

File No. 180563

Committee Item No. 6

Board Item No. 57

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: July 18, 2018

Board of Supervisors Meeting:

Date: July 24, 2018

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| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Prepared by: John Carroll

Date: July 13, 2018

Prepared by: John Carroll

Date: July 20, 2018

1 [Real Property Sublease - HealthRIGHT 360 - 1735 Mission Street - DPH Electronic Health
2 Records Initiative - \$625,617 Initial Annualized Base Rent]

3 **Resolution retroactively authorizing the sublease of approximately 19,975 square feet**
4 **at 1735 Mission Street with HealthRIGHT 360, a California nonprofit corporation, to**
5 **implement a new Electronic Health Record Initiative for the Department of Public**
6 **Health, for a three and a half-year term to commence July 1, 2018, through January 16,**
7 **2022, at the monthly base rent of \$52,135 for an annualized initial base rent of \$625,617**
8 **with a 1% annual increase on each January 17, reimbursement up to \$764,498 to the**
9 **landlord for tenant improvements, and additional charges for utilities and services per**
10 **month.**

11
12 WHEREAS, The Department of Public Health ("DPH") is implementing a new
13 Electronic Health Record initiative ("EHR"); and

14 WHEREAS, EHR requires a limited term software training facility location; and

15 WHEREAS, DPH has a need for community public health training space; and

16 WHEREAS, DPH has a need to co-locate and provide for temporary office space for
17 existing IT operations staff that are ultimately relocating to Laguna Honda Hospital as part of
18 DPH's staff relocation and consolidation strategy; and

19 WHEREAS, HealthRight 360, a California nonprofit corporation, has recently vacated a
20 portion of their former headquarters located at 1735 Mission Street (the "Site"); and

21 WHEREAS, HealthRight 360 has a below current market rate lease for the Site,
22 expiring January 16, 2022, with SF L & W Partnership, a California partnership (the "HR360
23 Lease"); and

24 WHEREAS, The Real Estate Division on behalf of DPH has negotiated a sublease,
25 substantially in the form on file with the Clerk of the Board of Supervisors in File No. 180563

1 which is hereby declared to be a part of this Resolution as if set forth fully herein (the
2 "Sublease"), to sublease a portion of the Site for use by the EHR training program and IT
3 operations staff at the below market rate lease of the HR360 Lease; now, therefore, be it

4 RESOLVED, That the Director of Property is hereby authorized to take all actions, on
5 behalf of the City and County of San Francisco, as Sublessee, enter into Sublease and other
6 related documents with HealthRight 360, a California nonprofit corporation ("Sublessor"), to
7 be approved by SF L & W Partnership, a California partnership, for approximately 19,975
8 rentable square feet of a portion of the building commonly known as 1735 Mission Street; and,
9 be it

10 FURTHER RESOLVED, The annual base rent for the period from July 1, 2018, to
11 January 16, 2019, shall be \$625,617 (approximately \$31.32 per usable square foot per year)
12 and the base rent shall increase annually at a rate of 1% annually on each January 17; and,
13 be it

14 FURTHER RESOLVED, As set forth in the Sublease, the City shall pay for (i) its
15 prorata share, 43.4%, of Site operating expenses and (ii) reimbursement to Sublessor for up
16 to \$764,498 for tenant improvements; and, be it

17 FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with
18 respect to the Sublease are hereby approved, confirmed and ratified; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
20 Property to enter into any amendments or modifications to the Sublease (including without
21 limitation, the exhibits) that the Director of Property determines, in consultation with the City
22 Attorney, are in the best interest of the City, do not materially increase the obligations or
23 liabilities of the City, do not materially decrease the benefits to the City, or are necessary or
24 advisable to effectuate the purposes of the Sublease or this Resolution, and are in compliance
25 with all applicable laws, including City's Charter; and, be it

1 FURTHER RESOLVED, That the City shall occupy the subleased portion of the
2 Building for the full term of the Sublease unless funds for the City's rental payments are not
3 appropriated in any subsequent fiscal year at which time City may terminate the Sublease
4 with reasonable advance written notice to Landlord; and, be it

5 FURTHER RESOLVED, Such termination shall then be effective upon surrender of the
6 Premises; and, be it

7 FURTHER RESOLVED, Said Sublease shall be subject to certification as to funds by
8 the Controller, pursuant to Charter, Section 3.105; and, be it

9 FURTHER RESOLVED, That within thirty (30) days of the execution of the Sublease,
10 the Director of Property shall provide a copy to the Clerk of the Board for the Board's file.

11
12 Signatures on next Page

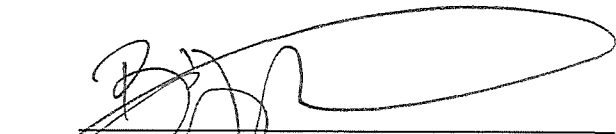
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PS Project ID: 10032706
Authority ID: 20031
Account ID: 530110
Activity ID: 0001

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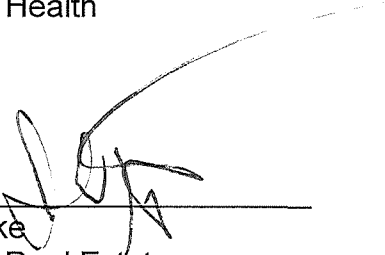


Controller
Subject to enactment of the 2018/2019 Annual
Appropriation Ordinance

RECOMMENDED:



Barbara A. Garcia
Director of Health




John Updike
Director of Real Estate

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

July 13, 2018

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst 

SUBJECT: July 18, 2018 Government Audit and Oversight Committee Meeting

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<p>Item 6 File 18-0563</p>	<p>Department: Department of Public Health (DPH)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves a new sublease between the Department of Public Health (DPH), as subtenant, and HealthRIGHT 360, as sublessor, for approximately 19,975 square feet of space at 1735 Mission Street. The lease will be for a 3.5 year term from approximately July 1, 2018 through January 16, 2022, with no options to extend.

Key Points

- DPH is developing a new electronic health records (EHR) system that unifies all hospitals and clinics under a single system. The Department is in need of nine additional training rooms, primarily during calendar year 2019, to train staff on the new EHR system.
- HealthRIGHT 360, a non-profit organization, has space available at 1735 Mission Street under a below current market rate lease that will expire on January 16, 2022.
- DPH plans to use the subleased HealthRIGHT 360 space for the nine training spaces at 1735 Mission Street, as well as administrative space for trainers and IT operations staff.

Fiscal Impact

- Based on the rate of \$31.32 per square foot per year or \$625,617 per year for the initial annual rate, plus proposed tenant improvements of \$764,498 and operations costs of \$812,429, the proposed sublease will cost a total of \$3,830,442 over the approximately three and one-half year lease term through January 16, 2022.

Policy Consideration

- The primary need for the space at 1735 Mission Street is for a six-month period in 2019 for EHR system training. The need for the space after the conclusion of the six-month EHR training period is less well defined.
- 1735 Mission Street is zoned for Production, Distribution, and Repair, which limits the City's ability to use the space to meet its need for temporary office space during the remaining term of the sublease after the six-month EHR training period is completed.

Recommendation

- Because the City's actual need for the subleased space after the six-month EHR training is not sufficiently shown, and the zoning of the location limits the City's ability to use the space efficiently, the Budget and Legislative Analyst considers approval of the proposed sublease to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the proposed sublease, the Board should request that, once the training space is no longer needed for EHR training, the Director of Real Estate further evaluate options to use the space at 1735 Mission Street to better meet the City's need for temporary space, and make more efficient use of the 1735 Mission Street space for City purposes for the remainder of the sublease term.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$15,000 or more per month and where the City is the tenant is subject to Board of Supervisors approval.

BACKGROUND

As outlined in the City’s Information and Communication Technology (ICT) Plan, Fiscal Years 2018-2022, the Department of Public Health (DPH) is in the process of developing a new electronic health records (EHR) system that unifies all hospitals and clinics under a single system, which will allow DPH to transition to performance-based medicine and better track patients and service delivery outcomes. Funding for the new EHR system was recommended by the Committee on Information Technology in the FY 2018-2022 ICT Plan as part of the Major IT Projects Allocation. Table 1 below outlines the major project milestones and targets by fiscal year, beginning in FY 2017-18 and continuing through FY 2021-22.

Table 1: Unified EHR System Rollout

Fiscal Year	Milestone/Target
FY 2017-18	EHR solution selection, contracting, governance, implementation readiness, discovery and design
FY 2018-19	Phase I build, test, train
FY 2019-20	Go-live Phase I; Phase II build, test, train; Go-live Phase II
FY 2020-21	Stabilization Phase II; Optimization Phase I; Phase III
FY 2021-22	Optimization and operations

Source: ICT Plan, FY 2018-2022

According to Ms. Sandi Levine, Project Manager of the Real Estate Division, DPH has been investigating dedicated training room options to train staff for approximately three years and estimates needing approximately 16 dedicated training rooms in FY 2018-19 and FY 2019-20, and as needed through FY 2021-22. Seven spaces have been allocated for use as training rooms on the Zuckerberg San Francisco General and Laguna Honda campuses, leaving the Department in need of nine additional training rooms.

