rehabilitation of buildings and facilities to be leased at controlled amounts for nonprofit organizations. Such fees are currently imposed by the City for purposes such as affordable housing, parks, child care, public artworks, schools, and other purposes. State law requires that a local jurisdiction imposing developer impact fees must first demonstrate the nexus between the fee and the impact of the development. This would require showing how the need for nonprofit organization services and affordable facilities are related to private development.

Similar to impact fees, inclusionary zoning requirements could be enacted requiring developers of private commercial buildings and facilities to allocate a portion of the space in their new buildings to

⁵ California Civil Code Sect, 1954.27

nonprofit organizations or to contribute to a City fund that would be used to provide facilities for nonprofit organizations at stable, controlled rents. Funds collected through either developer impact fees or inclusionary zoning requirements could be granted to nonprofit organizations as loans or grants to construct or buy buildings and facilities. Low-interest loans would be feasible since the recipient nonprofit organizations would be able to repay such loans in lieu of rent they would otherwise be paying. Low-interest loans would be preferable to the City as it would allow for the reuse of these funds for other organizations. The City could also consider providing incentives to commercial facility landlords that provide below-market rents to certain nonprofit organization tenants.

As discussed above, some nonprofit organizations in San Francisco and elsewhere have undertaken capital campaigns in recent years to acquire their own buildings or facilities which they then either occupy themselves or occupy a portion and lease the rest of the space to other nonprofit organizations with limits on the rate of allowable increase in rent. Many of these initiatives have been funded by foundations and/or private donors, with some involvement by local government. The Tides Foundation of San Francisco established the nonprofit multi-tenant Thoreau Center for Sustainability at the Presidio in 1996, which now houses not only the foundation but approximately 60 primarily nonprofit organizations. The owner and the tenants share certain administrative costs and facilities and have reduced tenant rent costs compared to leasing space on the private market. The Center hosts educational events and activities to develop a community of tenants under the principle that all of the organizations will be more effective by sharing experiences and resources.

The City could potentially contribute to creation of multi-tenant nonprofit centers by making loans and/or grants to organizations for such endeavors either through existing City programs or through creation of new programs. Presently, one of the purposes of the Mayor's Office of Housing and Community Development's Facility Capital Improvement and Public Space Improvements program is to provide funding for rehabilitation or new construction of nonprofit facilities that predominantly serve low-income families and individuals. The Office of Economic and Workforce Development has numerous programs in place to assist businesses in or moving to San Francisco and could potentially enhance some existing programs to help nonprofit organizations control their facility costs. The Office's programs are primarily geared to private sector businesses but many of the program models and approaches could benefit nonprofit organizations as well while contributing to the City's economy. Besides any existing funding that may be available for nonprofit organizations, the Board of Supervisors could consider additional funding from any available source, including the General Fund, for enhancement or development of low-interest loan and grant programs to assist nonprofit organizations in acquiring and rehabilitating facilities to stabilize their costs.

Finally, City property could potentially be made available to nonprofit organizations at low cost to be used for administrative offices, performance spaces, educational sites and other purposes relevant to the organizations' missions. A 2006 San Francisco Arts Task Force study recommended that the City take inventory of its facilities and, where possible, make them available for arts activities through partnerships with community arts organizations.⁶

All of the possible roles for the City government to take to reduce the impact of the escalating rents on nonprofit organizations would require some further research and input from various City departments. The options for Board of Supervisors consideration below include some steps that the Budget and

⁶ San Francisco Arts Task Force Findings and Recommendations, 2006

Legislative Analyst believes would be required to determine each option's feasibility. For any option being considered, establishment of criteria defining which type(s) of nonprofit organizations would be eligible for any funding or programs offered would be needed since there are a reported nearly 6,000 nonprofit organizations in San Francisco providing a wide range of services and ranging from well-endowed multimillion dollar organizations to modest organizations with relatively small budgets. The City may want to give consideration to its nonprofit contactors in such criteria.

CONCLUSION

Decreasing commercial vacancy rates across the City appears to be driving increases in rental rates for the commercial spaces Citywide. This trajectory may be hindering the growth of the nonprofit sector in San Francisco. At the very least, the financial burden of renting in the City may require nonprofit organizations to devote a greater proportion of resources to renting, taking away from resources that could go to providing services to San Francisco residents. This allocation of resources is of concern to the City as well as a concern to those organizations as the City has contracted with and provided financial resources to reportedly about 23 percent of the nonprofits located in the City over the past three fiscal years. Given the large proportion of nonprofit organization leases reportedly expiring in the coming year, this may be a key moment for the City to develop a plan to support nonprofit organizations facing this increasing burden.

POLICY OPTIONS

The Board of Supervisors could consider the following options to address the issue of escalating commercial rents impacting nonprofit organizations and their ability to maximize their resources available for services.

1. The Board of Supervisors could request input from the City Attorney's Office and the Planning Department to consider the imposition of development impact fees that would require that certain fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations with controls on the amounts these organizations would pay in rent.
2. The Board of Supervisors could request input from the City Attorney's Office and Planning Department to consider the establishment of inclusionary zoning requirements instituting incentives for commercial developers, who would (1) be required to provide a certain amount of space for nonprofit organizations in their developments at below-market rates, or (2) be required to provide fees in-lieu of space with those fees redistributed by the City to nonprofit organizations for the acquisition or rehabilitation of buildings to be occupied by one or more nonprofit organizations with controls on the amounts these organizations would pay in rent.
3. The Board of Supervisors could request input from the City Attorney's Office to consider the establishment of City incentives for commercial facility landlords to offer below market rents to certain nonprofit organizations, with particular consideration to those with ongoing contracts with the City.
4. The Board of Supervisors could request input from the Mayor's Office of Housing and Community Development and Office of Economic and Workforce Development to consider enhancing existing City programs or creating new ones to provide loans and/or grants to

nonprofit agencies to acquire or rehabilitate facilities for nonprofit organizations with controlled rent costs. These could include enhancements to the existing Facility Capital Improvement and Public Space Improvements program administered by the Mayor's Office of Housing and Community Development or business assistance programs administered by the Office of Economic and Workforce Development.

5. The Board of Supervisors could request input from the Department of Real Estate to identify unutilized or underutilized City property that could potentially be occupied by nonprofit organizations at controlled rent.
6. The Board of Supervisors could request Mayor's Office of Housing and Community Development and/or other appropriate City staff to establish an approach to collaborations with foundations, private donors, and others to pool property and financial resources in the interest of providing other ownership or leased facilities opportunities to nonprofit organizations with low or controlled rent.

