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LEASE

between

LAWRENCE B. STONE PROPERTIES #08, LLC,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
2177 Jerrold Ave,
San Francisco, California

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EXHIBIT D — Leasehold Improvements
EXHIBIT E — Approved Additional Charges
EXHIBIT F — Work Letter

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LEASE

THIS LEASE (this "**Lease**"), dated for reference purposes only as of November 1, 2023, is entered into by and between LAWRENCE B. STONE PROPERTIES #08, LLC, a Washington limited liability company ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**" or "**Tenant**") on behalf of the Department of Homelessness and Supportive Housing ("HSH"), and authorized pursuant to Board of Supervisors Resolution No. ____ adopted by the Board of Supervisors on _____, with reference to the following facts and understandings:

RECITALS

A. Landlord owns that certain real property comprised of approximately 98,000 square feet located at 2177 Jerrold Avenue, in the City and County of San Francisco, CA (APN Block/Lot 5285A / 005) (the "**Land**").

B. Landlord will be delivering the Land with two buildings upon it, including a two-story administrative building consisting of approximately 11,374 square feet ("**Building 1**") and a one-story warehouse, consisting of approximately 12,217 square feet ("**Building 2**", and together with Building 1, the "**Buildings**").

C. The Land, the Buildings, and all other improvements on or appurtenances to the Land are referred to collectively as the "**Property**." A detailed description of the Property is attached as **Exhibit A**.

D. Landlord and Tenant desire to enter into this Lease to allow Tenant to Lease the Property, provided Landlord will, at its sole expense, undertake the work, as specified, on the attached **Exhibit B** ("**Landlord Pre-Lease Work**"). City's approval, in the sole and absolute discretion of the Director of Property in consultation with HSH, of the Landlord Pre-Lease Work, is requisite to the parties executing this Lease.

E. Landlord and Tenant intend to make additional improvements to the Property, with costs for these improvements being allocated in accordance with the terms of this Lease.

NOW THEREFORE, in consideration of the foregoing Recitals, which are incorporated into this Lease by this reference, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	November 1, 2023
Landlord:	LAWRENCE B. STONE PROPERTIES #08, LLC, a Washington limited liability company
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Property (Section 2.1):	The Land, Building 1 and Building 2 make up the Property, as further described in **Exhibit A.**

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Term (Section 3):	Fifteen (15) years (the "**Term**") Commencement Date and Effective Date of this lease are the same -- the date **(a)** City's Mayor and Board of Supervisors, at their sole and absolute discretion, adopt and approve a resolution authorizing this Lease in accordance with all applicable laws and **(b)** this Lease is duly executed by Landlord and City, (per Section 24.22 of this Lease) -- and estimated to be December 1, 2023 Expiration Date: November 30, 2038
Extension Option(s) (Section 3.4):	Two (2) additional terms of five (5) years each, exercisable by City providing notice to Landlord not less than twelve (12) months in advance and not more than fifteen (15) months from the then expiring Term of City's intent to exercise its renewal options, with the Base Rent for the Extended Term being 100% of the then fair market value rent, as provided in Section 4.3.
Base Rent (Section 4.1):	Annual Base Rent: $2,469,600.00 ($25.20 per sq. ft.) Monthly payments: $205,800.00 ($2.10 per sq. ft.) Rent Abatement: Tenant will not incur, owe or pay base rent during the first nine (9) months following the Commencement Date of the Lease Agreement.
Base Rent Adjustment; Adjustment Dates (Section 4.2):	On each anniversary of the Commencement Date, beginning in 2024, the Base Rent will escalate by three percent (3%).
Tax Base Year (Section 4.5):	2023 [Tax Calculation Only]
Use (Section 5.1):	City shall have the right to use the Property for a temporary shelter program and related facilities that will facilitate an exit from homelessness to more traditional housing and offer support services as required, and any other purposes commensurate with existing zoning and for no other purposes without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

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Leasehold Improvements (Section 6) and Work Letter:	Landlord to pay for Building 1 renovations, bringing Building 1 into ADA compliance with an elevator, and core and shell into code compliant usable space, including utility connections ready for delivery to Tenant. Leasehold Improvements have been defined and price estimated in the amount of Seven Million, Four Hundred Ninety Five Thousand, Ninety Dollars ($7,495,090.00) (see **Exhibit D** to this Lease). Tenant shall reimburse Landlord the first Five Million, Eight Hundred and Sixty Six Thousand, Eight Hundred and Sixty Nine Dollars ($5,866,869.00) of the cost of constructing the Leasehold Improvements. Landlord is solely responsible for the cost of completing the **Exhibit D** specified work, at the additional cost estimated to be One Million, Six Hundred Twenty Eight Thousand, Two Hundred and Twenty One Dollars ($1,628,221.00) (the "**Allowance**").
Utilities (Section 9.1):	The Property is currently serviced by electricity, water, sewer and natural gas connections to the Buildings, which shall be provided in good working order upon the Delivery of Possession. City shall be responsible for contracting with, and paying for, each service provider directly.
Services (Section 9.2):	City will provide janitorial service as deemed necessary by the Tenant in order to maintain the Buildings in a clean and safe condition
Notice Address of Landlord (Section 24.1):	Lawrence B. Stone Properties #08, LLC P.O. Box 3949 Spokane, WA 99220-3949 Attn: Legal Fax No.: (509) 343-9060
Landlord's Key Contact:	Cody Myers
Landlord Contact Telephone No.:	(509) 789-8656
Landlord's Alternate Contact:	Nick Czapla
Alternate Contact Telephone No.:	(509) 343-9003
Tenant's Notice Address (Section 24.1):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, California 94102 Attn: Director of Property Re: 2177 Jerrold Ave
with a copy to:	San Francisco Department of Homelessness and Supportive Housing

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	440 Turk Street San Francisco, CA 94102 Attn: Principal Real Estate Development Analyst Email: **dhsh@sfgov.org**
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: Real Estate & Finance Team Re: 2177 Jerrold Ave Fax No.: (415) 554-4757
Tenant's Key Contact:	Joanne Park
Tenant Contact Telephone No.:	(628) 652-7703
Tenant's Alternate Contact:	Director of Property
Alternate Contact Telephone No.:	415-554-9850
Brokers (Section 24.8):	Newmark
Special Provisions (Section 22):	City shall have an Option to Purchase the Property as provided in Section 22.1

2. PROPERTY

2.1. Lease Property

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the Property and shown on the diagram attached as **Exhibit A**.

2.2. INTENTIONALLY OMITTED

2.3. Condition of the Property on Delivery

Landlord will deliver the Property to City, and the Buildings are to be in good, broom clean condition, fully demised, water tight, with all Building Systems (as defined in Section 8.1 (Landlord's Repairs)) in good working order, condition, and repair, and all other systems in and serving the Buildings and the Land, to the extent applicable, in good working order, condition, and repair, in compliance with all applicable Laws, as provided in Section 10.1 (Landlord's Compliance with Laws; Property Condition; Indemnity) with the Leasehold Improvements (as defined below) substantially completed by Landlord and confirmed by City under Section 6.1 (Landlord's Obligation to Construct Improvements).

2.4. Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("**CASp**") to determine whether the Buildings meets all applicable construction-related accessibility requirements.

Landlord discloses (i) Landlord has not been issued a disability access inspection certificate as described in California Civil Code ("**CC**") Section 55.53(e), (ii) pursuant to CC Section 1938, that Landlord has not ordered, performed, or caused to be performed, a Certified Access

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Specialist ("**CASp**") inspection of the Buildings (sometimes referred to as "premises" or "subject premises" for the herein disclosures), and (iii) Landlord makes the following statutory disclosure per CC Section 1938 (the required "**CASp Disclosure**"):

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

If City elects to obtain an inspection, City and Landlord will mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the CASp inspection fee, and the cost of any repairs necessary to correct violations of construction-related accessibility standards.

3. TERM

3.1. Term of Lease

The Property is leased for the **Term**, as set forth in the Basic Lease Information, commencing on the Commencement Date, and further defined in Section 3.2 (Commencement Date and Expiration Date) below. The Term will end on the expiration date specified in the Basic Lease Information, or the date that this Lease is earlier terminated under the provisions of this Lease, unless City extends the Term pursuant to Section 3.4 (Extension Option(s)), below.

3.2. Commencement Date and Expiration Date

The dates that the Term commences and expires under this Lease are the "**Commencement Date**" and the "**Expiration Date.**" If Commencement Date occurs on a date other than the estimated Commencement Date provided in the Basic Lease information, Landlord shall promptly deliver to City a notice substantially in the form of the attached **Exhibit C** confirming the Commencement Date. The parties intend that the Effective Date as defined in Section 24.22 will be the Commencement Date for the purposes of this Lease. The Expiration Date of this Lease's initial term is the date provided in the Basic Lease Information.

3.3. Delay in Delivery of Possession

Landlord will use its best efforts to deliver possession of the Property in the condition required under this Lease, with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property under Section 6.1 (Landlord's Obligation to Construct Improvements) on or before the estimated Delivery of Possession (as defined below). If Landlord is unable to deliver possession of the Property by the estimated Delivery of Possession, then, subject to the provisions of this Section below, the validity of this Lease will not be affected by Landlord's inability to deliver possession except that City's obligations to pay Rent will not commence until the Rent Commencement Date. This Lease will still expire on the Expiration Date, unless sooner terminated under the provisions under this Lease. If Landlord is unable to deliver possession of the Property to City as required under this Lease within twelve (12) months following the Effective Date and Landlord's receipt of all permits necessary for the construction of the Leasehold Improvements (which period will be extended by one day for each day that substantial completion is delayed by Tenant (acting in its proprietary capacity) or Unavoidable Delays) ("**Delivery of Possession**"), then, by ninety (90) days' written notice specifying the date of Lease Termination, to Landlord, City may terminate this Lease, without any further liability to Landlord.

3.4. Extension Option(s)

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Landlord grants City the right to extend the Term (the "**Extension Option(s)**") for the additional term(s) specified in the Basic Lease Information (the "**Extended Term(s)**"). The Extended Term(s) will be on all of the terms and conditions contained in this Lease, except that new Base Rent will be determined pursuant Section 4.3 below with no Base Rent abatement period at the beginning of any Extended Term. City may exercise an Extension Option, if at all, by giving written notice (the "**Extension Notice**") to Landlord in the manner and timeframe set forth in the Basic Lease Information; provided, however, if there is an uncured Event of Default on the date City gives an Extension Notice, then Landlord may reject City's Extension Notice if City fails to cure the Event of Default within ten (10) days after Landlord's written demand for City to cure the Event of Default. If City extends the Term as provided in this Section, then the word "Term" will mean and include any Extended Terms. The failure of Tenant to exercise the option for any Extended Term in the manner and within the time provided shall, upon Landlord's written notice to Tenant, terminate the rights of Tenant with respect to that Extension Option and all subsequent Extension Options, if any.