HealthRIGHT 360, a non-profit organization that contracts with DPH to provide healthcare services, has a below current market rate lease for 1735 Mission Street with SF L&W Partnership that will expire on January 16, 2022. HealthRIGHT 360 has purchased 1563 Mission Street and has moved some of its services to that location from 1735 Mission Street, leaving space at the 1735 Mission Street location through 2022. Under the proposed resolution, DPH plans to use the available space at 1735 Mission Street to locate the remaining nine dedicated training spaces as well as ancillary administrative space for trainers and IT operations staff. This location would support training for users who are able to leave the hospital campuses and users who are located at DPH’s clinical sites across the City.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves a new sublease between the Department of Public Health, as subtenant, and HealthRIGHT 360, as sublessor, for approximately 19,975 square feet of space at 1735 Mission Street. The lease will be for a three and one-half year term commencing upon approval by the Board of Supervisors and the Mayor, from approximately July 1, 2018 through January 16, 2022, with no options to extend. The initial rent will be \$52,135 (\$2.61 per square foot) per month, or \$625,617 (\$31.32 per square foot) annually, and will increase each January 17th by one percent. The City will also be responsible for 43.4 percent of operating expenses and for reimbursement to HealthRIGHT 360 for up to \$764,498 for tenant improvements.

Table 2 below summarizes the terms and conditions of the proposed sublease.

Table 2: Terms and Conditions of Proposed Sublease

Lease period	Estimated July 1, 2018 through January 16, 2022
Size of property	19,975 square feet
Base rent paid by tenant	\$625,617 per year (\$31.32 per square foot)
Annual rent adjustments to base rent	1.0 percent annually each January 17 th
Options to extend the lease	None
Tenant improvement plan	City is responsible for reimbursement to sublessor of up to \$764,498 for tenant improvements related to the development of nine training rooms
Operating costs (utilities, janitorial, maintenance, security)	City is responsible for a pro-rata share not to exceed 43.4 percent of operating costs, estimated at \$812,429 for the entire lease period

General Plan conformance

The Planning Department, through the General Plan Referral letter dated April 9, 2018, verified that the project is, on balance, in conformity with the General Plan and the eight priority policies under Planning Code, Section 101.1.

Use of space

Training space

The Department proposes to use 67 percent of the space at 1735 Mission Street as an EHR and job training space, including the creation of nine training classrooms. According to Ms. Levine, the bulk of the EHR training will be needed for approximately six months during the second lease year (January 17, 2019 through January 16, 2020). In later years when the training spaces are no longer needed for EHR training, the Department proposes to use the facilities as training spaces for community and job trainings, including emergency medical services training, behavioral health training for students in public health and medical schools, the IT Information System Trainee Program, and others. The Department currently holds these trainings in a variety of City conference rooms and rented spaces, except for the emergency medical services training, which is a new program and is in need of identified training space.

Staff space

The remaining 33 percent of the space at 1735 Mission Street will house:

- DPH IT operations services units, which will support training activities and EHR implementation and are slated for consolidation at Laguna Honda Hospital in 2022.
- 99 full-time equivalent (FTE) staff:
 - 55 IT business services and service management staff, who are proposed to relocate from 1360 Mission Street. These 55 FTEs will move to the Laguna Honda campus in 2022 when the proposed sublease expires.
 - 24 EHR-related contractors. According to Ms. Levine, these contractors are in the process of being hired.
 - 20 on-the-job trainees, as part of the IT Information System Trainee Program wherein paid interns receive a combination of technical training and on-the-job experience under the mentorship of professional staff at the Department of Public Health IT unit.

The 55 FTEs in IT operations are proposed to move from 1360 Mission Street to 1735 Mission Street before moving to their ultimate location on the Laguna Honda campus because the City's lease at 1360 Mission Street will expire before the Laguna Honda location will be ready 2022. According to Ms. Claudia Gorham, Deputy Managing Director of the Real Estate Division, the lease at 1360 Mission Street cannot be extended through 2022 because the landlord desires to develop the parcel. For the remainder of the lease, the vacated space at 1360 Mission Street will be used to house the software development team building and implementing the EHR system, because those positions will not be needed after the project is completed.

FISCAL IMPACT

Based on the rate of \$31.32 per square foot per year or \$625,617 per year for the initial annual rate, plus proposed tenant improvements of \$764,498 and operations costs of \$812,429, the proposed sublease will cost a total of \$3,830,442 over the approximately three and one-half year lease term through January 16, 2022, as shown in Table 3 below. Tenant improvement costs will be incurred in the first lease year for the creation of the nine training spaces. Operating costs are comprised of monthly utilities (electricity and water), janitorial, after-hours access, property management, and security alarm monitoring.

Table 3: Total Costs of Proposed Sublease

	Year 1 (6.5 months)	Year 2 (12 months)	Year 3 (12 months)	Year 4 (12 months)	Total
	7/1/18 - 1/16/19	1/17/19 - 1/16/20	1/17/20 - 1/16/21	1/17/21 - 1/16/22	7/1/18 - 1/16/22
Annual rate psf ^a	\$31.32	\$31.63	\$31.95	\$32.27	-
Annual rent	338,876	631,873	638,192	644,574	2,253,515
Operations cost estimate ^b	108,017	290,040	205,560	208,812	812,429
Tenant improvement costs	764,498	-	-	-	764,498
Total for lease year	\$1,211,391	\$921,913	\$843,752	\$853,386	\$3,830,442

Source: Real Estate Division

^a The rate per square foot increases by 1.0 percent each January 17th.

^b Operations costs are estimated to be higher in year 2 of the lease to account for extra after-hours access for EHR trainings, as the Department anticipates holding trainings during year 2 from 6am to 11pm.

1735 Mission Street is zoned for PDR-1-G (Production, Distribution, and Repair – 1 – General). According to Ms. Levine, the sublease rate of \$31.32 per square foot in the first year is below fair market rent for PDR space.

According to Ms. Levine, the costs associated with this sublease have been included in DPH's proposed FY 2018-19 and FY 2019-20 budgets.

POLICY CONSIDERATION

The proposed sublease for 1735 Mission Street is from approximately July 2018 to January 2022, a term of three years and six months. Based on information provided by DPH, the primary need for the space at 1735 Mission Street is for the approximate six-month period in calendar year 2019 when DPH will conduct training for all staff on the new electronic health record system. The need for the space after the end of EHR training in 2019 through the end of the sublease in January 2022¹ is less well defined. While the Real Estate Division has stated that the space could be used for other training programs, most of these programs are currently conducted in available City space.

Also, the use of the space for City purposes is limited because 1735 Mission Street is zoned as a PDR, and therefore cannot be used to meet the City's office space needs.

Because the City's actual need for the subleased space after the six-month EHR training is not sufficiently shown, and the zoning of the location limits the City's ability to use the space efficiently, the Budget and Legislative Analyst considers approval of the proposed sublease to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the proposed sublease, the Board should request that, once the training space is no longer needed for EHR training, the Director of Real Estate further evaluate options to use the space at 1735 Mission Street to better meet the City's need for temporary space, and make more efficient use of the 1735 Mission Street space for City purposes for the remainder of the sublease term.

¹ According to DPH staff, the need for EHR training will be ongoing for new staff, refresher training, etc. However, DPH will have seven training rooms that can be used for ongoing training.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors. If the Board of Supervisors approves the proposed sublease, the Board should request that, once the training space is no longer needed for EHR training, the Director of Real Estate further evaluate options to use the space at 1735 Mission Street to meet the City's need for temporary space, and make more efficient use of the 1735 Mission Street space for City purposes for the remainder of the sublease term.

OFFICE SUBLEASE

between

HealthRIGHT 360, a California nonprofit public benefit corporation,
as Sublessor

and

CITY AND COUNTY OF SAN FRANCISCO,
as Sublessee

For the Sublease of
a portion of the premises at 1753 Mission Street
San Francisco, California

February 15, 2018

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LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A – Floor Plan(s) of Premises
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Rules and Regulations
- EXHIBIT D – Improvement Plan
- EXHIBIT E – Consent to Sublease

OFFICE SUBLEASE

THIS OFFICE SUBLEASE (this "Sublease"), dated for reference purposes only as of February 15, 2018, is by and between HealthRIGHT 360, a California nonprofit public benefit corporation ("Sublessor"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Sublessee"). SF L & W Partnership, a California limited partnership, ("Master Landlord") has signed Exhibit E to this Sublease as evidence of approval.

Sublessor 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.