DEFINITIONS

The following definitions, provided by Cushman & Wakefield, may aid in the understanding of the market data presented in the commercial office space data supplied by Cushman & Wakefield and utilized in this report:

- **Inventory:** To build the tracked statistics for the San Francisco office market, Cushman & Wakefield "only track buildings with rentable office space of at least 25,000 Square Feet (sf)....Office stats do not include any warehouse, manufacturing, or R&D space...[or] any retail space...[tracking] only the office portion of [mixed-use] buildings." Inventory is "the overall square footage in the San Francisco office market, as defined above."
- **Overall Vacancy Rate:** The percentage of Inventory that is vacant at the time in question.
- **Vacant:** Leasable space that is not physically occupied by a tenant is classified as vacant (even if a lease has been signed, vacancy depends on whether the tenant is physically in the space).

Attachment: San Francisco Nonprofit Organization Survey Instrument

The San Francisco Board of Supervisors has requested that the Budget and Legislative Analyst's Office analyze the impact of rising commercial rents in San Francisco on the City's nonprofit organizations.

The Budget and Legislative Analyst's Office (BLA) provides the San Francisco Board of Supervisors with budget and legislative analytical support. In this capacity, the Budget and Legislative Analyst's Office receives requests from Supervisors to investigate timely issues and problems in the community to begin the process of exploring legislative solutions to those problems.

The BLA is conducting this survey in conjunction with the San Francisco Human Services Network (HSN). HSN is an association of community-based nonprofit agencies united into a public policy organization dedicated to addressing issues critical to the health and human services sector of San Francisco.

Please respond to the following survey no later than 9:00 am on Tuesday, October 1st. If you have any questions or concerns about this survey, please do not hesitate to contact Katie Short at the Budget and Legislative Analyst's Office via email at Katherine.Short@sfgov.org or by phone at (415) 553-4638.

***1. Organization Name**

***2. Name and contact information for survey contact**

Name

Email

Phone

***3. Is your organization a contractor with San Francisco?**

Yes

No

4. If so, please select the type of service provided.

Type of Service

Service:

Other (please specify)

5. Please specify when your organization's fiscal year period starts and ends.

	Start Month	Year	End Month	Year
Month	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

***6. What is your organization's total budget for San Francisco offices for the following fiscal years?**

Most recent prior fiscal year	<input type="text"/>
Current fiscal year	<input type="text"/>

7. If applicable, what is your organization's total annual budget for rent in the following fiscal years?

Most recent prior fiscal year	<input type="text"/>
Current fiscal year	<input type="text"/>

***8. Please provide the number of properties your organization leases and/or owns in the City of San Francisco at the time of this survey.**

Number of properties leased	<input type="text"/>
Number of properties owned	<input type="text"/>
Other	<input type="text"/>

9. Does your organization only own property in San Francisco and does not lease property in San Francisco?

- Yes
- No

10. If applicable, of the properties your organization leases in San Francisco, please provide the number of properties with leases that expired or will expire in the following years:

2012

2013

2014

*** 11. Does your organization have at least one property lease that EXPIRED in 2012 and/or 2013?**

Yes

No

For each of your organization's rental properties with leases that EXPIRED in 2012 or 2013, please respond to the following questions.

If your organization has more than one qualifying rental property, you can fill in up to five sets of queries for these properties. If your organization has more than five qualifying rental properties, please feel free to use the comments box at the close of the survey to report the relevant data for the extra properties if you choose.

The following questions are for PROPERTY #1 with 2012 or 2013 EXPIRED LEASE:

12. What is the zip code for the space with the expired lease?

Property Zip Code

13. Did your organization renew the lease?

- Yes
- No

If NO, what is the zip code of your new, currently rented space?

14. What was your monthly rent before the lease expired?

15. If your organization renewed the expired lease, what is the monthly rent after the lease was renewed?

16. What is/was the leased space used for by your organization?

Function of Office

Other (please specify)

17. Please report the square footage of the leased space prior to the 2012 or 2013 expiration of the lease.

18. If the lease was renewed, please report the current square footage of the leased space.

19. Is it essential to your mission, program, and/or effectiveness to be located in this particular neighborhood?

- Yes
- No

Expiring Lease Property 1

***56. Does your organization have at least one property lease that WILL EXPIRE in 2013 and/or 2014?**

Yes

No

For each of your organization's rental properties with leases that ARE GOING TO EXPIRE in 2013 or 2014, please respond to the following questions.

If your organization has more than one qualifying rental property, you can fill in up to five sets of queries for these properties. If your organization has more than five qualifying rental properties, please feel free to use the comments box at the close of the survey to report the relevant data for the extra properties if you choose.

The following questions are for PROPERTY #1 with a lease that WILL EXPIRE in 2013 or 2014:

57. What is the zip code for the currently rented space with the lease that will expire?

Property Zip Code

58. What is the current monthly rent?

59. Does your organization plan to renew the lease for the space?

Yes

No

Unknown

Other (please specify)

60. If your organization does plan to renew the current lease, do you know what the monthly rent on the new lease will be?

- Yes
- No
- Not applicable

If yes, what is the expected new monthly rent for the space?

61. If your organization does not intend to renew the current lease when it expires, does your organization plan to:

- Move the functions of this current space to a new space in San Francisco city limits
- Move the functions of this current space to a new space outside San Francisco city limits
- Not applicable

62. Upon expiration of the current lease, if your organization intends to relocate within San Francisco city limits, has your organization identified a new space?

Yes

No

If yes, please report the expected monthly rent for the new space if known.

63. Upon the expiration of the current lease, if your organization intends to move outside San Francisco, has your organization identified a new space outside San Francisco?

Yes

No

Not applicable

If yes, please report the expected monthly rent for the new space if known.

64. What is/was the lease space used for by your organization?

Function of Office

Function of Office

Other (please specify)

65. Please report the square footage of the currently leased space.

66. Is it essential to your mission, program, and/or effectiveness to be located in this particular neighborhood?

Yes

No

***67. Does your organization have additional rental properties on which to report?**

Yes

No

111. (Optional) For the property/properties owned by your organization, please list the corresponding statistics.

(If more than one property is included, list the statistics as follows:

Mortgage for Property 1, Mortgage for Property 2, etc.;

Year for Property 1, Year for Property 2, etc.;

Square Footage for Property 1, Square Footage for Property 2, etc.)

Current monthly mortgage(s)

The year the property/properties were acquired

The square footage of the property/properties

112. (Optional) Please indicate if you have other arrangements for your leased or owned space that affects any of the amounts shown (such as shared space with other organizations, subleasing a portion of your space, etc.).