4. RENT

4.1. Base Rent

Tenant is entitled to an abatement of Base Rent during the first nine (9) months of the initial Lease Term (the "**Base Rent Abatement Period**"), commencing upon the Effective Date. During the Base Rent Abatement Period, only Additional Charges will be due to Landlord. Immediately following the Base Rent Abatement Period (the "Rent Commencement Date"), the Base Rent will revert to the monthly Base Rent rate and City will pay to Landlord the annual Base Rent specified in the Basic Lease Information (the "**Base Rent**"). The Base Rent is payable in equal monthly payments at the address specified for Landlord in the Basic Lease Information, or other place as Landlord may designate in writing on not less than thirty (30) days' advance notice. Commencing on the Rent Commencement Date, City will pay the Base Rent monthly on the first day of each calendar month, in advance and without any deductions or setoff except as otherwise provided in this Lease. Landlord will provide City with a written invoice reasonably in advance of the due date thereof, which may be given via email to City's designated recipient; provided that such invoice shall not be required for Base Rent to be due. If the Rent 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 the fractional month will be prorated based on a thirty (30)-day month.

4.2. Adjustments in Base Rent

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

> On each Adjustment Date, the Base Rent for the following twelve-month period will be adjusted to equal one hundred three percent (103%) of the Base Rent for the lease year preceding the Adjustment Date.

4.3. Determination of Base Rent for the Extended Term

(a) At the commencement of any Extended Term, the Base Rent will be adjusted to equal 100% fair market rate for space of comparable size and location to the Property then being offered for rent of other land with similar improvements, location, and quality to the Property ("**Comparable Property**") situated within the Bayview area of San Francisco ("**Reference Area**"); provided, however, in no event will the Base Rent be reduced below the Base Rent for the twelve (12)-month period before the Extended Term. As used in this Section, "**prevailing market rate**" means the base rent for Comparable Space, taking into account **(i)** any additional rent and all other payments and escalations payable under this Lease, **(ii)** floor location and size of the premises covered by leases of the Comparable Space, **(iii)** the duration of Extended Term under this Lease and the term of the leases for Comparable Space, (iv) free rent

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and any other tenant concessions given under the leases for Comparable Space, and (v) tenant improvement allowances and all other allowances given under the leases for Comparable Space.

(b) Within thirty (30) days after City's exercise of the Extension Option, Landlord will notify City of Landlord's determination of the prevailing market rate for the Property, together with reasonable supporting documentation. If City disputes Landlord's determination of the prevailing market rate, City will notify Landlord within fourteen (14) days after Landlord's notice to City of the prevailing market rate and the dispute will be resolved as follows:

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

(ii) If within that thirty (30)-day period Landlord and City cannot agree on the prevailing market rate, then each will select one appraiser to determine the prevailing market rate. Within thirty (30) days after the expiration of the thirty (30)-day consultation period, each party will cause its appraiser to prepare and complete an appraisal report determining the prevailing market rate and submit the report to Landlord and City.

(iii) If only one appraisal report is submitted within that thirty (30)-day period, then the prevailing market rate determined in that appraisal report will be used to establish the Base Rent for the Extended Term. If both appraisal reports are submitted within the thirty (30)-day period, and if the prevailing market rates determined in the two appraisal reports differ by less than ten percent (10%) of the higher of the two, then the average of the two will be the prevailing market rate. If the prevailing market rates in the two appraisal reports differ by more than ten percent (10%) of the higher of the two, then the two appraisers will immediately select a third appraiser. Within ten (10) business days after selection, the third appraiser will determine which of the first two appraisal reports specified a value closest to the actual fair market value, which will be the prevailing market rate. The determination of the third appraiser will be final and binding on the parties.

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

(v) All appraisers must be "MAI" designated members of the Appraisal Institute with not less than five (5) years' recent experience appraising leases of commercial properties similar to the Property in the Reference Area. Landlord and City will pay the cost of the appraiser it selects and one-half of the cost of the third appraiser.

4.4. Additional Charges

City will pay to Landlord any charges or other amounts required under this Lease as additional rent ("**Additional Charges**"), including the charges for Real Estate Taxes, as provided below. All Additional Charges are payable to Landlord at the place where the Base Rent is payable. The Base Rent and Additional Charges are sometimes collectively referred to "**Rent**." If any monthly installment of the Base Rent, Additional Charges or any other sum payable by City under this Lease is not received by Landlord within ten (10) business days after City has received notice from Landlord of such due Rent, City shall pay a late charge equal to the greater of 10% of such overdue payment or $250.00.

4.5. Definitions

"**Tax Base Year**" means the year specified in the Basic Lease Information.

"**Real Estate Taxes**" means all taxes, assessments, and charges levied assessed or imposed on or with respect to the Property (or portion thereof) owned by Landlord, or Landlord's interest in the Property. Real Estate Taxes include all general or special real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services, service payments in lieu of taxes that are now or

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later levied or assessed against Landlord by the federal, state, or local government, district or public corporation, and will also include any other tax, fee, or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Real Estate Taxes expressly do not include: **(1)** franchise, real property transfer, other transfer, inheritance, gross receipts, business registration, payroll expense, or capital stock taxes, or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of those taxes are levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, **(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, **(3)** any personal property taxes payable by City or by any other tenant or occupant of the Property, **(4)** any Early Care and Education Commercial Rents Tax imposed under Article 21 of the Business and Tax Regulations Code (gross receipts received from leases to government entities are exempt from this tax).

In the event of a sale or transfer of the Property that occurs within the first five (5) years of the initial Lease Term, the City will not be subject to any resulting increase in Real Estate Taxes. For the avoidance of doubt, should Real Estate Taxes for the Property increase as a result of a sale or transfer of the Property during the first Five (5) years of the initial Lease Term, such increase shall not be borne by City. This Prop. 13 protection will terminate at the end of the fifth (5th) year of the Lease Term and the City will be responsible for Real Estate Taxes based upon the then assessed value of the Property.

Any tax expense related to Proposition C (i.e., the San Francisco Universal Childcare for All Initiative), that was passed in the June 5, 2018 special election, shall not be included in Real Estate Taxes throughout the Term; Tenant shall be required to pay this tax as Additional Charges.

"**Tax Year**" subject to the Prop 13 protection defined above, means each calendar year during the Term.

4.6. Payment of Real Estate Taxes

Commencing on the first month after the end of the Tax Base Year, City will pay Landlord each month, as Additional Charges, one twelfth (1/12) of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City will make those payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City at least four (4) months before the first payment of the Real Estate Taxes is due. With reasonable promptness not to exceed sixty (60) days after Landlord has received the tax bills for any Tax Year, Landlord will furnish City with a statement ("**Landlord's Tax Statement**") setting forth the actual amount of Real Property Taxes for the Tax Year. If actual Real Estate Taxes for the Tax Year exceeds the estimated Real Estate Taxes paid by City for that Tax Year, City will pay to Landlord (whether or not this Lease has terminated) the difference between the estimated and actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for the Tax Year exceeds the actual Real Estate Taxes, the excess will be credited against the next installments of City's estimated Real Estate Taxes, or at City's option, the excess will be refunded to City.

4.7. Proration

If the Commencement Date or Expiration Date occurred on a date other than the first or last day of a Tax Year or Expense Year, then 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, will be prorated based on a three hundred sixty-five (365)-day year.

4.8. Audits

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After not less than fifteen (15) business days' notice to Landlord (the **"Audit Notice"**) no later than one (1) year following City's receipt of Landlord's Invoice for Additional Charges for a particular Calendar Year (or Landlord's Tax Statement for a particular Tax Year, respectively), and provided that City has paid and continues to pay all Rent when due, City may audit the books and records of the Building related to Additional Charges or Real Estate Taxes. City must deliver the Audit Notice to Landlord within such one (1) year period, otherwise; absent incidences of fraud on part of Landlord or its Agents in connection with the Landlord's Invoice for Additional Charges City will be deemed to have waived any objection and will have no right to audit the particular Additional Charges invoice or Tax Year to which such statements pertain. Any audit will be conducted by certified public accountants reasonably approved by Landlord; provided that Landlord will provide its books and records for review either at Landlord's headquarters or in digital format. The books and records provided by Landlord shall be treated as confidential. Should Landlord disagree with the results of City's auditor and the parties cannot otherwise agree, Landlord and City will together select a neutral auditor to conduct a review of such books and records, and the determination reached by such auditor will be final and conclusive. If the audit discloses any discrepancies that would result in a reduction of City's obligation for payment of Additional Charges invoiced and/or Taxes, Landlord will within thirty (30) days after the completion of the audit refund to City the amount of any overpayment by City, or if the amounts previously paid by City are less than that which Landlord is entitled to collect, City will pay the deficiency within thirty (30) days as Additional Charges. City will pay the cost of the audit, but if an audit discloses any discrepancies that result in a reduction of City's obligation for payment of Additional Charges invoiced and/or Real Estate Taxes by three percent (3%) or more for any Additional Charges invoiced or Real Estate Taxes paid to Landlord by City, then Landlord will pay the costs of the audit. Landlord and City will each pay one-half of the cost of a neutral auditor, if applicable.

4.9. Records

Landlord will maintain at its main offices in a safe, complete, and organized manner all of its records related to this Lease, Real Estate Taxes, Operating Costs, and any other charges paid by City under this Lease, for at least three (3) years after the Expiration Date or earlier termination of the Term. Landlord will maintain the records on a current basis and in sufficient detail to facilitate adequate review and audit. All books and records will 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).

4.10. Payments by City

Landlord acknowledges that City cannot make any payments to Landlord unless Landlord is qualified as an approved vendor in City's financial and payment system. Therefore, City will not be in default of any monetary obligation under this Lease and no interest or late charge will apply if Landlord is not an approved vendor with City. More information about being an approved vendor with City is available at https://sfcitypartner.sfgov.org/Vendor/BecomeSupplier. All Rent that has accrued while Landlord was not an approved vendor will be payable within twenty (20) days after City receives Landlord's written notice and the Contract Monitoring Division confirms that Landlord has been approved as a City vendor.