Sublease Reference Date:	February 15, 2018
Sublessor:	HealthRight360, a California Nonprofit Corporation
Sublessee:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	1735 Mission Street
Premises (<u>Section 2.1</u>):	See Attached Floor plan
Rentable Area of Premises (<u>Section 2.1</u>):	19,975sq. ft.
Term (<u>Section 3</u>):	Estimated commencement date: July 1, 2018 Expiration date: January 16, 2022
Extension Options (<u>Section 3.4</u>):	NONE
Base Rent (<u>Section 4.1</u>):	Annualized Base Rent: \$625,617.00(\$31.32 per sq. ft.) Monthly payments: \$52,135.00 (\$2.61 per sq. ft.)
Adjustment Dates (<u>Section 4.2</u>):	January 17 th of 2019, 2020, and 2021
Additional Charges (<u>Section 4.3</u>):	43.4% [square footage subleased by City: 19,975] divided by [square footage leased by HealthRIGHT360 from Landlord per Amendment #10 to Original Lease: 46,078] of Sublessor's monthly payment to Landlord for

	Utilities and Janitorial services. Parking is not included in this Sublease.
Base Year (<u>Section 4.4</u>):	7/1/18 to 1/16/19
Security Deposit	Equal to 1 month of rent. \$52,135.00 Payable to Sublessor with the first month's rent.
City's Percentage Share (<u>Section 4.4</u>):	Included in Additional Charges
Use (<u>Section 5.1</u>):	Job Training
Subleasehold Improvements (<u>Section 6</u>)	SEE ATTACHED
Utilities (<u>Section 9.1</u>):	Included in Additional Charges
Services (<u>Section 9.2</u>):	Included in Additional Charges
Notice Address of Sublessor (<u>Section 23.1</u>):	HealthRIGHT 360 1563 Mission Street San Francisco, CA 94103
Key Contact for Sublessor:	Tony Duong
Sublessor Contact Telephone No.:	415-725-2807
Notice Address for Sublessee (<u>Section 23.1</u>):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, California 94102 Attn: John Updike, Director of Property Re: [1563 Mission DPH Sublease] Fax No.: (415) 552-9216
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: _____ Deputy City Attorney Re: 1563 Mission DPH Sublease
Key Contact for Sublessee:	Lisa Zayas-Chien
Sublessee Contact Telephone No.:	415-554-2889
Alternate Contact for Sublessee:	

Alternate Contact Telephone No.:

Brokers (Section 23.8): Not Applicable

Other Noteworthy Provisions (Section 22): NONE

2. PREMISES

2.1 Sublease Premises

Sublessor subleases to City and City subleases from Sublessor, subject to the provisions of this Sublease, those premises in the building identified in the Basic Sublease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Sublease Information.

2.2 Common Areas

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

2.3 Disability Access

California Civil Code Section 1938 requires commercial Sublessors to disclose to Sublessees whether the property being Subleased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements.:

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

3. TERM

3.1 Term of Sublease

The Premises are Subleased for an initial term (the "Initial Term") commencing on the date specified in the Basic Sublease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date or earlier date, City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Sublease, in their respective sole and absolute discretion, as further provided in this Sublease. The Initial Term of this Sublease shall end 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 City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option(s)), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term if City exercises the Extension Option as provided below.

3.2 Commencement Date and Expiration Date

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

3.3 Delay in Delivery of Possession

Sublessor shall use its best efforts to deliver possession of the Premises on or before the Estimated Commencement Date. However, if Sublessor is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Sublease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Sublessor has delivered the Premises as required under this Sublease. If the Term commences later or earlier than the Estimated Commencement Date, this Sublease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Sublease. If Sublessor is unable to deliver possession of the Premises to City as required hereunder within sixty (60) days after the Estimated Commencement Date, then City may, at its option, terminate this Sublease, without any further liability under this Sublease, upon written notice to Sublessor.

3.4 Extension Option(s)

INTENTIONALLY OMITTED

4. RENT

4.1 Base Rent

Beginning on the Commencement Date, City shall pay to Sublessor during the Term the annual Base Rent specified in the Basic Sublease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly payments on or before the 1st day of each month, in advance, at the address specified for Sublessor in the Basic Sublease Information, or such other place as Sublessor 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 Sublease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30)-day month.

4.2 Adjustments in Base Rent

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

On each Adjustment Date, the Base Rent for the following twelve month period shall be adjusted to equal One percent (1%) of the Base Rent for the Sublease year preceding such Adjustment Date.

4.3 Additional Charges

City shall pay to Sublessor any charges or other amounts required under this Sublease as additional rent ("Additional Charges"), including the charges for Operating Costs and Real Estate Taxes provided for herein below. All such Additional Charges shall be payable to Sublessor at the place where the Base Rent is payable. Sublessor shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as

"Rent." Each month during the term of the sublease, Sublessee shall pay Sublessor based on an estimate of monthly operating expenses prepared by the Sublessor. Each 12 months after the lease commence date, the actual monthly operating expenses shall be trued up to the estimated operating expenses. The Sublessor may modify the estimated monthly operating expenses to more closely reflect actual operating expenses.

With regard to Suites 2300 & 3300, during the first two months following the lease commencement date, if there is not a need for janitorial services during this period while these suites are being configured for I.T. needs, then Sublessor shall not be responsible for payment for janitorial services for these suites during this two month period.

With regard to Suites 3138, 3152, & 3280, during the first five months following the lease commencement date, if there is not a need for janitorial services while the improvement plan work is underway and clean-up services are already being provided by the general contractor for the improvement plan, then Sublessor shall not be responsible for payment for janitorial services for these suites during this five month period.

4.4 Definitions

For purposes hereof, the following terms shall have the meanings hereinafter set forth:

- (a) "Base Year" means the year specified in the Basic Sublease Information.
- (b) "City's Percentage Share" means the percentage specified in the Basic Sublease Information.
- (c) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Sublease commences; provided that Sublessor, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Operating Costs shall be equitably adjusted for the Expense Years involved in any such change. Expense Year shall not include the Base Year.
- (d) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Sublessor in connection with the management, operation, maintenance and repair of the Building, including, but not limited to: (1) the cost of air conditioning, electricity, steam, water, heating, mechanical, telephone, ventilating, escalator and elevator systems and all other utilities, (2) the cost of repairs and all labor and material costs related thereto, and the cost of general maintenance, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost incurred by Sublessor for all insurance required to be carried on the Building or the use or occupancy thereof, (4) wages, salaries, payroll taxes and other labor costs and employee benefits relating to employees of Sublessor or its agents engaged in the operation, repair, or maintenance of the Building, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (5) reasonable management fees, (6) fees, charges and other costs of all independent contractors engaged by Sublessor, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (7) accounting and legal expenses, (8) depreciation on personal property, including, without limitation, carpeting in public corridors and Common Areas and window coverings provided by Sublessor, (9) the fair market rental value of offices in the Building for the property manager, (10) the cost of capital improvements made to the Building after completion of its construction as a labor-saving or energy saving device or to effect other economies in the operation or maintenance of the Building and which benefit the Premises, or made to the

Building after the date of this Sublease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Sublessor's deliberate or negligent violation of such law, rule or regulation, and except to the extent such improvements are attributable to or are made for the primary benefit of a Sublessee or occupant other than City, and (11) any other expenses reasonably incurred in connection with the management, operation, maintenance or repair of the Building (other than Real Estate Taxes and any services for which Sublessor is separately and directly reimbursed by City or other Sublessees in the Building) which would, under generally accepted accounting principles, be considered an operating expense. The computation of Operating Costs shall be made in accordance with generally accepted accounting principles. With respect to the costs of items included in Operating Costs under (10), such costs shall be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to three (3) percentage points over the Treasury Rate charged at the time such item is constructed, but not more than the maximum rate permitted by law at the time such item is constructed.

In the event that in the Base Year for Operating Costs or in any Expense Year the Building is less than ninety-five percent (95%) occupied, the Operating Costs shall be appropriately adjusted to reflect a ninety-five percent (95%) occupancy level. In no event shall Sublessor recapture more than one hundred percent (100%) of the Operating Costs in any Expense Year.

(e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the portion of the Building owned by Sublessor, or Sublessor's interest in the Building. 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 thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Sublessor by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and 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.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, gross receipts, or capital stock taxes or income taxes of Sublessor from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Sublessor 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, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other Sublessee or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Sublessor's interest in the Building or the real property on which the Building is located.

(f) "Tax Year" means each calendar year during the Term, including any partial year during which this Sublease may commence; provided that Sublessor, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change. Tax Year shall not include the Base Year.

4.5 INTENTIONALLY OMITTED

4.6 INTENTIONALLY OMITTED

4.7 Proration

If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year or Expense Year, City's Percentage Share of Real Estate Taxes or Operating Costs for the Tax Year or Expense Year in which the Commencement Date or Expiration Date occurs, shall be prorated based on a three hundred sixty-five (365)-day year.

4.8 Audits

City shall have the right, upon not less than five (5) business days' notice to Sublessor, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of City's Percentage Share of Operating Costs for any Expense Year, Sublessor shall immediately refund to City the amount of any overpayment by City. City shall pay the cost of such audit, provided that if such audit discloses any discrepancies which result in a reduction of City's Percentage Share of Operating Costs of three percent (3%) or more for any Expense Year, then Sublessor shall pay the costs of such audit.

4.9 Records

Sublessor shall maintain at the Building or at its offices in San Francisco in a safe, complete and organized manner all of its records pertaining to this Sublease and Real Estate Taxes, Operating Costs and any other charges paid by City pursuant hereto, for a period of not less than three (3) years following expiration of the Term. Sublessor shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof. All such books and records shall be available for inspection, copying and audit by City and its representatives, at City's expense, subject to the provisions of Section 4.8 (Audits).

5. USE

5.1 Permitted Use

City may use the Premises for job training, and for no other use without the prior written consent of Sublessor, which shall not be unreasonably withheld or delayed. In order for Sublessor to provide written consent to a change in use, Sublessor needs to obtain prior written consent from the Master Landlord.

5.2 Observance of Rules and Regulations

City shall observe Sublessor's reasonable rules and regulations for the Building subject to the provisions of this Sublease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit C (the "Rules and Regulations"). Sublessor may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Sublessor's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Sublessor's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building Sublessees, are not in conflict with the provisions of this Sublease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Sublease expressly states are to be provided to City at

no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 (Permitted Use) hereof. Sublessor shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building Sublessees to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Sublessor to any other Sublessee in the Building with respect to the Rules and Regulations, and Sublessor shall notify City of any such waiver or special dispensation.