Finally, please feel free to add details on additional rental properties that could not be reported in the above survey.

Thank you so much for taking the time to complete this survey. Again, if you have any questions or concerns about this survey, please do not hesitate to contact Katie Short at the Budget and Legislative Analyst's Office either via email at Katherine.Short@sfgov.org or by phone at (415) 553-4638.

Thank you, again!

AMENDED IN COMMITTEE
3/18/14

FILE NO. 140008

ORDINANCE NO. 33-14

1 [Appropriating ~~\$2,515,000~~ \$4,515,000 from the General Fund Reserve for Nonprofit Rent
2 Stabilization Program - Mayor's Office of Housing and the Arts Commission - FY2013-2014]

3 Ordinance appropriating ~~\$2,515,000~~ \$4,515,000 from the general fund reserve to the
4 Mayor's Office of Housing in the amount of \$2,515,000 and to the Arts Commission in
5 the amount of \$2,000,000 for FY 2013-2014, establishing the Nonprofit Rent
6 Stabilization Program, and placing these funds on ~~Budget and Finance Committee~~
7 Board of Supervisors reserve pending a report from the Nonprofit Displacement Work
8 Group to the Board of Supervisors.

9
10 Note: Additions are single-underline italics Times New Roman;
11 deletions are ~~strikethrough italics Times New Roman~~.
12 Board amendment additions are double underlined.
13 Board amendment deletions are ~~strikethrough-normal~~.

14 Be it ordained by the People of the City and County of San Francisco:

15 Section 1. The sources of funding outlined below are herein appropriated to reflect the
16 funding available in Fiscal Year 2013-14.

17
18 **SOURCES Appropriation**

19

Fund	Index/Project Code	Subobject	Description	Amount
20 1G AGF ACP	GENRESERVE	098GR	General Fund	\$2,515,000
21 (GF-CONTINUING			Reserve	<u>\$4,515,000</u>
22 PROJECTS)				

23
24
25

1		<u>\$2,515,000</u>
2	Total Sources Appropriation	<u>\$4,515,000</u>

3

4 Section 2. The uses of funding outlined below are herein appropriated in FY 2013-

5 2014 in Project XXXXX, establishing the Nonprofit Rent Stabilization Program.

6

7 **USES Appropriation**

8	Fund	Index/Project Code	Subobject	Description	Amount
9					
10	1GAGFACP	XXXXX	03800	Nonprofit Rent	\$2,515,000
11	(GF-CONTINUING			Stabilization	<u>\$4,515,000</u>
12	PROJECTS)			Program	
13					
14					<u>\$2,515,000</u>
15	Total USES Appropriation				<u>\$4,515,000</u>

16

17 Section 3. The Controller is authorized to record transfers between funds and adjust

18 the accounting treatment of sources and uses appropriated in this ordinance as necessary to

19 conform with Generally Accepted Accounting Principles.

20

21 Section 4. These funds shall be placed on Budget and Finance Committee Board of

22 Supervisors Reserve, pending issuance of the April 2014 Nonprofit Displacement Work Group


23 Report to the Board of Supervisors, which will provide specific details regarding the allocation

24 of these funds.

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APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 
Deputy City Attorney

FUNDS AVAILABLE

Ben Rosenfield, Controller

By: 
Date: ~~January 06, 2014~~
February 7, 2014
~~March 10, 2014~~
March 18, 2014



City and County of San Francisco

Tails
Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 140008

Date Passed: March 25, 2014

Ordinance appropriating \$4,515,000 from the general fund reserve to the Mayor's Office of Housing in the amount of \$2,515,000 and to the Arts Commission in the amount of \$2,000,000 for FY2013-2014, establishing the Nonprofit Rent Stabilization Program, and placing these funds on Board of Supervisors reserve pending a report from the Nonprofit Displacement Work Group to the Board of Supervisors .

February 05, 2014 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

February 05, 2014 Budget and Finance Committee - CONTINUED TO CALL OF THE CHAIR AS AMENDED

February 26, 2014 Budget and Finance Committee - CONTINUED TO CALL OF THE CHAIR

March 12, 2014 Budget and Finance Sub-Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

March 12, 2014 Budget and Finance Sub-Committee - RECOMMENDED AS AMENDED

March 18, 2014 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 18, 2014 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

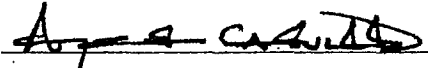
Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 25, 2014 Board of Supervisors - FINALLY PASSED


Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Tang, Wiener and Yee
Absent: 1 - Mar

File No. 140008

I hereby certify that the foregoing
Ordinance was FINALLY PASSED on
3/25/2014 by the Board of Supervisors of the
City and County of San Francisco.



Angela Calvillo
Clerk of the Board



Mayor



Date Approved

FILE NO. 001810
 (Government Funding)

ORDINANCE NO. 266-00
 RO#00020
 SA#08

1 APPROPRIATING \$1,500,000 FROM THE GENERAL FUND RESERVE TO PROVIDE RENT
 2 SUBSIDIES TO NON-PROFIT ART ORGANIZATIONS THAT ARE IN IMMEDIATE DANGER
 3 OF BEING EVICTED OR DISPLACED BY RENT INCREASES, THROUGH THE ART COMMIS-
 4 SION FOR FISCAL YEAR 2000-2001.

5 Be it ordained by the people of the City and County of San Francisco:

6 **Section 1.** Funds are hereby appropriated for FY 2000-01 as follows:

<u>Department and Number</u>	<u>Source of Funds and Purpose of Appropriation</u>	<u>Amount</u>	
		<u>Debit</u>	<u>Credit</u>
<u>Fund</u> 1G-AGF-AAA General Fund	<u>Department</u> GEN-01 General City Responsibility	<u>Program</u> FCZ General City Responsibility	
<u>Funding Sources</u>			
097-097GR (*CON1GAGFAAA)	General Fund Reserve	\$1,500,000	
095-0951G (xxxxxxxxxxxxx)	Intrafund Transfer Out to 1G-AGF-ACP		\$1,500,000
		<u>\$1,500,000</u>	<u>\$1,500,000</u>

<u>Fund</u>	<u>Department</u>	<u>Program</u>
1G-AGF-ACP General Fund- Continuing Project	ART Art Commission	

17 **Funding Uses**

18 **Project**

xxxxxx	Arts Organizations Rent Project	
950-9501G (xxxxxxxxxxxxx)	Intrafund Transfer In from General Fund	\$1,500,000

Supervisors Ammiano, Bierman, Leno, Newsom
 BOARD OF SUPERVISORS

1 Department
2 and Number

Source of Funds and
Purpose of Appropriation

Amount
Debit

Credit

3 021-03800
4 (xxxxxxxxxxx)

City Grant Programs-Budget

\$1,500,000

5
6 Total

\$1,500,000

\$1,500,000

7 APPROVED AS TO FORM:
8 LOUISE H. RENNE, CITY ATTORNEY

FUNDS AVAILABLE
EDWARD M. HARRINGTON
CONTROLLER

9 BY: 

10 DEPUTY CITY ATTORNEY

11 BY: 



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails

Ordinance

File Number: 001810

Date Passed:

Ordinance appropriating \$1,500,000 from the General Fund Reserve to provide rent subsidies to non-profit art organizations that are in immediate danger of being evicted or displaced by rent increases, through the Art Commission for fiscal year 2000-2001.