4.11. Landlord's Compliance with City Business and Tax Regulations Code

Landlord acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Landlord under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector

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will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

4.12. Additional Services

City may request that Landlord, at City's cost, provide or arrange for additional lease related services, incur additional expenses not covered under the lease, for the Property that the City may require from time to time, as requested by the Real Estate Division, including, without limitation, assisting the City in building out the Property for the City's temporary shelter project, which Landlord may provide or arrange in its reasonable discretion. If Landlord elects to provide the requested additional services and City has approved the cost and scope of those services in advance, then City will reimburse Landlord for such expenses as Additional Charges the cost of those services plus a five percent (5%) administrative fee. Landlord may not contract for or provide any services (and City will not be obligated to pay for such services) without City's prior written approval of the cost of the additional services (which may be the known costs, or an hourly rate and maximum number of hours, or a cost estimate with a not-to-exceed maximum amount) in writing before Landlord incurs any costs. City will pay for the cost of the additional services and the administrative fee within thirty (30) days after receipt of an invoice; provided, however, that City, in its sole discretion, may elect to provide any deposit or other prepayment that City determines is appropriate given the nature of the requested services. Any additional terms for the additional services will be memorialized by a written agreement, which, upon execution by Landlord and City, will be considered a part of this Lease.

5. USE

5.1. Permitted Use

City may use the Property for a temporary shelter program and related facilities, which facilitate an exit from homelessness to more traditional housing and offer support services as required, in addition to any other purposes commensurate with existing zoning, and as may be specified in the Basic Lease Information, and for no other use without Landlord's prior written consent, which may not be unreasonably withheld, conditioned, or delayed.

5.2. INTENTIONALLY OMITTED

5.3. Interference with Access

Landlord will provide to City uninterrupted access to the Property twenty-four (24) hours per day, seven (7) days per week, including during any power outages affecting any portion of the Buildings; but Landlord may, after consultation with City's Administrator, interrupt City's access to the Property if there is an immediate threat that will render the Property, or any portion of the Buildings unsafe for human occupancy. If City's use of any of the Property or access to the Buildings is interrupted because the Property, or any portion of the Buildings is unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than an Event of Default, then Landlord will immediately undertake all necessary steps to correct the condition. If the condition continues for two (2) business days and impairs City's ability to carry on its business in the Property, then the Rent will be abated based on the extent to which the condition interferes with City's ability to normally and safely carry on its business at the Property. If the condition continues for thirty (30) days or more after City's notice that use is interrupted or impaired, without limiting any of its other rights under this Lease, City may terminate this Lease by written notice, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days after the date City's use was interrupted or impaired, and City's full use is actually restored within that sixty (60)-day period. Nothing in this Section will limit City's rights with respect to any disruption due to casualty under Section 12 (Damage and Destruction).

6. LEASEHOLD IMPROVEMENTS

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6.1. Landlord's Obligation to Construct Improvements

Landlord, through its general contractor reasonably approved by City, will renovate the Buildings, perform the work, and make the installations in the Property as provided in the Construction Documents (as defined in this Section below) approved by City. The construction, work, and installations are referred to as the "**Leasehold Improvement Work**" and "**Leasehold Improvements**" attached as **Exhibit D**. The Landlord shall be responsible for paying Seven Million, Four Hundred Ninety Five Thousand, Ninety Dollars ($7,495,090.00) as further described in **Exhibit D** except that City shall reimburse Landlord for the first Five Million, Eight Hundred and Sixty Six Thousand, Eight Hundred and Sixty Nine Dollars ($5,866,869.00) for the cost of the Leasehold Improvements ("**City LI Share**"), and Landlord shall pay the balance of One Million, Six Hundred Twenty Eight Thousand, Two Hundred and Twenty One Dollars ($1,628,221.00) (the "**Allowance**"). The Landlord shall be solely responsible for paying any additional cost to complete the work described in **Exhibit D**, but shall also realize any cost savings as a result of completing the Leasehold Improvement Work under budget. Landlord shall construct the improvements in substantial conformance with the Construction Documents (as defined below).

(a) Plans and Specifications

(i) Landlord will cause its architect or space planner reasonably approved by the City to prepare and submit to City for its approval an architectural plan, civil plan, structural plan, electrical plan, mechanical plan, plumbing plan, reflected ceiling plan, floor plans, and tenant specifications for the Leasehold Improvements, based on City's program requirements for use of the Property, and in form and detail sufficient for purposes of contractor pricing. City approves the work descriptions and pricing included in attached **Exhibit D** and **Exhibit E**, "**APPROVED ADDITIONAL CHARGES FOR BATHROOM & SHOWER CONSTRUCTION TO BE CONSTRUCTED BY LANDLORD IN CONJUNCTION WITH THE TENANT IMPROVEMENTS**".

(ii) Immediately following the Effective Date of this Lease (as defined in Section 24.22 (Effective Date), based on the approved **Exhibits D and E** and any adjustments authorized by City, Landlord will cause final plans, specifications, and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements of this Lease. Landlord will submit a copy of the final plans, specifications, and working drawings to HSH within sixty (60) days of the Effective Date. The final working drawings and specifications to be submitted to the appropriate Construction Approving City Departments (such as Planning and the Department of Building Inspections) will be subject to Director of Property's, in consultation with the Department of Homelessness and Supportive Housing, prior approval, which approval may not be unreasonably withheld or delayed. If City, but not the construction approving City Departments, disapproves the final working drawings and specifications, or any portion of them, then City will promptly notify Landlord of its disapproval and the revisions that City reasonably requires in order for Landlord to obtain City's approval ("Notice of Disapproval"). As soon as reasonably possible, but in no event later than thirty (30) business days after City's notice, Landlord will submit to City final plans, specifications, and working drawings incorporating the revisions required by City. The revised plans, specifications, and working drawings will be subject to Director of Property's, in consultation with the Department of Homelessness and Supportive Housing, approval, which may not be unreasonably withheld or delayed. The final plans, specifications, and working drawings for the Leasehold Improvements approved by City to be submitted to the appropriate Construction Approving City Departments are referred to as the "**Construction Documents**."

(b) Permits

Landlord will secure and pay for any building permits and other permits and approvals, government fees, licenses, and inspections necessary for the proper performance and completion of the Leasehold Improvement Work shown on the Construction Documents. All associated fees, costs, and expenses incurred by Landlord per this subsection (b) will be drawn against the

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Allowance. Promptly after City's approval of the Construction Documents, Landlord will apply for any permits, approvals, or licenses necessary to complete the Leasehold Improvement Work and will provide copies to City promptly following receipt. If Landlord, after using commercially reasonable efforts, is unable to obtain all necessary permits, approvals, and licenses required to complete the Leasehold Improvements within five months (150 days) after the Effective Date, City may terminate this Lease by written notice to Landlord. Landlord will be responsible for arranging for all inspections required by City's Department of Building Inspection.

(c) Construction

Immediately after approval of the Construction Documents and Landlord's receipt of all necessary permits and approvals, Landlord will commence construction and cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practices. Landlord will comply with and give notices required by all Laws (defined in Section 10.1 (Landlord's Compliance with Laws; Property Condition; Indemnity)), related to construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements must comply with all applicable disabled access laws, including the most stringent requirements of the Americans with Disabilities Act of 1990, California Code of Regulations Title 24 (or its successor) and City's requirements for program accessibility. Landlord shall, and shall cause its contractors and subcontractors to, pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.3 (Prevailing Wages and Working Conditions), and may not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.5 (Tropical Hardwood and Virgin Redwood Ban).

(d) Construction Schedule; Substantial Completion

(i) Landlord will keep City apprised on a regular basis of the status of plan preparation, permit issuance, and the progress of construction. Landlord will provide City with written monthly status updates of permit approval and the progress of construction, including estimated times for receipt of permits and completion of construction. From time to time during the design and construction of the Leasehold Improvements, after reasonable advance oral or written notice to Landlord, City may enter the Property at reasonable times to inspect the Land and Buildings, and City will use reasonable efforts not to materially interfere with the construction. Landlord or its representative may accompany City during any inspection. When construction progress permits, but not less than fifteen (15) days before completion, Landlord will notify City of the approximate date that the Leasehold Improvement Work will be substantially completed in accordance with the Construction Documents. Landlord will revise the notice of the approximate substantial completion date as appropriate from time to time and will immediately notify City when the Leasehold Improvement Work is substantially completed and the Property is ready for occupancy by City. On a mutually agreeable date as soon as practicable after Landlord's notice to City that the Leasehold Improvements have been substantially completed, City and its authorized representatives will accompany Landlord or its architect on an inspection of the Property.

(ii) The Leasehold Improvement Work will be deemed to be "**substantially completed**" for purposes of this Lease when the Leasehold Improvements have been sufficiently completed in accordance with the approved Construction Documents, as evidenced by a temporary certificate of occupancy ("**TCO**") issued by the San Francisco Department of Building Inspection and TCO or the comparable approval if no TCO written approval from the San Francisco Fire Department so that City can occupy the Property and conduct its business for its intended uses, Landlord has procured a temporary or final certificate of occupancy for the Buildings, and City, through its Director of Property, has approved the Leasehold Improvements. At its option, City may approve the Leasehold Improvements even though there may remain incomplete minor details that would not interfere with City's use. Within thirty (30) days after acceptance of the Property or as soon after acceptance as practicable, City may present to Landlord a written punchlist of any incomplete minor details

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and any items that have not been finished in accordance with the Construction Documents. Within thirty (30) days after the delivery of the punchlist, Landlord will promptly complete all defective or incomplete items identified in the punchlist. City's failure to include any item on the punchlist will not alter Landlord's obligation under this Lease to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, or constitute a waiver of any latent defects.

(iii) No approval by City or any of its Agents of the Pricing Plans, Construction Documents, or completion of the Leasehold Improvement Work for purposes of this Lease will be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Buildings, and nothing in this Lease will limit Landlord's obligations to obtain all necessary or required approvals.

6.2. Construction of Leasehold Improvements

Landlord will renovate the Buildings, perform the work, and make the installations in the Property as provided in the Work Letter attached as **Exhibit F** (the "**Work Letter**"). All work and installations performed under the Work Letter are referred to as the "**Leasehold Improvement Work**" and the "**Leasehold Improvements.**" To the extent of any inconsistencies between Section 6.1 of this Lease and the Work Letter, the terms of the Work Letter shall control.

6.3. Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that the Leasehold Improvement Work will include the installation of telecommunications, data, and computer cabling facilities and equipment, in accordance with City's instructions. The City is responsible for connecting equipment to the cabling installed by Landlord. Landlord will furnish access to City and its consultants and contractors to the main communications service serving the floor(s) of the Buildings and all other parts of the Buildings where access is needed for proper installation of the facilities and equipment including wiring. City will have the right to enter the Buildings at reasonable times during construction of the Leasehold Improvements in order to install the facilities and equipment. City and Landlord will use their good faith efforts to coordinate any all activities to allow the Leasehold Improvements and the installation of the facilities and equipment to be completed in a timely and cost-effective manner.