5.3 Interference with Access

Sublessor shall provide to City access to the Building and the Premises according to the terms described in Exhibit C (the "Rules & Regulations"). Consistent with the Rules and Regulations, Sublessor shall also provide access during any power outages affecting the Premises or any portion of the Building; provided, however, that Sublessor may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Sublessor's failure to comply with its obligations under this Sublease or for any other reason other than City's default hereunder, then Sublessor shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for two (2) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Sublessor shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Sublease to terminate this Sublease, unless Sublessor supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. SUBLEASEHOLD IMPROVEMENTS

6.1 Sublessor's Obligation to Construct Improvements

Sublessee is accepting the Premises in its "As Is" condition. Sublessor shall accommodate Sublessee's request for improvements. Such improvements are described in Exhibit D to this Sublease which is the Improvement Plan. Sublessee and Sublessor acknowledge that the Improvement Plan shown in Exhibit D will be further refined by working with an architect to create plans and specifications ("Plans and Specifications"). Such Plans and Specifications are subject to the review and approval of the Master Landlord. The Sublessor and the Master Landlord agree in principle with the Improvement Plan as described in Exhibit D. Sublessor, through its general contractor approved by Master Landlord and City, shall perform the work described in the Plans and Specifications. Such work and installations are referred to as the "Subleasehold Improvement Work" and "Subleasehold Improvements."

(a) Permits

Sublessor shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Subleasehold Improvement Work. Such costs shall be reimbursed by the City according to the process described in Section 6.1 of this Sublease (See Section 6.1 (d)). Sublessor shall apply for any permits, approvals or licenses necessary to complete such construction and shall provide copies to City promptly following receipt thereof. Sublessor shall be responsible for arranging for all inspections required by City's Department of Building Inspection.

(b) Construction

Sublessor shall obtain necessary permits and approvals and use commercially reasonable best efforts to ensure that construction is commenced and completed in a timely manner. Sublessor shall cause the Subleasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Sublessor shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Subleasehold Improvements. Without limiting the foregoing, construction of the Subleasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Sublessor shall pay prevailing wages in connection with construction of the Subleasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages and Working Conditions), below, and shall not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), below.

(c) Construction Schedule; Substantial Completion

The Subleasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Sublease when the Subleasehold Improvements shall have been substantially completed in accordance with the Improvement Plan (Exhibit D) so that City can occupy the Premises and conduct its business for its intended uses, Sublessor has obtained from the San Francisco Department of Building Inspection sign off on the building permit for the Subleasehold Improvements and City, through its Director of Property shall have approved the Subleasehold Improvements. City may, at its option, approve the Subleasehold Improvements even though there may remain minor details that would not interfere with City's use. Sublessor shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall

have the right to present to Sublessor within thirty (30) days after acceptance of the Subleasehold Improvements, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Improvement Plan (Exhibit D). Sublessor shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Sublessor's responsibility hereunder to complete all Subleasehold Improvement Work in accordance with the Improvement Plan (Exhibit D), nor constitute any waiver of any latent defects.

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

(d) Payment for Subleasehold Improvements

The Sublessee shall be responsible for all payments related to the Subleasehold Improvements. The budget for the Subleasehold Improvements is shown in Exhibit D to this Sublease. Sublessor shall enter into a contract with an architect to prepare Plans and Specifications based on Exhibit D and meetings with the Sublessor and Sublessee. After Sublessee has signed off on the Plans and Specifications prepared by an architect for the Subleasehold Improvements, Sublessor shall enter into a contract with a general contractor approved by the Master Landlord and City. On a monthly basis, the Sublessor shall prepare payment applications which include invoices from both the architect and the general contractor and other invoices related to the Subleasehold Improvements. The Sublessee shall pay the Sublessor within 30 days from the date that each payment application is submitted. The Sublessor will then pay the general contractor, architect & other vendors after receiving funds from the Sublessee for a given payment application. Prior to beginning work on the improvement plan, the general contractor will be paid a deposit equal to twenty percent (20%) of the total amount of the general contractor contract. Sublessor shall submit an invoice for this deposit to the City and City shall pay the invoiced deposit amount to the Sublessor who shall in turn pay the deposit to the general contractor.

6.1 Construction of Subleasehold Improvements

Sublessor will obtain from the San Francisco Department of Building Inspection sign off on the building permit for the Subleasehold Improvements, and shall perform the work and make the installations in the Premises and the Common Areas pursuant to the Improvement Plan attached hereto as Exhibit D. All work and installations performed pursuant to the Improvement Plan are referred to as "the Subleasehold Improvement Work" and "Subleasehold Improvements."

6.2 Installation of Telecommunications and Other Equipment

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

Subleasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner. Notwithstanding the foregoing, the Master Landlord has the right, at its sole discretion, to approve any required telecommunications, data, and computer cabling work in the Building that is outside of the Premises and that is performed by the general contractor or the City. In addition, the Master Landlord may charge the Sublessor after-hour fees for any work done outside of the Building's normal hours of operation which are Monday through Friday from 8:00 am to 5:00 pm, excluding holidays. To the extent that such after-hours fees are due to work performed by or on behalf of the Sublessee, the Sublessee shall be responsible for the payment of such fees.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

Sublessor, 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). Sublessor 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. Sublessor 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 Sublessee under this Sublease and similarly that notice under this Sublease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Sublessor 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. Sublessor 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 Sublessor's written consent, which Sublessor shall not unreasonably withhold or delay. Such Alterations are subject to the review and approval of the Master Landlord. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, shall not constitute Alterations requiring Sublessor's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Sublessor shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Sublessor shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the

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

7.2 Title to Improvements

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

7.4 Alteration by Sublessor

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

8. REPAIRS AND MAINTENANCE

8.1 Sublessor's Repairs

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

or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

8.2 City's Repairs

Subject to Sublessor's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Sublessor's completion of the Subleasehold Improvements, and Sublessor's repair and maintenance obligations hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Sublessor specifies in writing **(i)** at City's cost, **(ii)** by contractors or mechanics selected by City and reasonably approved by Sublessor, **(iii)** so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, **(iv)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and **(v)** in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Sublease, Sublessor 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.

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. Sublessor shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Sublessor, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Sublessor 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 Sublessor's Provision of Utilities

Sublessor shall furnish the following utilities and services to the Premises: **(a)** heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises, during the period from 8:00 a.m. to 5:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; **(b)** electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); **(c)** elevator service on a Daily Basis; and **(d)** water for lavatory, kitchen and drinking purposes on a Daily Basis. During the Term, Sublessor shall provide freight elevator service upon City's reasonable request. Without limiting Sublessor's obligations hereunder, Sublessor shall furnish all utilities and services required under this Sublease in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Building in the San Francisco Civic Center District. Utilities are an Operating Cost and an additional charge (see sections 4.3 and 4.4 of this Sublease).

9.2 Services

(a) Janitorial Service

Janitorial Service is an Operating Cost and an additional charge (see sections 4.3 and 4.4 of this Sublease).

9.3 Conservation

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

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Sublessor hereunder, Sublessor shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Sublessor is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Sublessor impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Sublessor or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Sublessor, then the Rent shall be abated based on the extent such inability of Sublessor impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this 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 City's ability to carry on its business in the Premises. Sublessor shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Sublease upon written notice to Sublessor, unless Sublessor supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Sublessor's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Sublessor represents and warrants to City, and covenants with City, as follows To the best of Sublessor's knowledge: **(a)** the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Subleasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks and drinking fountains) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); **(b)** the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(c)** the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety

(including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Sublessor shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Sublessor's Indemnity), Sublessor shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Sublessor under this Section.

10.2 City's Compliance with Laws; Indemnity

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

10.3 City's Compliance with Insurance Requirements

City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Sublessor 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 Sublessor 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, Sublessor 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 Sublease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground Subleases or other underlying Subleases that may hereafter be executed affecting Sublessor's interest in the Property, or any portion thereof, and

(b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Sublessor in any amount for which any part of the Property, any ground lease or underlying lease, or Sublessor's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Sublease be superior to any such instrument, 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. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Sublease.

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

12. DAMAGE AND DESTRUCTION

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

Within twenty (20) days after the date of such damage, Sublessor shall notify City whether or not, in Sublessor's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this 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 Sublessor. 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. Sublessor shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

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

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

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Sublessor and City 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.

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 Sublessee 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 Sublease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Sublease, the rights and obligations of the parties hereunder shall be determined pursuant to this Section. City and Sublessor 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 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 Sublessor 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 Sublessor 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 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 Sublease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

13.5 Termination of Sublease; Rent and Award

Upon termination of this Sublease in its entirety pursuant to Section 13.3 (Total Taking; Automatic Termination), or pursuant to an election under Section 13.4 (Partial Taking; Continuation of Sublease) above, then: (a) City's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) Sublessor 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 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 (Partial Taking; Continuation of Sublease) 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) Sublessor 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 Sublease shall remain unaffected thereby, and City 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, City shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by City for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

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

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 Sublessor, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Sublessor;

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

(c) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) and to cure such non-performance within thirty (30) days of the date of receipt of notice thereof from Sublessor, 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 Sublessor's Remedies

Upon the occurrence of any event of default by City that is not cured within the applicable grace period as provided above, Sublessor 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 Sublessor 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 Sublessor does not terminate City's right to possession, if City has the right to sublet or assign, subject only to reasonable limitations.