October 30, 2000 Board of Supervisors — PASSED ON FIRST READING

Ayes: 10 - Ammiano, Becerril, Bierman, Katz, Kaufman, Leno, Newsom, Teng,
Yaki, Yee

Absent: 1 - Brown

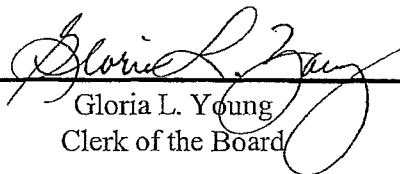
November 6, 2000 Board of Supervisors — FINALLY PASSED

Ayes: 8 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Yaki

Absent: 3 - Newsom, Teng, Yee

File No. 001810

I hereby certify that the foregoing Ordinance was **FINALLY PASSED** on November 6, 2000 by the Board of Supervisors of the City and County of San Francisco.

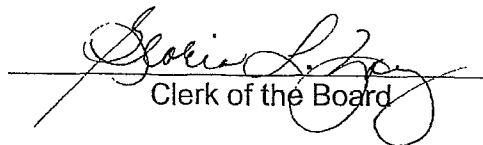

Gloria L. Young
Clerk of the Board

Date Approved

Mayor Willie L. Brown Jr.

November 17, 2000

I hereby certify that the foregoing ordinance, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter.


Clerk of the Board

File No.
001810

1 [Ordinance to provide rent subsidies to nonprofit arts organizations.]
2

3 **Ordinance establishing terms and conditions for the expenditure of an appropriation of**
4 **1.5 million dollars from the general fund to provide a grant to California Lawyers for the**
5 **Arts to give rent subsidies to nonprofit arts organizations that are in immediate danger**
6 **of being evicted or displaced by rent increases.**

7 Note: The provisions of this ordinance are all new.

8 Be it ordained by the People of the City and County of San Francisco:
9

10 *Section 1. Companion legislation to this ordinance, found in Board of Supervisors File No.*
11 001810, *would appropriate \$1.5 million from the City's general fund to the Arts Commission*
12 *to provide rent assistance to nonprofit arts organizations that are in immediate danger of being evicted*
13 *or displaced by rent increases. The \$1.5 million appropriation shall be expended for the purposes and*
14 *on the conditions set forth below.*

15 1. *Purpose. The purpose of this legislation is to provide immediate rent assistance to*
16 *eligible nonprofit arts organizations that are in immediate danger of eviction or displacement due to*
17 *increased rents. The purpose of this legislation is to help to stabilize arts organizations currently*
18 *located in a leasehold in San Francisco while the City pursues medium- and long-range goals of (a)*
19 *maximizing, expanding and improving existing arts spaces and (b) identifying, securing and improving*
20 *new arts spaces.*

21 2. *Eligible Organizations. In order to be eligible to receive a grant for rent assistance, an*
22 *organization must meet all of the following criteria:*
23
24
25

Supervisors Ammiano, Bierman, Leno, Newsom

Supervisor Ammiano

BOARD OF SUPERVISORS

1 a. *Must be (i) currently incorporated and in good standing as a Section 501(c)(3)*
2 *corporation pursuant to the federal tax laws or (ii) a fiscally sponsored project of a tax-exempt*
3 *corporation that is operating for purposes consistent with Section 501(c)(3) status.*

4 b. *Must exist, as its primary nonprofit purpose, to support, create or perform an arts-*
5 *related function in one or more of the following six disciplines: visual arts, dance, theater, music,*
6 *literary arts, or new genre/multimedia.*

7 c. *Must have had an annual operating budget of no more than \$1.2 million for the*
8 *organization's fiscal year ending just prior to the submission of an application for rent assistance.*

9 d. *Must be able to demonstrate financial accountability by submitting the organization's*
10 *Form 990 for the most recent tax year, a year-end financial report corresponding to the Form 990, and*
11 *an operating budget for the current fiscal year.*

12 e. *Must be able to demonstrate a recent history of financial stability as reflected by an*
13 *absence of unplanned operating deficit of significance, a positive fund balance, or a meaningful cash*
14 *reserve. The financial impact of a recent rent increase shall not be considered as a negative factor*
15 *with respect to the organization's history of financial stability.*

16 f. *Must demonstrate substantial continuing activities in and support from the community*
17 *through one or more of the following: three letters of support from the organization's constituents*
18 *describing the organization's relationship with and contribution to the community, a published*
19 *calendar of the organization's activities, a selection of recent published reviews of the organization's*
20 *work, and/or other equivalent documentation.*

21 g. *Must have been in existence in San Francisco for at least two years prior to the filing of*
22 *an application for rent assistance.*

23 h. *Must establish proof that the organization has at least one year remaining on a lease for*
24 *space in San Francisco, as of the filing of an application for rent assistance. This may be established*
25

1 by the submission of a written lease agreement, a letter of commitment from a landlord, or by such
2 other evidence as reasonably establishes the existence of a one-year leasehold.

3 i. Must demonstrate financial need for rent assistance as a result of a recent or upcoming
4 significant increase in rent. An increase of rent is considered significant if it is an increase of 100
5 percent or more over the previous year's rent. This may be established by the submission of a written
6 lease agreement that shows a significant increase in rent in comparison to the immediately preceding
7 lease; a letter from a landlord indicating an increase in rent, or by such other evidence as reasonably
8 establishes that the rent on the leasehold has increased significantly.

9 j. Must submit a business plan or other strategy indicating the organization's plan for
10 future fiscal management, including supporting its space needs and sustaining itself economically
11 without the use of City rent assistance after the period for which City rent assistance is sought.

12 3. Limits on Grant Funds.

13 a. An organization may receive funds pursuant to this legislation only for the portion of
14 rent that represents an increase over the prior year's rent.