6.4. Construction of Improvements that Disturb or Remove Exterior Paint

Landlord, on behalf of itself and its successors, assigns, and Agents, will comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and federal laws, including the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents must give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint under San Francisco Building Code Chapter 34 does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under San Francisco Building Code Chapter 34. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, will 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)** hydro-blasting or high-pressure wash without containment barriers; **(d)** abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and **(e)** heat guns operating above 1,100 degrees Fahrenheit. Landlord will comply with the requirements of California Code of Regulations Title 17 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

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defined by San Francisco Building Code Chapter 34, demonstrates an absence of lead-based paint on the interior or exterior surfaces of the buildings. Under this Section, lead-based paint is "disturbed or removed" if the work or alteration involves any action that creates friction, pressure, heat, or a chemical reaction on 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 may not make or permit any alterations, installations, additions, or improvements (collectively, "**Alterations**") to the Property without first obtaining Landlord's written consent, which Landlord will not unreasonably withhold, condition, or delay. Installation of furnishings, fixtures, equipment, or decorative improvements that do not affect the Building Systems or structural integrity of the Buildings, and the repainting and re-carpeting of the Buildings do not constitute Alterations and do not require Landlord's consent. Any Alterations permitted under this Lease will be made at City's cost in compliance with applicable Laws (as defined in Section 10.1 (Landlord's Compliance with Laws)). Without cost to itself, Landlord will cooperate with City in securing building and other permits and authorizations needed for any permitted Alterations. Landlord will not be entitled to any construction or other administrative fee in connection with any Alteration. City will not be required to remove any Alterations on the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves the Alterations that they must be removed. City is not required to remove any improvements not requiring Landlord's consent.

7.2. Title to Improvements

Except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions, and other property permanently installed in the Property as of the Delivery of Possession or during the Term will be and will remain Landlord's property. City may not remove Landlord's property without Landlord's written approval.

7.3. City's Personal Property

(a) All furniture, furnishings, equipment, trade fixtures, and articles of movable personal property installed in the Buildings by or for City and that can be removed without structural damage to the Buildings (collectively, "**City's Personal Property**") are and will remain City's property. If City requests, Landlord may assist City by ordering and installing City's Personal Property and City will reimburse Landlord for all fees, costs, and expenses approved by City in advance within thirty (30) days after receipt of an invoice, plus a 5% administrative fee to Landlord; provided, however, that City may elect to provide any deposit or other expense required at the time of ordering City's Personal Property. To the extent possible, any maintenance contract or warranty in connection with the purchase or lease of tangible personal property will be optional (namely, City may, but is not required to, purchase a maintenance contract or warranty). To the extent feasible, Landlord and any vendors of Landlord will separately itemize any shipping charges. Although Landlord may order and install City's Personal Property, all items will remain City's Personal Property and not be considered Leasehold Improvements or constitute any component of the Leasehold Improvements. With regard to any personal property purchased by Landlord on behalf of City or leased by City under this Lease, (a) Landlord represents that it is fully compliant with the California Sales and Use Tax Law and warrants to City that Landlord that it will fulfill its use tax obligations under that law with respect to the subject transaction; (b) Landlord will accept a Use Tax Direct Payment Exemption Certificate in lieu of any use tax payment if the City, in its sole discretion, elects to provide such Certificate to Landlord; (c) If the City pays use tax to Landlord, Landlord will remit the entire amount of the use tax payment to the state and provide the City with a receipt in accordance with the California Sales and Use Tax Law; and (d) Landlord will be liable to the City for all amounts of use tax paid to Landlord that Landlord fails to remit to the State. This obligations of Landlord under the foregoing sentence will survive and termination or expiration of the Lease.

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(b) At any time during the Term, City may remove any of City's Personal Property, and City will repair any damage to the Buildings resulting from that removal. On the expiration or earlier termination of this Lease, City will remove City's Personal Property from the Buildings in accordance with Section 20 (Surrender of Property). Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City ("**Secured Personal Property**"). Landlord recognizes the rights of any supplier, lessor, or lender (**"Supplier"**) who has an interest in any items of Secured Personal Property to enter the Buildings and remove that Secured Personal Property at any time during the Term or within thirty (30) days after the Expiration Date, if Landlord and Supplier have entered into a commercially reasonable access agreement at Landlord's judgment. On City's reasonable request, at City's expense Landlord will execute and deliver any document required by any supplier, lessor, or lender in connection with the installation of any items of Secured Personal Property in the Buildings, under which Landlord waives any rights it may have or acquire with respect to the Secured Personal Property, so long as the supplier, equipment supplier, lessor, or lender agrees that it **(i)** will remove the Secured Personal Property from the Buildings within thirty (30) days after the Expiration Date (and if it does not remove the Secured Personal Property within that time the equipment supplier, lessor, or lender will have waived any rights it may have had to the Secured Personal Property), provided that an access agreement between Landlord and such Supplier is in place, and **(ii)** will repair any damage caused by the removal of the Secured Personal Property. Upon receipt of written demand from a Supplier, Landlord will allow such Supplier reasonable access to the Property without any obligation to verify City's default, and will not have any liability as to City.

7.4. Alteration by Landlord

Landlord will use its best efforts to minimize interference with or disruption to City's use and occupancy of the Property during any alterations, installations, additions, or improvements to the Buildings. Landlord will promptly remedy any interference or disruption on receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1. Landlord's Repairs

At its cost, Landlord will repair and maintain the exterior and structural portions of the Buildings in similar condition to other buildings in the area, including, the roof, foundation, bearing and exterior walls. Without limiting the foregoing, Landlord, at the City's cost, will maintain the property in a clean, safe, and attractive manner. The Landlord will repair and maintain, at the City's cost without additional mark up, windows, doors, plumbing, electrical, security, door frames, demising walls, and subflooring, and the heating, ventilating, air conditioning, fire protection, life safety, and other mechanical systems, of the Buildings (collectively, the "**Building Systems**") and will provide exterior graffiti removal with reasonable frequency; provided, however, that the foregoing is subject to inspection of the Building Systems and on the condition that all identified issues are resolved prior to the City's Occupancy of the Property. All Landlord's Repairs that are performed at the City's cost shall be paid in accordance with Section 4.4 (Additional Charges).

8.2. City's Repairs

Subject to Landlord's warranty under Section 10.1 (Landlord Compliance with Laws; Property Condition; Indemnity), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations under this Lease, City will repair and maintain at its cost the interior portions of the Buildings and will keep the Buildings in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty or condemnation. City will make any required repairs and replacements to the interior of the Buildings that Landlord specifies in writing **(a)** at City's cost, **(b)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(c)** so that the interior portions of the Buildings will be at

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least substantially equal in quality, value, and utility to the original work or installation before the damage, **(d)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use, or occupation of the Buildings or the Building Systems, and **(e)** in compliance with all applicable Laws, including any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term, promptly after City's reasonable notice, Landlord will provide City and its Agents with access to those portions of the Buildings that are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3. Liens

City will keep the Property free from liens arising out of any work performed, material furnished, or obligations incurred by City during the Term. Landlord may post on the Property any notices permitted or required by Laws or that are needed for the protection of Landlord, the Land, or the Buildings, from mechanics' and material suppliers' liens. City will give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Property.

9. UTILITIES AND SERVICES

9.1. Landlord's Provision of Utilities

The Property is currently serviced by electricity, water, sewer and natural gas connections to the Buildings, which shall be provided in good working order upon the Delivery of Possession. City shall be responsible for contracting with, and paying for, each service provider directly.

9.2. City Obligation

(a) Janitorial Service

At its cost, the City will provide janitorial service as deemed necessary by the Tenant in order to maintain the Buildings in a clean and safe condition.

(b) Security Service

At its cost, the City will provide its own security services and have the right to install its own security.

9.3. INTENTIONALLY OMITTED

9.4. Disruption in Essential Utilities or Services

If any failure, stoppage, or interruption of any utilities or services to be furnished by Landlord occurs, Landlord will immediately notify City of the failure, stoppage, or interruption; diligently attempt to restore service as promptly as possible; and keep City apprised of its efforts. If Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Property (collectively, "**Essential Services**") and that inability of Landlord impairs City's ability to carry on its business in the Property for **(a)** two (2) or more business days and it is in Landlord's reasonable control to restore the Essential Services or **(b)** five (5) or more consecutive business days if the failure is not within Landlord's reasonable control, then the Rent will be abated based on the extent that the lack of the Essential Services impairs City's ability to normally carry on its business in the Property, or, alternatively at City's election, City may provide the Essential Services and offset the reasonable cost against the Rent next due under this Lease. The abatement or right to provide the Essential Services and offset against Rent will continue until the Essential Services have been restored so that the lack of any remaining Essential Services no longer materially impairs City's ability to carry on its business in the Property. Landlord will use its best efforts to restore disrupted Essential Services as soon as possible. If the failure to provide any Essential Services occurs for any reason continues for fifteen (15) days or more in any continuous sixty (60)-day period after Landlord has been duly notified and that failure

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interferes with City's ability to normally carry on its business in the Property, then, without limiting any of its other rights or remedies under this Lease or at law or in equity, City may terminate this Lease on written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be reliably restored within sixty (60) days after the date City's use was first interrupted, and the Essential Services are actually restored and reliable within the sixty (60)-day period. City will not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City results solely to the negligent acts or omissions of City and its Agents.