15.3 Sublessor's Default

If Sublessor fails to perform any of its obligations under this Sublease, then (without limiting any of City's other cure rights under this Sublease) City may, at its sole option, cure such default at Sublessor's expense if such default continues after ten (10) days from the date City gives notice Sublessor of City's intention to perform such cure. However, in the case of a default which for causes beyond Sublessor's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period shall be extended if Sublessor, promptly upon receipt of City's notice, advises City of Sublessor's intention to take all steps required to cure such default, and Sublessor promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Sublease relating to abatement of Rent, if Sublessor fails to cure any default within the cure period provided above, then, whether or not City elects to cure Sublessor's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Sublessor 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 Sublease upon written notice to Sublessor 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 Utilities or 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") Sublessor and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Sublease, or (c) any negligent acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Sublessor, Sublessor or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Sublessor, Sublessor or its Agents. In any action or proceeding brought against Sublessor, Sublessor 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 Sublessor or Sublessor 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 Sublease.

16.2 Sublessor's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Sublessor's Insurance

At all times during the Term, Sublessor 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. Sublessor 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. Sublessor 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 Sublessor's property insurance.

In addition, Sublessor, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: **(a)** Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and **(b)** Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident. All insurance policies required to be maintained by Sublessor hereunder shall be endorsed to provide for thirty (30) days' prior written notice of cancellation for intended non-renewal, or reduction in coverage to Sublessor.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary in this Sublease, Sublessor hereby waives any right of recovery against City for any loss or damage relating to the Building or the Premises or any operations or contents 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 that Sublessor is required to purchase under this Sublease or is otherwise actually recovered from insurance held by Sublessor or its agents. Sublessor agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises; provided, Sublessor's failure to do so shall not affect the above waiver.

18. ACCESS BY SUBLESSOR

Sublessor 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 Sublessor 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 Sublessor hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Sublease, Sublessees, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Sublessor may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

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

20. SURRENDER OF PREMISES

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

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

21.3 Sublessor's Environmental Indemnity

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

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4 (City's Covenants), or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Sublessor against any and all Claims arising during or after the Term of this Sublease as a result of such Release, except to the extent Sublessor or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. SPECIAL PROVISIONS

INTENTIONALLY OMMITTED

23. GENERAL PROVISIONS

23.1 Notices

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, to: **(a)** City at Sublessee's address set forth in the Basic Sublease Information; or **(b)** Sublessor at Sublessor's address set forth in the Basic Sublease Information; or **(c)** such other address as either Sublessor or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic 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.

23.2 No Implied Waiver

No failure by either party to insist upon the strict performance of any obligation of the other party under this 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 Sublessor while City is in default hereunder shall constitute a waiver of such default by Sublessor. 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 Sublessor or City 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.

23.3 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 Sublessor, 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 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 (Permitted Use) 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.

23.4 Authority

If Sublessor is a corporation, limited liability company or a partnership, each of the persons executing this Sublease on behalf of Sublessor does hereby covenant and warrant that Sublessor is a duly authorized and existing entity, that Sublessor has and is qualified to do business in California, that Sublessor has the full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Sublessor are authorized to do so. On City's request, Sublessor shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

23.5 Parties and Their Agents; Approvals

If applicable, the word "Sublessor" 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 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 Sublease, 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 Sublease, subject to any applicable limitations in the City's Charter.

23.6 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 Sublessor 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.

23.7 Successors and Assigns

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

23.8 Brokers

No 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 Sublease 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 Sublessor pursuant to a separate written agreement between Sublessor 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.

23.9 Severability

If any provision of this Sublease or the application thereof to any person, entity or circumstance shall 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, except to the extent that enforcement of this Sublease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Sublease.

23.10 Governing Law

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

23.11 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.

23.12 Attorneys' Fees

In the event that either Sublessor 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.

23.13 Holding Over

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

23.14 Cumulative Remedies

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

23.15 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.

23.16 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.

23.17 Signs

City may erect or post signs on or about the Premises subject to Master Landlord's and Sublessor's prior written approval. Sublessor 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.

23.18 Quiet Enjoyment and Title

Sublessor covenants and represents that it has full right, power and authority to grant the Subleasehold 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 Sublease as against all persons or entities claiming by and through Sublessor or on account of any action, inaction or agreement of Sublessor or its Agents. Without limiting the provisions of Section 16.2 (Sublessor's Indemnity), Sublessor agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

23.19 Bankruptcy

Sublessor represents and warrants to City that Sublessor has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Sublessor's knowledge, no such filing is threatened. Sublessor and City agree that City'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 that if any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such case or proceeding, or for any other reason, City shall have the right to (a) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (b) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20 Transfer of Sublessor's Interest

Sublessor shall have the right to transfer its interest in the Property, the Building or this Sublease to any other financially responsible person or entity. In the event of any such transfer, Sublessor shall be relieved, upon notice to City of the name and address of Sublessor'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 Sublessor's obligations hereunder.

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

23.22 MacBride Principles - Northern Ireland

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

23.23 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 Sublessor reasonable advance notice of such termination

23.24 Prevailing Wages and Working Conditions

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Sublessor agrees to require its Contractors and Subcontractors performing (i) labor in the construction of a “public work” as defined in California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, “Prevailing Wage Requirements”). Sublessor agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Sublessor shall include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Sublessor’s failure to comply with its obligations under this Section shall constitute a material breach of this Sublease. A Contractor’s or Subcontractor’s failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Sublease, Sublessor agrees not to discriminate against any employee of, any City employee working with Sublessor, or applicant for employment with Sublessor, 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

Sublessor 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, Sublessor 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. Sublessor's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease.

(c) Non-Discrimination in Benefits

Sublessor 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) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of property to City are incorporated in this Section by reference and made a part of this Sublease as though fully set forth herein. Sublessor 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, Sublessor 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 Sublessor and/or deducted from any payments due Sublessor.

23.26 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 Sublessor nor any of its contractors shall provide any items to City in the construction of the Subleasehold 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 Sublessor fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Sublessor shall be liable for liquidated damages for each violation in an amount equal to Sublessor's or Sublessor's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is

greatest. Sublessor and Sublessor 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 Sublessor from any contract with the City and County of San Francisco.

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Sublessor. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations required under the Planning Code. In compliance with the Planning Code, Master Landlord shall have the sole discretion to designate the location(s) of such bicycle parking spaces. All bicycles are parked at the owner's sole risk, and Master Landlord shall have no liability for any bicycles that are lost, stolen, or damaged.

23.28 Resource-Efficient City Buildings and Pilot Projects

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

23.29 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.

23.30 Effective Date

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

23.31 Certification by Sublessor

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

23.32 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.

23.33 Conflicts of Interest

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

23.34 Notification of Limitations on Contributions

Through its execution of this Sublease, Sublessor acknowledge that each 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. Sublessor 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. Sublessor further acknowledges that the prohibition on contributions applies to each Sublessor; each member of Sublessor's board of directors, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Sublessor; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Sublessor. Additionally, Sublessor acknowledge that each must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Sublessor further agree to provide to City the name of each person, entity or committee described above.

23.35 Preservative-Treated Wood Containing Arsenic

Sublessor 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. Sublessor 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 Sublessor from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

23.36 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.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS SUBLEASE, SUBLESSOR ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS SUBLEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS SUBLEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS SUBLEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS SUBLEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

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

SUBLESSOR:

HealthRIGHT 360,
a California nonprofit public benefit corporation

By: _____
VITKA EISEN
President & CEO

SUBLESSEE:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

RECOMMENDED:

Department of Public Health

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

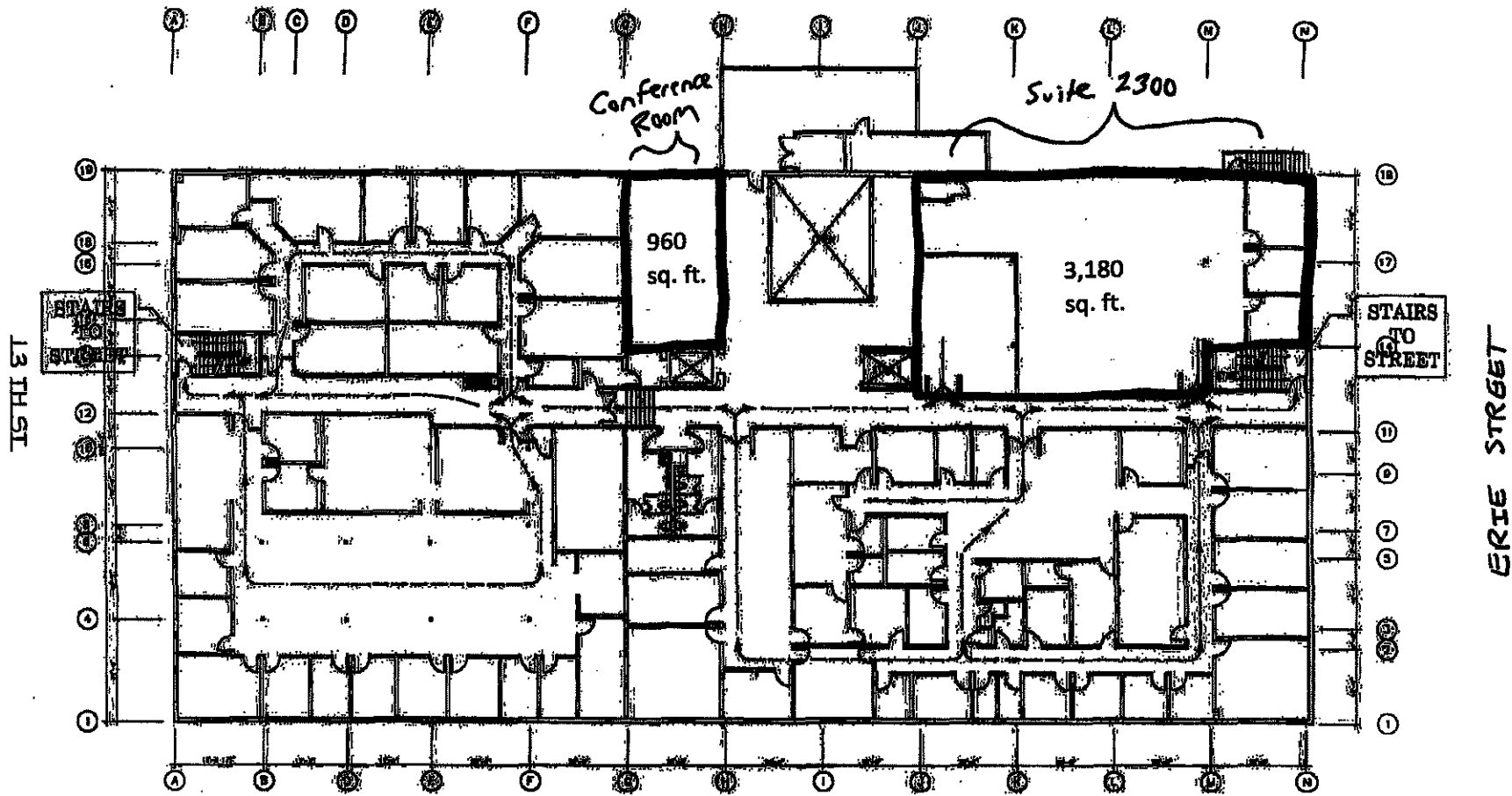
By: _____
Deputy City Attorney

EXHIBIT A

FLOOR PLAN(S)

CONSISTING OF TWO (2) PAGE(S)

Floor Plan of Premises Page 1 of 2



2ND FLOOR

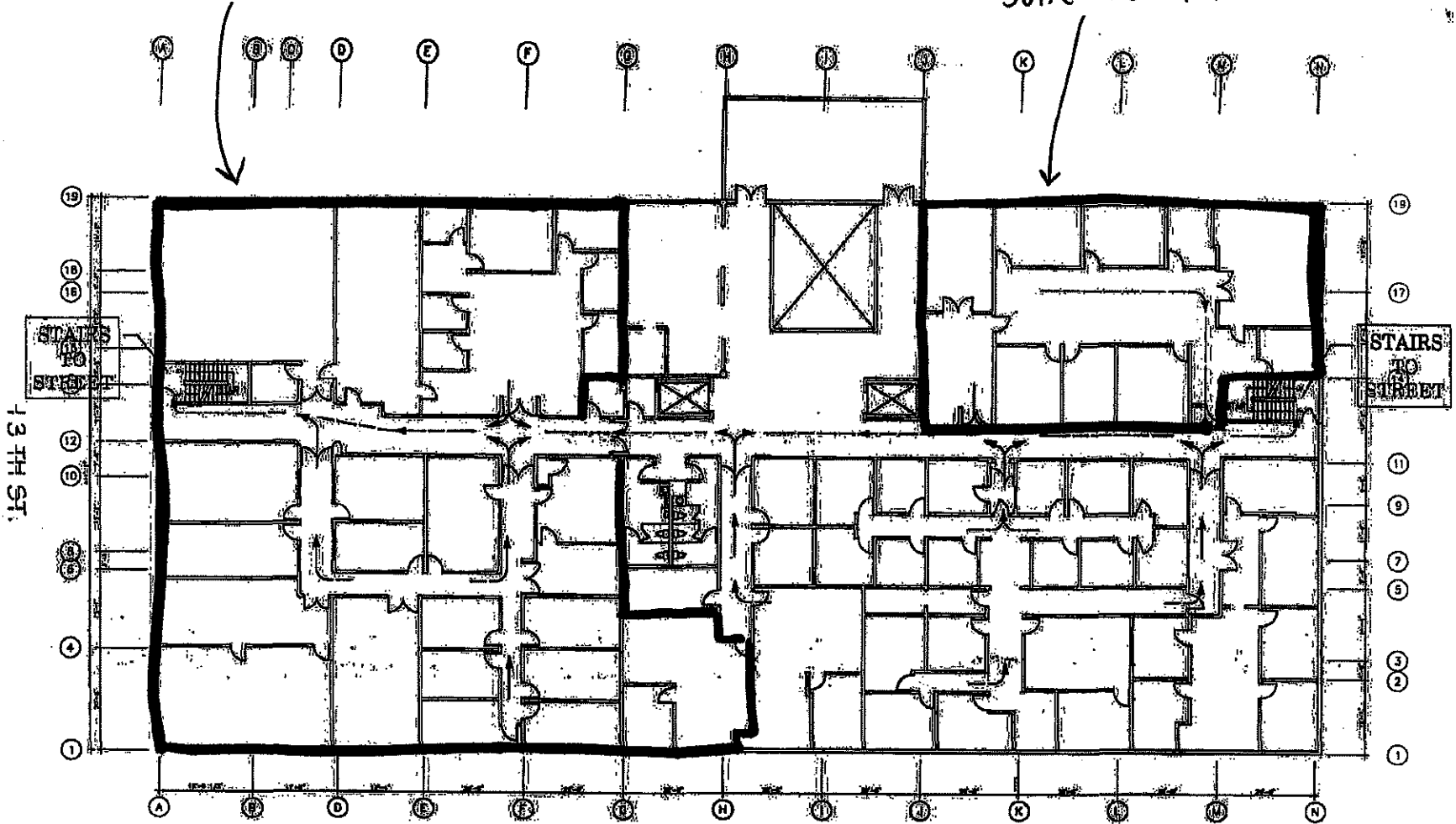
EVACUATION PLAN

1735 Mission Street

Floor Plan of Premises Page 2 of 2

Suites 3138, 3152, & 3280 (12,703 sq.ft.)

Suite 3300 (3,810 sq.ft.)



3RD FLOOR

EVACUATION PLAN

1735 Mission Street

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Sublease between HealthRIGHT 360 (Sublessor), and the CITY AND COUNTY OF SAN FRANCISCO (Sublessee), for premises known as City and County of San Francisco Subleased Premises per Exhibit A of Sublease dated February 15, 2018 located at 1735 Mission Street, San Francisco, California.

Dear Mr. Updike:

This letter will confirm that for all purposes of the Sublease, the Commencement Date (as defined in Section 3.2 of the Sublease) is _____, 20__.

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

Very truly yours,

HealthRIGHT 360

By: _____
Vitka Eisen
President & CEO

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C
BUILDING RULES AND REGULATIONS

See Attached

EXHIBIT "C"
RULES AND REGULATIONS

1. **BULLETIN BOARD.** The bulletin board or directory of the Building is provided exclusively for the display of the name and location of Lessee only. Lessor reserves the right to exclude any other names therefrom and also to make a reasonable charge for each and every name, in addition to the name of Lessee, placed by it upon such bulletin board or directory.

2. **LOCKS.** No additional locks shall be placed upon any doors of the Premises, and Lessee agrees not to have any duplicate keys made without the prior written consent of Lessor. If more than two keys for any door lock are desired, the additional number shall be paid for by the Lessee. Upon termination of this Lease, Lessee shall surrender all keys. Lessee shall not replace or re-key any of the locks located on the Premises or in the Building. Lessor reserves the right to charge Five Dollars (\$5.00) per instance as a lock-out fee.

3. **WIRING.** When cable, wiring, jacks, or outlets of any kind is introduced, it must be connected as directed by Lessor, and no boring or cutting for wires will be allowed except with the written consent of Lessor. The location of telephones, call boxes, and other office equipment affixed to the Premises shall be prescribed by Lessor. It shall be a material breach of the Lease if Lessee fails to obtain prior written consent for any wiring work.

4. **TELEPHONE.** Lessee shall notify Lessor prior to acquiring any new telephone service. Upon request by Lessee, Lessor, at its sole option, may install new telephone wiring for Lessee for an agreeable fee. Lessor shall not be responsible for any damage, inconvenience, loss, or repairs resulting from any telephone wiring not provided by Lessor. Lessees who fail to notify Lessor prior to installing new telephone wiring shall be subject to a One Hundred Dollar (\$100.00) fine.

5. **NON-RESPONSIBILITY.** Lessor is not responsible to any Lessee for the non-observance or violation of the Rules and Regulations by any other Lessee.

6. **OBSTRUCTING LIGHT.** Lessee shall not allow anything to be placed against or near the glass, in the partitions or in the doors between the Leased Premises, nor in the halls or corridors. The doors between the Premises and the corridors of the Building shall at all times, except when in actual use for ingress, be kept closed.