15 b. An organization may not receive cumulative City funding for rent assistance pursuant to
16 this legislation and any other City grant program that totals more than (i) 50 percent of the total
17 annual rent for the leasehold for which the organization has applied or (ii) \$80,000 within a 12-month
10/30/00
rt 18 period/ or whatever amount is less than \$80,000.

19 c. An organization may receive rent assistance for a total of 12 months, beginning on the
20 date of filing an application for funding. An organization may reapply for additional rent assistance
21 for subsequent years.

22 d. Only one grant may be awarded per leasehold within a 12-month period. Thus, where
23 multiple organizations share the use of a single leasehold, only one application may be awarded for
24 such leasehold.

25

1 e. Grant funds pursuant to this legislation may be used only to pay rent, and only for the
2 leasehold that the grant recipient identified in its application for rent assistance in the absence of a
3 written modification of the organization's grant agreement. If a grant recipient is found to have spent
4 such grant funds on any expenses other than rent, the City may require the applicant to refund all grant
5 monies received under this program, plus interest and the City's costs of recouping the grant monies.

6 4. Administration and Selection Process.

7 a. The Arts Commission shall award a grant of the entire \$1.5 million to the California
8 Lawyers for the Arts to administer the rent assistance and award the funding to other eligible
9 organizations. The Arts Commission shall disburse one half of the appropriation upon the effective
10 date of this legislation, and the remaining one half after the first half has been expended. The Arts
11 Commission or California Lawyers for the Arts may adopt reasonable rules and procedures to
12 implement this legislation consistent with its purposes. California Lawyers for the Arts shall be
13 responsible for all administrative, organizational and record-keeping functions under this program,
14 and such other functions as the Arts Commission may determine.

15 b. An applicant may apply for rent assistance by submission of evidence of all of the
16 eligibility criteria set forth above to the California Lawyers for the Arts. Any request must clearly
17 specify the amount of funding the applicant is requesting.

18 c. The California Lawyers for the Arts shall form a selection panel, consisting of a staff
19 representative of the Arts Commission chosen by the Director of Cultural Affairs, a staff representative
20 of Grants for the Arts chosen by the Director of Grants for the Arts, and a third member, as set forth
21 below. The Director of Cultural Affairs and Director of Grants for the Arts shall mutually select one
22 representative for each of the following six arts disciplines -- visual arts, dance, theater, music, literary
23 arts, and new genre/multimedia.

24 d. Each selection panelist representing each of the six specified disciplines must be either
25 an executive director or artistic director of a Section 501(c)(3) arts organization with five years of

1 *experience in the particular discipline he/she is chosen to represent, and a history of involvement in the*
2 *community of that discipline in San Francisco.*

3 *e. Selection panelists may be reasonably compensated for their service out of the*
4 *administrative fee for the program, in the discretion of the California Lawyers for the Arts.*

5 *f. When reviewing an application for funding, the Arts Commission representative, the*
6 *Grants for the Arts representative and the representative for the discipline that corresponds to the*
7 *applicant organization's purpose shall serve as the selection panel. Where an organization is*
8 *multidisciplinary, the Director of Cultural Affairs and Director of Grants for the Arts shall determine*
9 *which discipline representative to include on the selection panel. The selection panel must reach*
10 *unanimous agreement in order to provide funding to an organization. The selection panel shall report*
11 *its determination to the California Lawyers for the Arts, which shall then administer the grant fund, as*
12 *appropriate.*

13 *g. In reviewing applications and awarding grants, the selection panel shall be guided by*
14 *the following considerations. Generally, grants shall be awarded on a first-come, first-served basis to*
15 *eligible organizations. The purpose of this program is not to weigh the relative merits of arts*
16 *organizations, but to attempt to stabilize the arts community in San Francisco that is threatened by*
17 *displacement due to increased rents. Therefore, if an organization meets the eligibility criteria stated*
18 *in this legislation, it should be given greatest consideration for funding in the absence of compelling*
19 *reasons to deny funding. The Board of Supervisors realizes that, because of the revolving nature of this*
20 *rent assistance program, the selection panel may not have an opportunity to review applicants in*
21 *relation to one another, and that funding may run out before a worthy applicant has had an opportunity*
22 *to apply for funding. To the best of its ability, when there are multiple pending applications from a*
23 *variety of disciplines, the selection panel should attempt to distribute the available funding evenly*
24 *between the six stated disciplines and to give priority to applications for leaseholds that are used by*
25 *multiple arts organizations. If there is insufficient funding available to fully fund pending applications,*

1 *the selection panel may weigh the relative merits of the various organizations in terms of quality and*
2 *consistency of service in determining how best to distribute the available funds, with the primary*
3 *ultimate goal of promoting stability in the arts community.*

4 *h. A selection panelist may not have a financial interest in an application before that*
5 *panelist for review. In the event of such financial interest, the remaining two panelists shall review and*
6 *determine the grant application without the participation of the panelist with the financial interest.*

7 *5. Reporting Requirements.*

8 *a. Each grant recipient must submit a report to the California Lawyers for the Arts within*
9 *30 days after the completion of the period for which rent assistance was provided which contains a*
10 *statement and independent verification that the grant funding was spent on rent for the appropriate*
11 *leasehold.*

12 *b. The California Lawyers for the Arts shall report to the Arts Commission and the Board*
13 *of Supervisors monthly on the following: the identity of the applicants for funding within the one-*
14 *month period, which organizations received funding, how much funding each organization received, a*
15 *statement of the balance of the fund (including interest earned), and the amount of administrative fees*
16 *allocated. Within two months after funding under this legislation is depleted, the California Lawyers*
17 *for the Arts shall submit a final report to the Arts Commission and the Board of Supervisors stating the*
18 *cumulative total of the information contained in the one-month reports.*

19 *6. Urgency. The Board of Supervisors intends that this rent assistance be made available*
20 *to eligible organizations as quickly as possible. Therefore, the selection panel shall convene as soon as*
21 *possible and may start awarding grants immediately on the basis of complete application submittals,*
22 *even in the absence of a formal standardized application request form. Grant applications shall be*
23 *reviewed and determined on a rolling basis, and the selection panel shall attempt to meet frequently, as*
24 *needed. If a selection panelist has not yet been chosen for each of the six stated disciplines, the panel*
25

1 may review and determine grant applications for those disciplines for which a selection panelist has
2 been selected.

3 7. *Administrative Fees.* The California Lawyers for the Arts may recoup a reasonable
4 administrative fee, in the discretion of the Arts Commission, from the \$1.5 million appropriation from
5 the general fund.