10. COMPLIANCE WITH LAWS; PROPERTY CONDITION

10.1. Landlord's Compliance with Laws; Property Condition; Indemnity

Subject to Landlord's obligations under Section 8.1 (Landlord's Repairs), Landlord will at all times during the Term keep the Property, Buildings, and the Building Systems in compliance with applicable present or future federal, state, local, and administrative laws, rules, regulations, orders, and requirements (collectively, "**Laws**"). Landlord represents and warrants to City that, to the best of Landlord's knowledge, as of the Delivery of Possession and substantial completion of the Leasehold Improvements: **(a)** the physical structure, fixtures, and permanent improvements of the Property (including the Leasehold Improvements) and all portions of the Property and the Buildings along the path of travel to the Property (including the Buildings' entrances, restrooms, elevators, lobbies, telephone banks, and drinking fountains), but expressly excluding the second floor of the Buildings, will be as of the Delivery of Possession in compliance with the requirements of the Americans With Disabilities Act of 1990, California Code of Regulations Title 24, and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, "**Disabilities Laws**"); **(b)** the Buildings are not an unreinforced masonry building, and as of the Delivery of Possession will be, in compliance with all applicable Laws relating to seismic safety (collectively, "**Seismic Safety Laws**"); **(c)** the Buildings, and Building Systems serving the Buildings as of the Delivery of Possession will be, in full compliance with all applicable Laws relating to fire and life safety (including the San Francisco High-Rise Sprinkler Ordinance, to the extent applicable) (collectively, "**Life Safety Laws**"); **(d)** the Buildings, and Building Systems serving the Property as of the Delivery of Possession will be, in compliance with all other applicable Laws; and **(e)** there will not be, as of the Delivery of Possession, any material physical or mechanical defects in the Property, Buildings, or the Building Systems that would materially adversely affect City's intended use of the Property. Without limiting Section 16.2 (Landlord's Indemnity), Landlord will Indemnify City against any and all Claims (defined in Section 16.1 (City's Indemnity) below) arising out of **(i)** any failure of the Property, Buildings, Building Systems (or any portion of any of them) to comply with applicable Laws; or **(ii)** any misrepresentation by Landlord under this Section.

10.2. City's Compliance with Laws; Indemnity

City will use the Property during the Term in compliance with applicable Laws, except that City will not be required to make any structural alterations, additions, or other modifications in order to comply with applicable Laws unless the modifications are necessary solely because of any Alterations to the Property made by City under Section 7 (Alterations) and the modifications are not otherwise Landlord's responsibility under this Lease. City will 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 Property, other than any requirement relating to the physical structure, fixtures, and permanent improvements of the Property or Buildings along the path of travel to the Property or Buildings, which are Landlord's obligation as provided in Section 10.1 (Landlord's Compliance with Laws; Property Condition; Indemnity). Without limiting Section 16.1 (City's Indemnity), City will Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

10.3. City's Compliance with Insurance Requirements

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Subject to City's obligations per Section 17.1 (City's Self-Insurance), City will not conduct any use in or about the Property that would: **(a)** invalidate or be in conflict with any fire or other casualty insurance policies covering the Buildings or any property located in the Buildings, **(b)** result in a refusal by casualty insurance companies of good standing to insure the Buildings or property in the Buildings in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Buildings, **(c)** cause an increase in the casualty insurance premium for the Buildings unless City agrees to pay the increase, or **(d)** subject Landlord to any liability or responsibility for injury to any person or property solely because of the business operation conducted by City in the Property; provided, however, Landlord will provide City with reasonable prior written notice of any applicable insurance requirements and no insurance requirements will materially and adversely interfere with City's normal business in the Property.

11. SUBORDINATION

(a) Subject to subsection (b) below, this Lease is subject and subordinate at all times to the following (each an "**Encumbrance**"): **(i)** any reciprocal easement agreements, ground leases, or other underlying leases that may later be executed affecting Landlord's interest in the Property (or any portion of it), and **(ii)** the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements, and extensions of any of the foregoing that may be executed by Landlord at any time in any amount for which any part of the Property, any ground lease, or underlying lease, or Landlord's interest or estate in them is subject. But, if the ground lessor, mortgagee, trustee, or holder of any mortgage or deed of trust (each an "**Encumbrancer**") elects to have City's interest in this Lease be superior to its Encumbrance, then, on City's receipt of a notice from the Encumbrancer, this Lease will be deemed superior, whether this Lease was executed before or after the date of the Encumbrance or the date of its recording. The provisions of this subsection (a) are self-operative and no further instrument will be required. At Landlord's request, however, City will enter into a subordination, nondisturbance, and attornment agreement ("**SNDA**") with Encumbrancer in a form reasonably acceptable to City and Encumbrancer evidencing the subordination or superiority of this Lease. City's covenant under this subsection (a) to subordinate this Lease to any Encumbrance is conditioned on each senior instrument containing the commitments in subsection (b) below.

(b) If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or if any ground lease or underlying lease to which this Lease is subordinate is terminated, then this Lease will not be barred, terminated, cut off, or foreclosed and the rights and possession of City under this Lease will not be disturbed unless an Event of Default has occurred and is continuing. City will attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of the succession and the name and address of the successor landlord. The provisions of this Section 11(b) are self-operative and no further instrument will be required. Landlord agrees, however, upon request by City and in a form reasonably acceptable to City to cause any Encumbrancer to execute an SNDA evidencing the foregoing non-disturbance provisions together with the priority or subordination of this Lease with respect to any such Encumbrance.

12. DAMAGE AND DESTRUCTION

(a) If the Buildings or any Building Systems are damaged by fire or other casualty, Landlord will repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if, at its sole option, City makes sufficient funds available to Landlord, Landlord will also repair the Leasehold Improvements) so long as the repairs can be made under applicable Laws within sixty (60) days after Landlord obtains all necessary permits but not later than two hundred ten (210) days after the date of the damage (the "**Repair Period**"). If Landlord is obligated to repair as provided above, then this Lease will remain in full force and

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effect, except that City will be entitled to an abatement of Rent until the Buildings are restored to their condition before the casualty. The abatement in Rent will be based on the extent to which the damage, the making of the repairs, and reoccupying of the Buildings interferes with City's use of the Property. Landlord's repairs will not include, and the Rent will 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 that is not covered by insurance.

(b) Within thirty (30) days after the date of the damage, Landlord will notify City whether, in Landlord's reasonable judgment made in good faith, the repairs can be made within the Repair Period. If the repairs cannot be made within the Repair Period, then either party may terminate this Lease by giving written notice to the other given within thirty (30) days after the date of Landlord's notice. The termination date will be the date specified in the termination notice, which date may be not less than thirty (30) or more than sixty (60) days after Landlord's notice. If either party elects to terminate this Lease, then the Rent will be reduced by a proportionate amount based on the extent to which the damage interferes with the normal conduct of City's business in the Buildings and on the Property, and City will pay the reduced Rent up to the date of termination. Landlord will refund to City any Rent previously paid for any period after the date of termination.

(c) Notwithstanding the foregoing, if the Buildings are damaged or destroyed by flood or earthquake, and the damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry under this Lease (excluding any deductible, for which Landlord is solely responsible), then Landlord may terminate this Lease by written notice to City within thirty (30) days after the date Landlord receives written notice that the damage is not covered by insurance. Landlord's termination notice must include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease, then subsections (a) and (b) will apply.

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

(e) The parties intend that the provisions of this Section fully govern their rights and obligations in the event of damage or destruction. Accordingly, Landlord and City each waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar Law now or later in effect, to the extent those rights are inconsistent with the provisions of this Section.

13. EMINENT DOMAIN

13.1. Definitions

"**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.

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

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

13.2. General

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If during the Term or during the period between the Commencement Date of this Lease and the Delivery of Possession, there is any Taking of all or any part of the Property or the Buildings or any interest in this Lease, the rights and obligations of the parties will be determined under this Section. City and Landlord intend that the provisions of this Section govern fully in the event of a Taking and accordingly, Landlord and City each waives any right to terminate this Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar Law now or later in effect.

13.3. Total Taking; Automatic Termination

If there is a total Taking of the Property, then this Lease will 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 Property, then this Lease will 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 Property untenantable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Property or access to the Property, **(ii)** the condition rendering the Property untenantable or unsuitable or that materially adversely affects City's normal operations or limits access to the Property either is not curable or is curable but Landlord is unwilling or unable to cure the condition, and **(iii)** City elects to terminate.

(b) If a partial Taking of a substantial portion of the Property occurs, but subsection (a) above does not apply, then within thirty (30) days after the Date of Taking either City or Landlord may terminate this Lease by written notice to the other, provided that, as a condition to City's right to terminate, the portion of the Property taken must, in City's reasonable judgment, render the Property unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Property or access to the Property.

(c) If either party elects to terminate this Lease under this Section, then this Lease will terminate on the later of the thirtieth (30th) day after the written notice is given or the Date of Taking.

13.5. Termination of Lease; Rent and Award

On termination of this Lease in its entirety under Section 13.3 (Total Taking; Automatic Termination) or under Section 13.4 (Partial Taking; Election to Terminate), then: **(a)** City's obligation to pay Rent will continue up until the date of termination and then will cease, and **(b)** Landlord will be entitled to the entire Award, except that City will receive any portion of the Award for the unamortized cost of any Leasehold Improvements paid for by City and any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6. Partial Taking; Continuation of Lease

If there is a partial Taking of the Property and this Lease is not terminated in its entirety under Section 13.4 (Partial Taking; Election to Terminate) above, then this Lease will terminate as to the portion of the Property taken, but will remain in effect as to the portion not taken, and the rights and obligations of the parties will be as follows: **(a)** Rent will be equitably reduced depending on the configuration or the Property and the portion taken (for instance, if the area of the Property taken has no special or significant use, then the reduction may be by an amount that is in the same ratio to the Rent as the area of the Property taken bears to the area of the Property before the Date of Taking), and **(b)** Landlord will be entitled to the entire Award in connection therewith, provided that City will receive any portion of the Award for the unamortized cost of any Leasehold Improvements paid for by City in the portion of the Property taken and any

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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 of the Property occurs for sixty (60) consecutive days or fewer, this Lease will remain unaffected by the temporary Taking, and City will continue to pay Rent and to perform all of the terms, conditions, and covenants of this Lease. In the event of a temporary Taking, City will be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Property during the Term up to the total Rent owing by City and any out-of-pocket costs incurred by City due to the temporary Taking for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

City shall have the right to sublease up to 50% of the Property during the Lease Term with Landlord's prior written consent, which shall not be unreasonably withheld or delayed; provided, that City's sublease of more than 50% of the Property during the Lease Term shall also require Landlord's prior written consent, which may be withheld, but not delayed. Landlord shall be entitled to retain 50% of any net subleasing or assignment profits after subtracting all costs in instances where City has subleased more than 50% of the Property during the Lease Term.

Except as provided in this Section, City may 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 Property or its leasehold estate created by this Lease or permit all or any portion of the Property to be occupied by anyone other than itself or sublet all or any portion of the Property, without Landlord's prior written consent in each instance, which will not be unreasonably withheld, conditioned, or delayed. From time to time, on notice to Landlord, but without Landlord's consent, City may sublease, transfer this Lease, or the use and occupancy of all or any of the Property to any non-profits, vendors or contractors of City and any department, commission, or agency of the City and County of San Francisco for uses permitted under this Lease, and notwithstanding an contrary provision contained in this Section 14 above or elsewhere in this Lease, such sublease, transfer of the Lease, or use and occupancy shall not be subject to any Landlord profit participation.