7. **HALLS AND STAIRWAYS.** The entries, passages and stairways shall not be obstructed by Lessee, or used for any other purpose than ingress and egress to and from their respective offices. Lessee shall not bring into or keep within the Premises any animal or vehicle.

8. **PLUMBING.** The wash-bowls, water closets and urinals shall not be used for any purpose other than those for which they were constructed.

9. **CLOSING PRECAUTIONS.** Lessee shall ensure that the windows, transoms and doors of the Premises are closed and securely locked before leaving the Building and must observe strict care not to leave windows open when it rains. Lessee shall exercise extraordinary care and

caution that all water faucets or water apparatus are entirely shut off before Lessee or Lessee's employees leave the Building, and that the electricity, gas, and air shall likewise be carefully shut off so as to prevent waste or damage. Lessee shall be responsible for all damages and injuries sustained by Lessor and other Lessees or occupants arising from any default or carelessness of Lessee.

10. MOVING EQUIPMENT, SAFES, ETC. No furniture, freight, or equipment of any kind shall be brought into or removed from the Building without the prior written consent of Lessor. All moving into or out of the Building shall be done at such times and in such manner as Lessor shall designate. Lessor shall have the right to prescribe the weight, size, position of all safes or other heavy property brought into the Building. Lessor shall also have the right to prescribe the times and manner of moving the same in and out of the Building. Lessor will not be responsible for loss or damages to any safe or property from any cause. Lessee shall be responsible for all damages and injuries incurred during moving or maintaining of such furniture or equipment.

11. JANITORIAL SERVICE. Unless otherwise provided in writing, Lessee shall not employ any person or persons other than the janitor of Lessor to clean the Premises as outlined in any written agreement. Lessor shall be in no ways responsible for any loss or damage to property from the Premises, however occurring. All food items must be kept in a closed container, and all food items for disposal must be removed daily at Lessee's expense. Tenant areas must be kept clean at all times. Any item or garbage left in the common areas or hallways will be removed by Lessor's janitorial service at an additional minimum charge of \$30.00 for each occurrence. Lessor will not be responsible for any loss or replacement of any item or garbage so removed.

12. VIOLATION OF RULES. Lessor reserves the right to exclude or expel from the Building any person who, in the judgment of Lessor, is intoxicated or under the influence of liquor or drugs, or who shall in any manner commit any act in violation of any of the Rules and Regulations of the Building.

13. REQUIREMENTS. The requirements of Lessee will be attended to only upon written application to Lessor. Employees of Lessor shall not perform any work or do anything outside of their regular duties unless under special written instruction from Lessor. Employees of Lessor will not admit any person (Lessee or otherwise) to any office without specific instructions from Lessor.

14. COMMON AREAS OR ROOMS. Common areas or rooms shall be subject to such regulations as are posted therein.

15. ENTRANCE DOORS. Lessor reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as Lessor may deem to be advisable for the adequate protection of the property; provided, however, that Lessees shall have access and be responsible for entrance and exit doors to their own Premises. All Lessees, their employees, or other persons entering or leaving at any time when it is so locked may be required to sign the Building register. The lobby attendant in charge, however, may refuse to admit into the Building, while it is so locked, Lessee, Lessee's employees, or any other person without satisfactory identification and/or a pass previously arranged. Lessor assumes no responsibility and shall not

be liable of any damage or injury resulting from any error in regard to any such identification or pass, or from the admission of an unauthorized person to the Building.

16. HOURS OF OPERATION. The normal hours of operation will be Monday through Friday from 8:00 am to 5:00 pm, excluding holidays. In the event that Lessee desires to use the Premises during any hours outside of the normal hours of operation, such use shall be subject to Lessor's reasonable approval. Lessee shall provide Lessor with two weeks prior written notice of the dates and times during which Lessee desires to use the Premises outside the normal hours of operation. Lessee shall be responsible for any additional costs incurred as a result of its use of the Premises and Building during any additional hours, and for its use of the Premises on Saturday, Sunday, and legal holidays.

17. FOOD AND BEVERAGES. Lessee shall not serve or sell food or beverages to its employees, agents, clients, or any other party without the prior written consent of Lessor. Lessee shall not place any vending machine within their leased premises.

18. NO SMOKING. Smoking is prohibited within the Premises and all interior common areas, including but not limited to the lobby, elevator, restroom, hallways, and stairways.

19. ILLEGAL PARKING. Vehicles parked illegally, without permission, blocking any passageway, or without proper parking permit shall be towed at owner's expense.

20. MAINTENANCE & REPAIRS. All requests for maintenance and repairs must be made in writing to Lessor.

21. GARBAGE REMOVAL. If garbage removal exceeds the monthly allowance stated in the Lease, Lessor may require Lessee to provide their own dumpster, with removal service to pick-up twice a week or when dumpster is full.

22. PUBLIC PHONES. Lessee shall not install public phones within their leased premises.

23. PET POLICY. Pets are not allowed in the building, except for seeing eye dogs or pets pre-approved in writing by management in its sole discretion. Please notify all employees and guests of this policy.

24. BICYCLES. Bicycles are not allowed in the building, common areas, or leased premises.

EXHIBIT D: Improvement Plan

Page 1 of 3

Sublease at 1735 Mission

Date: April 20, 2018

Major Cost Categories for Improvement Plan

In order to make the space suitable for the intended use, the improvement plan includes costs in the following categories: General Contractor, Information Technology & Security, Architect, Mechanical Engineer, Cleaning Prior to Move-In, and Landlord costs.

Sublease from HealthRIGHT 360 to the City and County of San Francisco

HealthRIGHT 360, a California nonprofit public benefit corporation, has an existing lease with the landlord. HealthRIGHT 360 will be subleasing the following space to the City and County of San Francisco:

See next page

EXHIBIT D: Improvement Plan: Costs for Sublease at 1735 Mission

	Total
<u>Architecture and Engineering</u>	
Design Phase	\$8,000
Construction Documents	\$10,560
Permitting Phase	\$2,600
Mtgs and Consultaion (\$170 per hour x 40 hours)	\$6,800
<u>Mechanical Engineer (Electrical, HVAC Load and Zoning)</u>	<u>\$10,000</u>
Subtotal	\$37,960
<u>Space Improvement Related Tenant Improvements</u>	
Contractor Construction Support - Field Personnel	\$28,168
Contractor Project Admin, Insurance, & Taxes	\$6,467
Demolition/Site Preparation	\$22,540
Doors & Frames	\$1,670
Gypsum Board Partitions	\$23,520
Paints & Coatings	\$19,880
Air Distribution - Metal Ductwork	\$8,100
Electrical System (Outlets)	\$43,876
General Contractor Fee	\$20,191
Carpet	\$64,764
Permit allowance	\$2,660
Window blinds (Furnish and Install by HR360)	\$7,500
Mount & Connect AV	\$1,000
<u>Cleanup prior to move-in (HR360)</u>	<u>\$4,000</u>
Subtotal	\$254,336
<u>Information Technology & Security Related Tenant Improvements</u>	
Install Fiber to 5 separate locations (suites)	\$100,000
Furnish & Install Security Card Readers	\$109,226
Cat cable installation & other I.T.	\$7,500
<u>Install Security System in Suites</u>	<u>\$15,000</u>
Subtotal	\$231,726
<u>Landlord Fees</u>	
Landlord Fee - Contractor Monitoring Outside Business Hours	\$22,560
<u>Landlord Legal and Admin Fee - Improvement Plan</u>	<u>\$7,500</u>
Subtotal	\$30,060
Base Cost Total	\$554,082
<u>Improvement Plan Add Alternate Costs</u>	
Potential increase in Electrical, HVAC Capacity	\$83,000
w/Add Alternate Total	\$637,082
Improvement Plan Contingency 20%	\$127,416
Grand Total for Improvement Plan	\$764,498

***Tenant Improvement Plan Overview: Base Costs & Alternate Costs**

The Tenant Improvement Costs can be divided into two primary categories:

(1) Costs that are required (2) Costs that may be required but are dependant upon architectural and mechanical engineering analysis of the existing building and building systems and the level expected use. The primary variable with regard to level of expected use of the subleased space is how many people will use each area at a given time. The costs that are in category #2 are alternate costs which may or may not be required depending upon the analysis described above and the final decisions with regard to level of expected use.

EXHIBIT E

CONSENT TO SUBLEASE

CONSISTING OF TWO (2) PAGES

See attached

EXHIBIT E

CONSENT TO SUBLEASE

SF L & W PARTNERSHIP, a California limited partnership ("Master Landlord"), HealthRIGHT 360, a California non-profit corporation ("Sublessor"), and CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Sublessee"), hereby agree as follows:

1. Master Landlord is the "Lessor" under that certain Commercial Lease, dated February 15, 2006, and all subsequent Addendum and Amendments (collectively the "Master Lease"), for space in the building located at 205 13th Street, San Francisco, California.
2. Sublessor is the "Lessee" under the Master Lease.
3. The Master Lease is in full force and effect. To the best of Sublessor's knowledge, Master Landlord is not in material default under the terms thereof. To the best of Master Landlord's knowledge, Sublessor is not in material default under the terms thereof.
4. Sublessee desires to sublease from Sublessor a portion of the Master Premises as outlined in the attached Exhibit "A" (the "Subleased Premises") to the Sublease between Sublessor and Sublessee. All parties acknowledge that Exhibit "A" to the Sublease accurately portrays the perimeter of the Subleased Premises but does not necessarily accurately portray the current interior layout of the Subleased Premises. The Subleased Premises is approximately 21,283 rentable square feet, with spaces at Suite 2000 (960 square feet), Suite 2300 (3,810 square feet), Suite 3300 (3,810 square feet), and Suites 3138, 3152, and 3280 (12,703 square feet).
5. Pursuant to Paragraph 17 of the Commercial Lease, Sublessor has requested Master Landlord to approve the subletting of the Subleased Premises to Sublessee.
6. All parties acknowledge that the Sublease of the Subleased Premises shall comply with the following conditions:
 - a. Master Landlord is not a party to the Sublease, dated February 15, 2018. The Sublease is subordinate to the Master Lease. As between Master Landlord and Sublessor, the Master Lease shall control and take precedence over the Sublease. Master Landlord understands that the Sublease shall govern the relationship between Sublessor and Sublessee.
 - b. Sublessor and Sublessee agree that the Sublease does not modify the Master Lease, unless such modification is expressly set forth herein. Sublessor shall remain primarily and directly liable for all payments and obligations pursuant to the Master Lease. Sublessee has received and reviewed the Master Lease.