6 8. *Interest-Bearing Account and Carry Over of Funds.* The California Lawyers for the
7 Arts shall hold the \$1.5 million appropriated to this purpose in an interest-bearing account. Any
8 interest earned shall be credited to and become part of the principal thereof, and shall not be expended
9 for any purpose other than the purposes of this legislation. Any balance remaining in this account at
10 the close of any fiscal year shall be deemed to have been provided for a specific purpose within the
11 meaning of the Charter and shall be carried forward and accumulated in said account for the purposes
12 recited in this legislation.

13
14 APPROVED AS TO FORM:

15 LOUISE H. RENNE, City Attorney

16
17
18 By:


MIRIAM L. STOMBLER
Deputy City Attorney



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails Ordinance

File Number: 001811

Date Passed:

Ordinance establishing terms and conditions for the expenditure of an appropriation of 1.5 million dollars from the general fund to provide a grant to California Lawyers for the Arts to give rent subsidies to nonprofit arts organizations that are in immediate danger of being evicted or displaced by rent increases.

October 30, 2000 Board of Supervisors — AMENDED

Ayes: 10 - Ammiano, Becerril, Bierman, Katz, Kaufman, Leno, Newsom, Teng,
Yaki, Yee

Absent: 1 - Brown

October 30, 2000 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 10 - Ammiano, Becerril, Bierman, Katz, Kaufman, Leno, Newsom, Teng,
Yaki, Yee

Absent: 1 - Brown

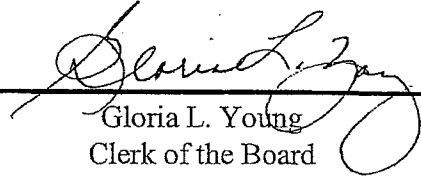
November 6, 2000 Board of Supervisors — FINALLY PASSED

Ayes: 8 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Yaki

Absent: 3 - Newsom, Teng, Yee

File No. 001811

I hereby certify that the foregoing Ordinance was **FINALLY PASSED** on November 6, 2000 by the Board of Supervisors of the City and County of San Francisco.

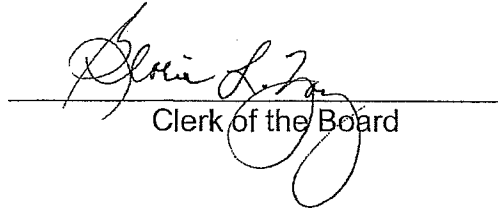

Gloria L. Young
Clerk of the Board

Date Approved

Mayor Willie L. Brown Jr.

November 17, 2000

I hereby certify that the foregoing ordinance, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter.


Clerk of the Board

File No.
001811

FILE NO. 001809

ORDINANCE NO. 283-00

[Ordinance to provide funds for rent subsidies, displacement assistance, capital improvement and real property acquisition for nonprofit organizations.]

ORDINANCE APPROPRIATING \$3,000,000 FROM THE GENERAL FUND RESERVE TO FUND A GRANT PROGRAM IN THE AMOUNT OF \$500,000 FOR RENT SUBSIDIES TO NONPROFIT SERVICE AND ADVOCACY ORGANIZATIONS AT RISK OF BEING EVICTED OR DISPLACED BY RENT INCREASES, AND APPROPRIATING \$2,500,000 TO FUND CAPITAL IMPROVEMENTS AND REAL PROPERTY ACQUISITIONS BY NONPROFIT ORGANIZATIONS, THROUGH THE MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT, FOR FISCAL YEAR 2000-2001.

Note: Additions are *italic; Times New Roman*; deletions are ~~*strikethrough italic, Times New Roman*~~
Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Funds are hereby appropriated for FY 2000-01 as follows:

<u>Department and Number</u>	<u>Source of Funds and Purpose of Appropriation</u>	<u>Debit</u>	<u>Amount</u>	<u>Credit</u>
<u>Fund</u> 1G-AGF-AAA General Fund	<u>Department</u> GEN-01 General City Responsibility	<u>Program</u> FCZ General City Responsibility		
<u>Funding Sources</u> 097-097GR (*CON1GAGFAAA)	General Fund Reserve	\$3,000,000		

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Funding Uses

1G-AGF-AAA Mayor's Office of Community FEA
 General Fund Development City Administration

<u>Department and Number</u>	<u>Source of Funds and Purpose of Appropriation</u>	<u>Debit</u>	<u>Amount</u>	<u>Credit</u>
021-03800 (xxxxxxxxxxx)	City Grant Programs-Budget			\$500,000
095-0951G (xxxxxxxxxxx)	Intrafund Transfer Out to 1G-AGF-ACP, General Fund Continuing Project			\$2,500,000
Total 1G-AGF-AAA		\$3,000,000		\$3,000,000

<u>Fund</u>	<u>Department</u>	<u>Program</u>
1G-AGF-ACP General Fund- Continuing Project	MYR Mayor's Office	FAB Community Development

Funding Uses

<u>Project</u>			
xxxxxx	Nonprofit Space Acquisition/Development		
950-9501G (xxxxxxxxxxx)	Intrafund Transfer In from General Fund	\$2,500,000	
021-03500 (xxxxxxxxxxx)	Other Current Expenses		\$2,500,000
Total 1G-AGF-ACP		\$2,500,000	\$2,500,000

1 Section 2. *Rent and Displacement Assistance Emergency Fund. The \$500,000*
2 *appropriation for rent subsidies and displacement assistance shall be expended by the Mayor's Office*
3 *of Community Development as follows:*

4 1. *Eligible Organizations. In order to be eligible to receive an emergency grant for rent*
5 *subsidy or displacement assistance, an organization must meet all of the following criteria:*

6 a. *Must be a nonprofit organization that is (i) currently incorporated and in good standing*
7 *as a Section 501(c)(3) corporation pursuant to the federal tax laws or (ii) a fiscally sponsored project*
8 *of a tax-exempt corporation that is operating for purposes consistent with Section 501(c)(3) status.*
9 *Any 501(c)(3) or fiscally-sponsored organization that provides benefits to the public or advocacy for*
10 *charitable causes may be eligible for funding, with the exception of organizations that support, create*
11 *or perform an arts-related function;*

12 b. *Must be able to demonstrate financial accountability by submitting the organization's*
13 *Form 990 for the most recent tax year, a year-end financial report corresponding to the Form 990, and*
14 *an operating budget for the current fiscal year.*

15 c. *Must be able to demonstrate a recent history of financial stability as reflected by an*
16 *absence of unplanned operating deficit of significance, a positive fund balance, or a meaningful cash*
17 *reserve. The financial impact of a recent rent increase shall not be considered as a negative factor*
18 *with respect to the organization's history of financial stability.*

19 d. *Must have been in existence in San Francisco for at least two years prior to the filing of*
20 *an application for rent or displacement assistance.*

21 e. *Must substantially serve, either directly or indirectly, the citizens of the City and County*
22 *of San Francisco.*

23 2. *Limits on Emergency Grant Funds.*

24 a. *An organization must demonstrate financial need for assistance as a result of a recent or*
25 *upcoming eviction or significant increase in rent.*

1 b. An organization may receive rent assistance funds pursuant to this legislation only for
2 the portion of rent that represents an increase over the prior year's rent.