15. DEFAULT; REMEDIES

15.1. Events of Default by City

Any of the following will constitute an "**Event of Default**" by City:

(a) After Landlord is qualified as an approved vendor as provided in Section 4.104.13 (Payments by City) above, City fails to make any timely payment of Rent and to cure the nonpayment within ten (10) business days after receipt of written notice of nonpayment from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City will have twenty (20) days after written notice from Landlord to cure any nonpayment.

(b) City's abandons the Property (within the meaning and under the requirements of California Civil Code Section 1951.3).

(c) City assigns this Lease or subleases any portion of the Property in violation of the terms of the Lease.

(d) City fails to provide evidence of insurance (to the extent required in Section 17.1), completed estoppel certificates, signed subordination agreements, or removal of liens per Section 8.3 within the time provided in this Lease, which failure continues for fifteen (15) business days after receipt of notice of default.

(e) City's failure to perform any other of its covenants or obligations under this Lease (not involving the payment of money) and failure to cure the non-performance within

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thirty (30) days of the date of receipt of Landlord's notice of the failure, provided that if more than thirty (30) days are reasonably required for the cure, no Event of Default will occur if City commences the cure within the thirty (30)-day period and diligently prosecutes the cure to completion not later than ninety (90) days from the date of such notice from Landlord.

15.2. Landlord's Remedies

On the occurrence and during the continuance of any Event of Default by City, Landlord will have all rights and remedies available under law or granted pursuant to this Lease, including the following:

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including the right to terminate City's right to possession of the Property 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 under subsection (b) of Section 1951.2.

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

(c) All rights and remedies of Landlord set forth in this Lease are cumulative and in addition to all other rights and remedies available at law or in equity. Landlord may exercise all rights and remedies concurrent with or subsequent to the exercise of other rights and remedies.

15.3. Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease), at its sole option, City may cure the default at Landlord's expense if the default continues after ten (10) days after the date City gives notice to Landlord of City's intention to perform the cure. However, if a default occurs because of a cause beyond Landlord's control (excluding any financial inability to perform), and Landlord cannot with due diligence cure the default within the ten (10)-day period, then the ten (10)-day period will be extended if, promptly on receipt of City's notice, Landlord advises City of Landlord's intention to take all steps required to cure the default, and Landlord promptly commences the cure and diligently prosecutes the cure to completion. But if any default by Landlord continues for sixty (60) days and materially impairs City's ability to carry on its normal business on the Property, then City may terminate this Lease on written notice to Landlord within thirty (30) days after the expiration of the sixty (60)-day period. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the ten (10)-day cure period provided above (as it may be extended as provided above), then, whether or not City elects to cure Landlord's default, the Rent will be abated based on the extent to which the default interferes with City's ability to carry on its normal business at the Property. City's rights under this Section and under any other provisions of this Lease will not limit in any way any of its other rights and remedies under this Lease or at law or in equity.

16. INDEMNITIES

16.1. City's Indemnity

City will indemnify, defend, and hold harmless ("**Indemnify**") Landlord and its Agents from and against any and all claims, losses, damages, costs, and expenses, including reasonable attorneys' fees (collectively, "**Claims**"), incurred as a result of **(a)** City's use of the Property, or **(b)** any negligent acts or omissions of City or its Agents or Invitees in, on, or about the Property or the Buildings; provided, however, City will not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or

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its Agents. In any action or proceeding brought against Landlord or its Agents because of a Claim Indemnified by City under this Section, at its sole option, City may elect to defend the Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord will have the right, but not the obligation, to participate in the defense of the Claim at its sole cost. City's obligations under this Section will survive the termination of the Lease.

16.2. Landlord's Indemnity

Landlord will Indemnify City and its Agents against any and all Claims incurred as a result of **(a)** any default by Landlord in the performance of any of its obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or **(b)** any negligent acts or omissions of Landlord or its Agents in, on, or about the Property or the Buildings; provided, however, Landlord will 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 because of a Claim Indemnified by Landlord under this Section, at its sole option, Landlord may elect to defend the Claim by attorneys selected by Landlord. Landlord will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City will have the right, but not the obligation, to participate in the defense of any Claim at its sole cost. Landlord's obligations under this Section will survive the termination of this Lease.

17. INSURANCE

17.1. City's Self-Insurance

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

17.2. Landlord's Insurance

(a) At all times during the Term, Landlord will keep the Buildings insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage (include earthquake sprinkler leakage) 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). Upon City's request, Landlord will provide to City a certificate of insurance issued by the insurance carrier, evidencing the required insurance. The certificate must 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 (or, if the insurer refuses to provide notice to the City, then Landlord will provide such thirty (30)-day prior notice to City). Landlord waives any rights against City for loss or damage to the Buildings or any other part of the Property to the extent covered by Landlord's property insurance.

(b) In addition, as Additional Charges reimbursable by City, Landlord will procure and keep in effect at all times during the Term insurance as follows: **(i)** 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 **(ii)** worker's compensation insurance in the amounts required by applicable Laws and employer's liability with limits not less than One Million Dollars ($1,000,000) each accident. All insurance policies required by this Lease to be maintained by Landlord must be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord and City (or, if such endorsement is not available from the insurer, Landlord will provide such notice to City).

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(c) Landlord will maintain loss of rent coverage for a twelve (12) month period.

(d) Landlord will maintain such umbrella policy and additional coverage as it reasonably determines necessary or as required by any Encumbrancer. The parties agree that the minimums set forth in this Section 17.2 will be re-evaluated every five (5) years, and increased to the extent consisted with similarly situated landlords and properties.

17.3. Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord waives any right of recovery against City for any loss or damage relating to the Property or the Buildings or any operations or contents in the Buildings, whether or not the loss is caused by City's fault or negligence, to the extent the loss or damage is covered by Landlord insurance that is required under this Lease or any excess coverage otherwise held by Landlord or its Agents. Landlord will obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Buildings, but Landlord's failure to do so will not affect the above waiver.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any of its designated Agents the right to enter the Property at all reasonable times and, except in cases of emergency (in which event Landlord will give any reasonable notice), after giving City at least twenty four (24) hours' advance written notice, to **(a)** inspect the Property, **(b)** supply any service to be provided by Landlord under this Lease, **(c)** show the Property or the Buildings to any prospective purchasers, mortgagees or, during the last six (6) months of the Term, tenants, **(d)** post notices of non-responsibility, and **(e)** alter, improve, or repair the Property and any portion of the Buildings, and, for that purpose, Landlord may erect, use, and maintain necessary structures in and through the Property where reasonably required by the work to be performed, provided that the entrance to the Property may not be blocked. Landlord may not interfere with City's use of the Property.

19. ESTOPPEL CERTIFICATES

From time to time during the Term, by not less than thirty (30) days' prior written notice to the other party, either party may request the other party to execute, acknowledge, and deliver to the persons or entities designated by the other party a certificate stating: **(a)** the Commencement Date and Expiration Date of this Lease, **(b)** that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), **(c)** that there are no defaults under this Lease (or if so, specifying the same), and **(d)** the date to which Rent has been paid.

20. SURRENDER OF PROPERTY

On the expiration or sooner termination of this Lease, City will surrender the Property to Landlord in good order and condition, excepting reasonable use and wear and damage by fire or other casualty or condemnation. Within ten (10) days after the Expiration Date, City will remove from the Buildings or the Property, to the extent applicable, 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 Property under the provisions of Section 7.1 (Alterations by City). City will repair or pay the cost of repairing any damage to the Property or the Buildings resulting from that removal. City will not be required to demolish or remove from the Property any of the Leasehold Improvements. If City fails to remove all personal property in accordance with this Lease Section, City will pay Landlord all actual costs incurred by Landlord plus a five percent (5%) administrative fee upon receipt of an invoice from Landlord. City's obligations under this Section will survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1. Definitions

As used in this Lease, the following terms are defined below:

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"**Environmental Laws**" means any Law relating to industrial hygiene, environmental conditions, or Hazardous Material, whether now in effect or later adopted.

"**Hazardous Material**" means any material that, because of its quantity, concentration, or physical or chemical characteristics, is deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the Superfund law), as amended (42 U.S.C. Section 9601 et seq.), or under California Health & Safety Code Section 25316; any "hazardous waste" listed under California Health & Safety Code Section 25140; any asbestos and asbestos containing materials whether or not those 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.

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

21.2. Landlord's Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge, each of the following statements are true and correct, or will be true and correct as of the Delivery of Possession: **(a)** the Property is not in violation of any Environmental Laws; **(b)** the Property is not now, and has not been, used for the manufacture, use, storage, discharge, deposit, transportation, or disposal of any Hazardous Material, except for the use of Hazardous Material in limited quantities as are customarily used in properties with similar zoning, which limited use is and has been in compliance with Environmental Laws; **(c)** the Property does not consist of any landfill or contain any underground storage tanks; **(d)** the Buildings do not contain any asbestos-containing materials or have building materials that contain any other Hazardous Material, and the Building or the common areas of the Building do not contain any lead-based paints; **(e)** there is and has been no Release of any Hazardous Material in the Buildings 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 the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under, or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord will 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 Property for their intended purposes.

21.3. Landlord's Environmental Indemnity

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

21.4. City's Covenants

Neither City nor its Agents will cause any Hazardous Material to be brought on, kept, used, stored, generated, or disposed of in, on or about the Buildings or the Property, or transported to or from the Buildings or the Property, in violation of any Environmental Laws.

21.5. City's Environmental Indemnity

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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 Property, then City will Indemnify Landlord against any and all Claims arising during or after the Term as a result of the Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity will not include any Claims resulting from the non-negligent aggravation by City, its Agents, or Invitees of physical conditions of the Buildings, or other parts of the Property, existing before City's occupancy.

22. SPECIAL PROVISIONS

22.1. Grant of Option to Purchase

Landlord grants to City an exclusive and irrevocable option to purchase the Property (the "**Purchase Option**") for the price and on the terms and conditions set forth in this Section.

In the event that Landlord elects, in its sole discretion, to sell the Property, Landlord will first notify Tenant in writing of such desire to sell (the "**Offer Notice**"), which notice will include the purchase price for the Property (the "**Purchase Price**"). Tenant will have sixty (60) days after receipt of the Offer Notice to notify Landlord in writing of Tenant's election to exercise its Purchase Option, at the Purchase Price. If Tenant fails to exercise its Purchase Option as provided in the preceding sentence within such sixty (60) day period, then Landlord will have the right to sell the Property to any party desired by Landlord and otherwise upon any terms desired by Landlord, as long as the purchase price which such third party agrees to pay in a written agreement of purchase and sale is not less than 92% of the Purchase Price included in the Offer Notice. In the event that Landlord desires to accept, in its sole discretion, proceeding with the third party transaction for a Purchase Price which is less than 92% of the Purchase Price included in the Offer Notice, then Landlord must first reoffer the Property to City at such lower price (and City will have sixty (60) days to exercise its Purchase Option at such lower price by giving Landlord notice thereof in writing). In the event of City's timely exercise of its Purchase Option hereunder, City will be obligated to purchase from Landlord and Landlord will be obligated to sell and convey to City the Property for the Purchase Price and otherwise on the terms and conditions provided herein.