- c. As between Master Landlord and Sublessee, Sublessee agrees to occupy the Subleased Premises in its "As Is" condition, and Sublessee agrees that the permitted use of the Sublease Premises is office space for use by only internal City staff. Master Landlord is aware that Sublessee has requested Sublessor to provide certain improvements, at Sublessee's sole cost, as part of the Sublease.
- d. Master Landlord may, at its sole option and upon ten (10) days' prior written notice to Sublessor and Sublessee, request that all rent or other payments payable by Sublessee to Sublessor under the Sublease be made directly to Master Landlord. Sublessor consents to such direct payment, and Sublessee agrees that such direct payment shall constitute payment under the Sublease.
- e. All consideration paid to Sublessor in excess of the payments due to Master Landlord, including any holdover rent, shall be paid to Master Landlord pursuant to Paragraph 17(b)(6).

IN WITNESS WHEREOF, the parties agree that the Sublease, between Sublessor and Sublessee, is approved by the Master Landlord pursuant to the terms of this Consent to Sublease.

 SF L & W PARTNERSHIP ("Master Landlord")
 By: Walter Wong, as General Partner

 DATE

 HealthRIGHT 360 ("Sublessor")
 By: Vitka Eisen, as President & Chief Executive Officer

 DATE

 CITY AND COUNTY OF SAN FRANCISCO
 By: John Updike, as Director of Property

 DATE



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Date: April 9, 2018
Case No. 2018-002290GPR - amended
1735 Mission Street - Sublease of office

Block/Lot No: 3531/028

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

Applicant: Same as Above

Staff Contact: Jessica Look – (415) 575-6812
jessica.look@sfgov.org

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

Recommended
By: 
John Rahaim, Director of Planning

PROJECT DESCRIPTION

On April 5, the Planning Department (herein “the Department”) received an amended General Plan Referral application from the City and County of San Francisco Real Estate Division to consider a subleasing of a portion of recently vacated office space from HealthRIGHT360 to the Department of Public Health (DPH). HealthRIGHT360 moved out of the 1735 Mission Space, and have a lease at well below market rate in place through 2/16/22.

The sublease is necessary for DPH to meets its temporary needs while benefiting from favorable rent. DPH intends to use the majority of this space for job training programs including training classrooms and some ancillary space for IT support services that supports these training uses and programs. The sublease will also allow HealthRIGHT360 to avoid the expense of its vacated space at 1735 Mission.

ENVIRONMENTAL REVIEW

The sublease of a building is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a 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

POLICY 7.1

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

The proposed sublease of property would allow Department of Public Health to be in close physical proximity of other various government activities in the Civic Center area. These activities serve as an important job training resources for individuals who also live and work in the area.

POLICY 7.3

Promote the provision of adequate health and educational services to all geographical districts and cultural groups in the city.

The proposed sublease of property would allow Department of Public Health facility which provides health services to at all risk San Franciscans, to continue operations and training to its associated service partners, such as Emergency Medical Services, Center for Learning and Innovations, and Food Safety providers. The proposed centralized location is within close proximity of other locations of DPH and other help care providers.

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 sublease will not negatively 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 sublease would not displace any existing housing.

3. That the City's supply of affordable housing be preserved and enhanced.
The proposed sublease would not displace any existing affordable housing.
4. That commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking.
The proposed property sublease will not result in commuter traffic impeding Muni's transit service, overburdening the streets or altering current neighborhood parking. The proposed intended use will include no parking and will be highly transit accessible.
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 property sublease 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 property sublease 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 property sublease will not affect landmarks or historic buildings.
8. That our parks and open space and their access to sunlight and vistas be protected from development.
The proposed property sublease 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: Sandi Levine, Real Estate Division;



Mark Farrell, Mayor
Naomi M. Kelly, City Administrator

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2018 MAY 18 PM 4:00

BY JAB



John Updike
Director of Real Estate

May 18, 2018

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

Dear Board Members:

Attached for your consideration is a proposed Resolution for a sublease, by the Department of Public Health, of approximately 19,975 square feet of space from HealthRIGHT 360 in their recently vacated headquarter building located at 1735 Mission Street.

The proposed 1735 Mission Street sublease serves as an affordable (below market-rate rent), time-limited (July 1, 2018 to January 16, 2022) space to facilitate both the one-time training needs related to the Department of Public Health's Electronic Health Record initiative and DPH job training programs that serve the broader community.

Approximately 67% of the space will be used for job training uses, including the creation of nine (9) training classrooms. 33% will house related staff and also serve as a bridge or swing space for DPH IT operations services units. The DPH IT operations services units will support the training activities and broader Electronic Health Record implementation, but are ultimately slated for consolidation at Laguna Honda Hospital in 2022, as part of DPH's larger Civic Center staff relocation and consolidation strategy.

DPH proposes to relocate approximately 55 FTEs from 1360 Mission Street and provide desk space for 20 on the job intern trainees and 24 new EHR-related contractors, in existing office space directly adjacent to the proposed training rooms and that requires minimal improvement. In total, DPH proposes to temporarily locate 99 FTEs at 1735 Mission Street and to facilitate the job training of 180-270 users at any one time over the next 3-4 years.

Lease terms

This is a sublease of 19,975 sq. ft. with a fixed end date of January 16, 2022. The estimated term is three and one half (3.5) years commencing upon Board of Supervisor and Mayoral approval of the sublease (expected to be about July 1, 2018).

Under the proposed lease, the City would pay \$52,135 per month (or approximately \$31.32 psf annually or \$2.61 psf monthly). The base rent increases each January 17th by one percent (1%) and the City would be responsible for a pro rata share of operating expenses (utilities, janitorial, maintenance, and security typical of an office use lease) not to exceed 43.4%. These expenses will be varied over the course of the lease, as the need for after hours (outside of 7 am to 7 pm) will increase the costs during some months of the lease term. Attached please find a detailed schedule of the estimated operating expenses for years 1 through 4. Year 1 annual operating expense estimated \$108,020 (\$9,001 per month or approximately \$5.41 psf annually). Year 2 annual operating expense estimated \$290,040 (\$24,170 per month or approximately \$14.52 psf annually). Year 3 annual operating expense estimated \$205,560 (\$17,130 per month or approximately \$10.29 psf annually). Year 4 annual operating expense estimated \$208,812 (\$17,401 per month or approximately \$10.45 psf annually).

The proposed Lease provides for tenant improvements, reimbursable by the City to the Landlord, of up to \$764,498. See attached detailed description of Improvement design. The work has been priced and staff is confident that the cost will be at or less than the maximum allowed.

A before and after table is attached as Attachment #1.

A General Plan Referral is also attached. A Form 126 will be delivered under separate cover.

The San Francisco Department of Public Health recommends approval of the proposed lease.

If you have any questions regarding this matter, please contact Sandi Levine of our office at 554-9867.

Respectfully



John Updike
Director of Real Estate

cc: Lisa Zayas-Chien

Attachment #1
1735 Mission Street
Before & After Table

	Current	Proposed
Address:	1360 Mission Street	1735 Mission Street
Total SF	6,300 sq ft	6,592 sq. ft. (33%) (staff relocated from 1360 Mission Street, remainder used for job training Total 19,975)
Base Rent	\$26,397 monthly (as of 10/1/2018) (or approximately \$4.19 psf monthly and 50.28 psf annually).	\$52,134.75 monthly (or approximately \$2.61 psf monthly and \$31.32 psf annually). Relocated Staff portion = \$17,205/month (\$2.61 X 6,592)
Estimated Expenses	Rent includes operating costs (excepting property tax) up to amount in 2019 base year. We pay 48.55% of anything above that amount in subsequent years. Amount is unknown at present.	An estimated average of Approximately \$16,926 per month (or approximately \$.85 psf monthly and \$10.17 psf annually). Relocated Staff portion = \$5,603 (.85 X 6,592)
Estimated Total Rent and Expenses	\$26,397	\$69,060 monthly (or approximately \$3.46 psf monthly and \$ 41.49 psf annually). Relocated Staff portion = \$22,808 monthly
Base Rent Increase	3% at 9/21/20 if option taken	1% each January 17 th
Term	Through 9/21/20	Approval by Board of Supervisors (estimated July 1, 2018) through January 16, 2022
Options to Extend	One year following 9/21/20	None