3 c. An organization may not receive assistance from this emergency fund that totals more
4 than \$30,000.

5 d. An organization may apply for assistance from the emergency fund one time only.

6 e. City funding pursuant to this legislation must be expended on rent for leaseholds within
7 San Francisco and for displacement assistance only if the grantee will remain in San Francisco.

8 3. Administration and Selection Process.

9 a. The Mayor's Office of Community Development may adopt reasonable rules and
10 procedures to implement this legislation consistent with its purposes, and may recoup its reasonable
11 administrative costs from the funding appropriated pursuant to this legislation.

12 b. In reviewing applications and awarding grants, the Mayor's Office of Community
13 Development shall, in consultation and coordination with the Partnership for Affordable Non-Profit
14 Space, convene a selection panel or advisory body to assist its analysis and shall be guided by the
15 following considerations:

16 (i) An applicant organization should be making best efforts to address and resolve its future
17 space and funding needs; and

18 (ii) An applicant organization must recognize that assistance from the emergency fund is a
19 short-term measure. The applicant must demonstrate a commitment to the development and execution
20 of a longer-term solution. In some cases, the award of displacement assistance may be accompanied
21 by a requirement to receive technical assistance as a condition of the grant; and

22 (iii) All other factors being equal, preference will be given to applications that will benefit
23 more than one nonprofit organization; and
24
25

1 (iv) All other factors being equal, preference will be given to organizations that currently
2 receive funding for operating expenses pursuant to a grant or contract with any City department, from
3 any funding source administered by the City, and are in good standing with that department; and

4 (v) All other factors being equal, preference will be given to organizations primarily serving
5 the citizens of the City and County of San Francisco.

6 c. The Director of the Mayor's Office of Community Development shall determine which
7 organizations are qualified to receive emergency assistance pursuant to this legislation, and shall
8 determine how to disperse the available funding.

9 d. Interest-Bearing Account and Carry Over of Funds. The \$500,000 appropriated to this
10 purpose shall be held in an interest-bearing account. Any interest earned shall be credited to and
11 become part of the principal thereof, and shall not be expended for any purpose other than the
12 purposes of this legislation. Any balance remaining in this account at the close of any fiscal year shall
13 be deemed to have been provided for a specific purpose within the meaning of the Charter and shall be
14 carried forward and accumulated in said account for the purposes recited in this legislation.

15
16 Section 3. Capital Fund. The \$2.5 million for capital improvements and real property
17 acquisitions for nonprofit organizations is intended to be the first contribution to a fund for nonprofit
18 space, established by the Partnership for Affordable Nonprofit Space, and which is to be administered
19 by the Northern California Community Loan Fund, a nonprofit intermediary, or a comparable
20 community development financial institution. The fund for nonprofit space is being modeled after the
21 successful Childcare Facilities Fund. The capital fund shall be expended by the Mayor's Office of
22 Community Development as follows:

23 1. Eligible Organizations. In order to be eligible to receive capital funds, an organization
24 must meet all of the following criteria:

1 a. *Must be (i) currently incorporated and in good standing as a Section 501(c)(3)*
2 *corporation pursuant to the federal tax laws or (ii) a fiscally sponsored project of a tax-exempt*
3 *corporation that is operating for purposes consistent with Section 501(c)(3) status.*

4 b. *Must be able to demonstrate financial accountability by submitting the organization's*
5 *Form 990 for the most recent tax year, a year-end financial report corresponding to the Form 990, and*
6 *an operating budget for the current fiscal year.*

7 c. *Must be able to demonstrate a recent history of financial stability as reflected by an*
8 *absence of unplanned operating deficit of significance, a positive fund balance, or a meaningful cash*
9 *reserve. The financial impact of a recent rent increase shall not be considered as a negative factor*
10 *with respect to the organization's history of financial stability.*

11 d. *Must be able to demonstrate the capacity to carry out the capital improvement or*
12 *acquisition activities, and to leverage the City's financial contributions significantly.*

13 e. *Must have been in existence in San Francisco for at least two years prior to the filing of*
14 *an application for funding.*

15 f. *Must substantially serve, either directly or indirectly, the citizens of the City and County*
16 *of San Francisco.*

17 2. *Limits on Capital Funds.*

18 a. *City funding pursuant to this legislation must be expended on capital improvements to*
19 *and/or acquisitions of real property within the City and County of San Francisco.*

20 b. *City funding pursuant to this legislation must be expended on capital improvements to*
21 *and/or acquisitions of real property directly benefiting nonprofit organizations.*

22 3. *Administration.*

23 a. *The Mayor's Office of Community Development may adopt reasonable rules and*
24 *procedures to implement this legislation consistent with its purposes.*

1 b. *The Mayor's Office of Community Development may give a grant of the entire \$2.5*
2 *million to the Northern California Community Loan Fund or a comparable entity, to administer in a*
3 *manner consistent with the Northern California Community Loan Fund's existing capital improvement*
4 *and acquisition fund (or that of a comparable fund), with the additional restrictions set forth above.*

5 c. *Administrative Costs. The Mayor's Office of Community Development may recoup its*
6 *reasonable administrative costs from the funding appropriated pursuant to this legislation, and may*
7 *authorize an outside administering agency to recoup its reasonable administrative costs as well.*

8 d. *Interest-Bearing Account and Carry Over of Funds. The \$2.5 million appropriated to*
9 *this purpose shall be held in an interest-bearing account. Any interest earned shall be credited to and*
10 *become part of the principal thereof, and shall not be expended for any purpose other than the*
11 *purposes of this legislation. Any balance remaining in this account at the close of any fiscal year shall*
12 *be deemed to have been provided for a specific purpose within the meaning of the Charter and shall be*
13 *carried forward and accumulated in said account for the purposes recited in this legislation.*

1 e. *Funding Priorities. Priority for both capital improvement and acquisition financing will*
2 *be given as follows:*

3 (i) *to applications that benefit more than one nonprofit organization and result in long-term*
4 *affordable space; and*