23. CITY PROVISIONS

23.1. MacBride Principles - Northern Ireland

The provisions of San Francisco Administrative Code Section 12F are incorporated into this Lease by this reference and made part of this Lease. Landlord confirms that Landlord has read and understood that 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.

23.2. Controller's Certification of Funds

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

23.3. Prevailing Wages and Working Conditions

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Any undefined, initially-capitalized term used in this Section has the meaning given to that term in San Francisco Administrative Code section 23.61. Landlord will 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 Property to **(A)** pay workers performing the work not less than the Prevailing Rate of Wages, **(B)** provide the same hours, working conditions, and benefits as in each case are provided for similar work performed in San Francisco County, and **(C)** employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "**Prevailing Wage Requirements**"). Landlord will cooperate with City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Landlord will 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 Construction Contract must name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Landlord's failure to comply with its obligations under this Section will constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

23.4. Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

Landlord does not as of the date of this Lease, and will not during the Term, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits, or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of the employees, where the domestic partnership has been registered with a governmental entity under state or

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local law authorizing that registration, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2(b).

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of San Francisco Administrative Code Chapters 12B and 12C relating to non-discrimination by parties contracting for the lease of property to City are incorporated into this Section by reference and made a part of this Lease as though fully set forth. Landlord will comply fully with and be bound by all of the provisions that apply to this Lease under Administrative Code Chapters 12B and 12C, including the remedies provided in those Chapters. Without limiting the foregoing, Landlord understands that under San Francisco Administrative Code Section 12B.2(h) a penalty of Fifty Dollars ($50) for each person for each calendar day during which that person was discriminated against in violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

23.5. Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by San Francisco Environment Code Sections 802(b) and 803(b), neither Landlord nor any of its contractors may provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease that 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) If Landlord fails to comply in good faith with any of the provisions of San Francisco Environment Code Chapter 8, Landlord will be liable for liquidated damages for each violation in an amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Landlord acknowledges and agrees that the liquidated damages assessed will be payable to the City and County of San Francisco on demand and may be set off against any monies due to Landlord from any contract with City.

23.6. Bicycle Parking Facilities

San Francisco Planning Code (the "**Planning Code**") Article 1.5, Section 155.3 requires that bicycle parking must be provided at City-leased buildings at no cost to Landlord. During the Term, City will have the right to install and maintain, at no cost to Landlord, 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. Landlord and City will cooperate on selecting appropriate locations to install such facilities.

23.7. Resource-Efficient City Buildings

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

23.8. Sunshine Ordinance

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

23.9. Conflicts of Interest

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

23.10. Notification of Prohibition on Contributions

By executing this Lease, Landlord acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who leases, or seeks to lease, to or from any department of the City any land or building from making any campaign contribution to **(a)** a City elected official if the lease must be approved by that official, **(b)** a candidate for that City elective office, or **(c)** a committee controlled by that elected official or a candidate for that office, at any time from the submission of a proposal for the lease until the later of either the termination of negotiations for the lease or twelve (12) months after the date the City approves the lease. Landlord acknowledges that the foregoing restriction applies only if the lease or a combination or series of leases or other contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars ($100,000) or more. Landlord further acknowledges that **(i)** the prohibition on contributions applies to each prospective party to the lease; any person with an ownership interest of more than 10 percent (10%) in Landlord; any subcontractor listed in the lease; and any committee that is sponsored or controlled by Landlord; and **(ii)** within thirty (30) days of the submission of a proposal for the Lease, the City department with whom Landlord is leasing is obligated to submit to the Ethics Commission the parties to the lease and any subcontractor. Additionally, Landlord certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

23.11. Preservative-Treated Wood Containing Arsenic

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

24. GENERALLY APPLICABLE PROVISIONS

24.1. Notices

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Except as otherwise specifically provided in this Lease, any notice given under this Lease must 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 City's address set forth in the Basic Lease Information; or **(b)** Landlord at Landlord's address set forth in the Basic Lease Information; or **(c)** any other address designated by as either Landlord or City as its new address for notices by notice given to the other in accordance with this Section. A properly addressed notice transmitted by one of the foregoing methods will be deemed received upon confirmed delivery, attempted delivery, or rejected delivery. For convenience of the parties, copies of notices may also be given by email to the email address number set forth in the Basic Lease Information or any other email address as may be provided from time to time, but, neither party may give official or binding notice by email except that email notice may be provided along with a binding notice.

24.2. No Implied Waiver

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

24.3. Amendments

The terms and provisions of this Lease may only be changed, waived, discharged, or terminated by a written instrument signed by both parties. No waiver of any breach will affect or alter this Lease, and each and every term, covenant, and condition of this Lease will continue in full force and effect with respect to any other then-existing or subsequent breach. Whenever this Lease requires or permits City's consent or approval, the Director of Property, or his or her designee, will be authorized to provide the consent or approval, except as otherwise provided by applicable Law, including the Charter of the City and County of San Francisco. City's agreement to any amendments or modifications to this Lease (including the exhibits) may be made on the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease **(a)** changing the legal description of the Property, **(b)** increasing the Term, **(c)** increasing the Rent, **(d)** changing the general use of the Property from the use authorized under Section 5.1 (Permitted Use), and **(e)** any other amendment or modification that materially increases City's liabilities or financial obligations under this Lease will also require the approval of City's Board of Supervisors.

24.4. Authority

Landlord represents and warrants to City that it is the sole owner of the Property and the execution and delivery of this Lease by Landlord does not violate any provision of any agreement or any applicable Laws. If Landlord is a corporation, limited liability company, or a partnership, each person executing this Lease on behalf of Landlord, by their signature, covenants and warrants that Landlord is a duly authorized and existing entity, that Landlord is qualified to do business in California, that Landlord has the full right and authority to enter into this Lease, and that each person signing on behalf of Landlord is authorized to do so. On City's request, Landlord will provide City with evidence reasonably satisfactory to City confirming these representations and warranties.

24.5. Parties and Their Agents; Approvals

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If applicable, the word "**Landlord**" will include the plural as well as the singular. The term "**Agents**" when used with respect to either party includes the agents, employees, officers, and contractors of the party, and the term "**Invitees**" when used with respect to City will include the clients, customers, invitees, guests, licensees, assignees, or subtenants of City. All approvals, consents, or other determinations permitted or required by City under this Lease, including City's exercise of any option, must be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in City's Charter. If there is more than one entity that comprises Landlord, the obligations and liabilities under this Lease imposed on Landlord are joint and several.

24.6. Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and will in no way define or limit the scope or intent of any provision of this Lease. Except as otherwise specifically provided in this Lease, wherever Landlord or City is required or requested to give its consent or approval to any matter or action by the other, the consent or approval will not be unreasonably withheld or delayed and the reasons for disapproval of consent will be stated in reasonable detail in writing. Provisions in this Lease relating to number of days will be calendar days, unless otherwise specified. If the last day of any period to give notice, reply to a notice, or to take any other action occurs on a Saturday, Sunday, or a bank or City holiday, then the last day for taking the action or giving or replying to the notice will be the next succeeding business day. The words "**include**" or "**including**" or similar words will not be construed to limit any general term, statement, or other matter in this Lease or any of its attached exhibits, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

24.7. Successors and Assigns

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

24.8. Brokers

Neither party has had any contact or dealings or communications regarding leasing the Property through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease of the Property, except for the broker, if any, identified in the Basic Lease Information. That broker's commission is Landlord's sole responsibility under a separate written agreement between Landlord and the broker, and City has no liability for that commission. If any other broker or finder perfects a claim for a commission or finder's fee based on any contact, dealings, or communication, the party through whom the broker or finder makes his claim will be responsible for the commission or fee and will Indemnify the other party from any and all Claims incurred by the indemnified party. The provisions of this Section will survive any termination of this Lease.

24.9. Severability

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

24.10. Governing Law

This Lease will be construed and enforced in accordance with the laws of the State of California and City's Charter. Any legal suit, action, or proceeding arising out of or relating to

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this Lease shall be instituted in the Superior Court for the City and County of San Francisco, and each party agrees to the exclusive jurisdiction of such court in any such suit, action, or proceeding (excluding bankruptcy matters). The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action, or proceeding in such court and irrevocably waive and agree not to plead or claim that any suit, action, or proceeding brought in San Francisco Superior Court relating to this Lease has been brought in an inconvenient forum.

24.11. Entire Agreement; Incorporation of Exhibits

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

24.12. Holding Over

If City holds over in possession of the Property after the expiration of the Term with Landlord's consent, that holding over will not be deemed to extend the Term or renew this Lease, and City's tenancy will continue as a month-to-month tenancy until the tenancy is terminated by either party by giving least thirty (30) days' prior written notice of termination. The month-to-month tenancy will be on all the terms and conditions of this Lease and at the monthly Base Rent in effect during the last month of the Term or as Landlord and City may mutually agree in writing. If City holds over without Landlord's consent, the rent payable by City during the period of holding over will be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and the tenancy will otherwise be on the terms and conditions contained in this Lease.

24.13. Cumulative Remedies

All rights and remedies of either party set forth in this Lease are cumulative, except as otherwise specifically provided in this Lease.

24.14. Time of Essence

Time is of the essence for all provisions of this Lease.

24.15. Survival of Indemnities

Termination of this Lease will not affect the right of either party to enforce any indemnities and representations and warranties given or made to the other party, and it will not affect any provision of this Lease that expressly states it will survive termination. With respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim that actually or potentially falls within the indemnity provision even if the claim is or may be groundless, fraudulent, or false, and the obligation to defend arises at the time the claim is tendered to the indemnitor by the indemnitee and continues at all times until resolved.

24.16. Signs

City may erect or post exterior signs on or about the Property with Landlord's prior approval. Landlord reserves the right to review and approve the placement, design, and plan for before erecting or posting any sign, which review and approval will not be unreasonably withheld or delayed. Interior signs not visible from the exterior of the Property are permitted as provided under Article 7 (Alterations).