5 (ii) *to organizations that currently receive funding for operating expenses pursuant to a*
6 *grant or contract with any City department, from any funding source administered by the City, and are*
7 *in good standing with that department; and*

8 (iii) *to organizations primarily serving the citizens of the City and County of San Francisco.*

9
10 APPROVED AS TO FORM:

11 LOUISE H. RENNE, City Attorney

12
13
14 By:


MIRIAM L. STOMBLER
Deputy City Attorney

15
16 FUNDS AVAILABLE:

17
18 By: (see file for signature)

EDWARD M. HARRINGTON
Controller



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails Ordinance

File Number: 001809

Date Passed:

Ordinance appropriating \$3,000,000 from the General Fund Reserve to fund a grant program in the amount of \$500,000 for rent subsidies to non-profit service and advocacy organizations at risk of being evicted or displaced by rent increases, and appropriating \$2,500,000 to fund capital improvements and real property acquisitions by nonprofit organizations, through the Mayor's Office of Community Development, for fiscal year 2000-2001.

-
- October 30, 2000 Board of Supervisors — CALLED FROM COMMITTEE
- November 6, 2000 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE
Ayes: 10 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki
Absent: 1 - Yee
- November 6, 2000 Board of Supervisors — CONTINUED AS AMENDED ON FIRST READING
Ayes: 10 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki
Absent: 1 - Yee
- November 13, 2000 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
- November 13, 2000 Board of Supervisors — AMENDED
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
- November 13, 2000 Board of Supervisors — PASSED ON FIRST READING AS AMENDED
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
- November 20, 2000 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

November 20, 2000 Board of Supervisors — PASSED ON FIRST READING AS AMENDED
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom,
Teng, Yaki, Yee

November 20, 2000 Board of Supervisors — CONTINUED AS AMENDED ON FINAL PASSAGE
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom,
Teng, Yaki, Yee

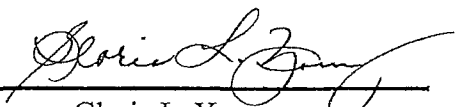
December 4, 2000 Board of Supervisors — FINALLY PASSED
Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom,
Teng, Yaki, Yee

File No. 001809

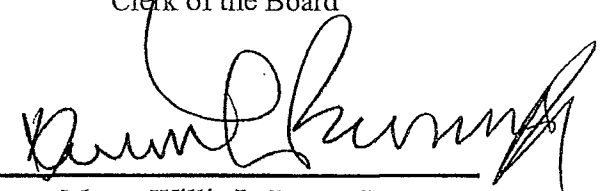
I hereby certify that the foregoing Ordinance
was **FINALLY PASSED** on December 4, 2000
by the Board of Supervisors of the City and
County of San Francisco.

DEC 15 2000

Date Approved



Gloria L. Young
Clerk of the Board



Mayor Willie L. Brown Jr.

Mayor's Office of Housing and Community Development
City and County of San Francisco



Edwin M. Lee
Mayor

Olson Lee
Director

June 16, 2016

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 224
San Francisco, California 94102

RECEIVED
CITY OF SAN FRANCISCO
2016 JUN 28 PM 3:14

RE: Office Lease – 167 Jessie Street

Dear Board Members:

Attached for your consideration is a proposed resolution approving and authorizing the Director of Property to execute an office lease between the City and At The Crossroads, a not-for-profit corporation, for the lease to At The Crossroads of approximately 4,124 square feet of office space on the third and fourth floors of the building located at 167 Jessie Street (commonly known as the "Jessie Hotel"). The office space will be used by At The Crossroads to provide services to transitional age youth. This organization was selected through a competitive procurement process overseen by the Office of Economic and Workforce Development and the Mayor's Office of Housing and Community Development and will provide services in support of transitional age youth and furthers the City's goal to stabilize vital nonprofits at risk of displacement.

The Mayor's Office of Housing and Community Development is supportive of this lease as negotiated by the City's Real Estate Division. If you have any further questions regarding this proposed legislative package, please do not hesitate to contact me or my Deputy Director for Community Development, Brian Cheu, at (415) 701-5584.

Sincerely,

Handwritten signature of Olson Lee in cursive script.

Olson Lee
Director

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: At The Crossroads

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.

(1) Board of directors; Sara Linderman, Jenny Lyell, Catherine Covington, Mandy Stewart, Beth Koeneke, Jeanine Walters, Rachel Marshall, Avner Lapovsky, Whitney Wineroth, Laurie Bernstein, Sherman Leong

(2) Executive Director - Rob Gitin, Associate Director - Nora Brereton

(3) N/A

(4) N/A

(5) No political committees sponsored or controlled.

Contractor address: 333 Valencia St., Suite 320, San Francisco, CA 94103

Date that contract was approved:	Amount of contract: \$5.00 (\$1.00 per year)
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Describe the nature of the contract that was approved:
5-year sublease of 4,124 rentable square feet of office space at 167 Jessie Street in San Francisco for non-profit office purposes

Comments: Nominal Rent; City is not responsible for any costs associated with At The Crossroads' subtenancy

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:	Contact telephone number:
Address:	E-mail:

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

President, District 5
BOARD of SUPERVISORS



BUS-11, COB, Leg Dep.
Dep. O.A., B+F, LM
Mayor's office
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7630
Fax No. 554-7634
TDD/TTY No. 544-5227

London Breed

PRESIDENTIAL ACTION

Date: 7-15-2016

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____ (Primary Sponsor)

Title. _____

Transferring (Board Rule No. 3.3)

File No. 160751 Kim (Primary Sponsor)

Title. Sublease of Non-Profit Office Space Under Ci

From: Budget & Finance Committee

To: Land Use + Transportation Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

2016 JUL 15 PM 2:47
BOARD OF SUPERVISORS
SAN FRANCISCO

London Breed

London Breed, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *EW* Mayor Edwin M. Lee *EC*
RE: Sublease of Non-Profit Office Space under City's Master Lease – At The Crossroads - 167 Jessie Street - \$1 Per Year Base Rent
DATE: June 28, 2016

Attached for introduction to the Board of Supervisors is a resolution authorizing the Sublease between the City and County of San Francisco, as Tenant and Sublandlord, and At The Crossroads, as Subtenant, of 4,124 rentable square feet in the building located at 167 Jessie Street, for an initial term of five years at a base rent of \$1 per year, to commence upon approval by the Board of Supervisors and Mayor, in their respective sole and absolute discretion.

Please note that this legislation is co-sponsored by Supervisor Jane Kim.

I respectfully request that this item be calendared in Budget & Finance Committee on July 13, 2016.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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BY *EW*