24.17. Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power, and authority to grant the leasehold estate as provided in this Lease, and covenants that City, on paying the Rent and

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performing the covenants contained in this Lease, will peaceably and quietly have, hold, and enjoy the Property and all related rights during the Term as against all persons or entities or on account of any action, inaction, or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord will 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.

24.18. Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. City's leasehold estate under this Lease includes all rights to receive and enjoy all services, facilities, and amenities of the Property and the Buildings, as provided in this Lease. If any of the services, facilities, or amenities are terminated, or materially limited or restricted because of any such case or proceeding, or for any other reason, City may **(a)** contract directly with any third-party provider of those services, facilities, or amenities, and **(b)** offset against the Rent all reasonable costs and expenses incurred by City in obtaining those services, facilities, or amenities.

24.19. Transfer of Landlord's Interest

Landlord may transfer its interest in the Property, the Buildings, or this Lease to any other financially responsible person or entity. If Landlord transfers its interest in the Property, the Buildings, or this Lease to another other financially responsible person or entity, then Landlord will be relieved of Landlord's obligations under this Lease accruing from and after the date of the transfer when **(a)** Landlord has provided notice to City of the name and address of Landlord's successor, **(b)** Landlord has provided City with supporting documentation reasonably acceptable to City demonstrating the transferee's financial ability to assume this obligations transferred to it by Landlord, **(c)** Landlord has transferred the Security Deposit, if any, to the transferee, and **(d)** Landlord has delivered to City an express written assumption by the transferee of all of Landlord's obligations under this Lease.

24.20. No Personal Liability

Notwithstanding anything to the contrary in this Lease, no elected or appointed board, commission, member, officer, employee, or other Agent of City will be personally liable to Landlord, its successors, or its assigns for any City default or breach or for any amount that may become due to Landlord or its successors or assigns, or for any obligation of City under this Lease. Notwithstanding anything to the contrary in this Lease, no member, officer, employee, or other Agent of Landlord will be personally liable to City, its successors, or its assigns for any Landlord default or breach or for any amount that may become due to City or its successors or assigns, or for any obligation of Landlord under this Lease.

24.21. Counterparts

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

24.22. Effective Date and Commencement Date

This Lease will become effective on the date (the "**Effective Date**" and the "Commencement Date") that **(a)** City's Mayor and Board of Supervisors, at their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and **(b)** this Lease is duly executed by Landlord and City. Should the Commencement Date occur on a day other than October 1, 2023, Landlord and City will execute a memorandum substantially in the form provided in Exhibit C.

24.23. Certification by Landlord

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By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined, or disbarred by, or prohibited from contracting with, any federal, state, or local governmental agency. If Landlord or any of its officers or members have been suspended, disbarred, disciplined, or prohibited from contracting with any governmental agency, it will immediately notify City of that fact and the reasons for the suspension, disbarment, discipline, or prohibition together with any relevant facts or information requested by City. If there is any suspension, disbarment, discipline, or prohibition that may result in the termination or suspension of this Lease, City may terminate this Lease on written notice to Landlord. Landlord acknowledges that this certification is a material term of this Lease.

24.24. INTENTIONALLY DELETED

24.25. Cooperative Drafting

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

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS CITY'S BOARD OF SUPERVISORS HAS DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS LEASE. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER THIS LEASE ARE CONTINGENT ON ADOPTION OF THAT RESOLUTION, AND THIS LEASE WILL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, AT THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION, OR AGENCY OF CITY WILL NOT BE DEEMED TO IMPLY THAT THE RESOLUTION WILL BE ADOPTED AND NO SUCH APPROVAL WILL CREATE ANY BINDING OBLIGATIONS ON CITY.

[end of Lease]

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

[Landlord also acknowledges that they have read and understood the City's statement urging companies doing business in Northern Ireland to move toward resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco companies to do business with corporations that abide by the MacBride Principles.]

LANDLORD:

LAWRENCE B. STONE PROPERTIES #08,
a Washington limited liability company

By: Lawrence B. Stone
Name: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

DocuSigned by:
By: Andrico Q. Penick 1/2/2024
3441150C0287459...
ANDRICO Q. PENICK
Director of Property

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DocuSigned by:
Shireen Mcspadden@sfgov.org
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Shireen McSpadden
Executive Director
Department of Homelessness and
Supportive Housing

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

DocuSigned by:
Vincent Brown
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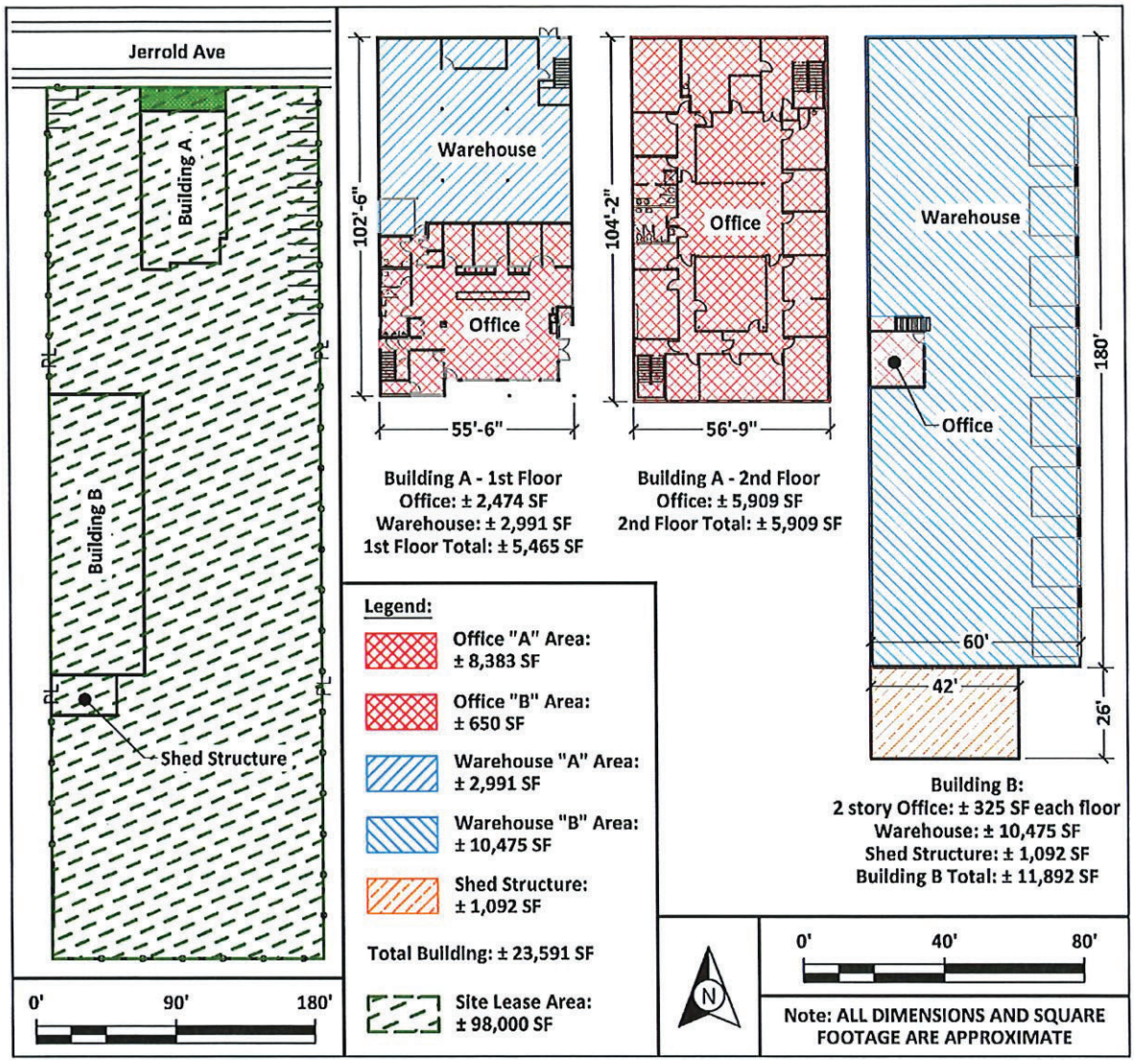
By: Vincent Brown
Deputy City Attorney

DocuSign Envelope ID: 9382DDA0-E3AE-43B8-B1DD-3AC27717C483

EXHIBIT A

PROPERTY DESCRIPTION

1 PAGE ATTACHED



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EXHIBIT B

LANDLORD'S PRE-LEASE WORK

Notwithstanding anything to the contrary in this Lease, Landlord and City acknowledge and agree that certain items of Landlord's Pre-Lease Work will not be completed prior to the Effective Date as defined in Section 24.22. Landlord and Landlord's selected contractor will take all commercially reasonable steps to complete Landlord's Pre-Lease Work as efficiently as possible.

Landlord's Pre-Lease Work

1. Repair transition between asphalt and concrete portions of the parking lot, including addressing any stormwater drainage issues;

2. Remove or disable the electrical security fencing;

3. Replace both restrooms on second floor of Building 1 with two single occupancy restrooms;

4. Install an elevator system in Building 1;

5. Deliver all utilities (electric, water, sewer and natural gas, etc.) required for the Tenant's intended use;

6. Demolish Building 3;

7. Subject to City's election, demolish shed structure attached to Building 2.

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EXHIBIT C

COMMENCEMENT DATE TEMPLATE

Date

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

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

Dear Mr. Penick:

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

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

Very truly yours,

_____
By: _____
Title: _____

Accepted and Agreed:

By: _____
Andrico Q. Penick
Director of Property

Dated: _____

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EXHIBIT D

LEASEHOLD IMPROVEMENTS

SEE ATTACHED

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2177 Jerrold
ROM Budget Summary

Per Area Budget Based on Progress Set #05 dated 09.21.23

		ROM PRICING	
Pre-Construction - MEP Design & Engineering		$50,000	
Building A (detail attached)		**$849,105**	
Building B - Warehouse (detail attached)		**$1,081,580**	
Exterior Yard - Cabins & RVs (detail attached)		**$2,864,752**	
HSH Furniture Fixtures and Equipment		$500,000	
Security		$50,000	
Data - WAP		$50,000	
Landscaping		$50,000	
Soft Costs - Architectural		$50,000	
Soft Costs - Engineering		$50,000	
Building Permits & Expediting		$65,000	
Special Inspections		$30,000	
	Subtotal	**$5,690,437**	
Duration Based Line Items		**26 Weeks**	
General Conditions	$7,500 per week	$195,000	
Progress Labor	$2,600 per week	$67,600	
Security & Barricades	Allowance for on-site security for 24 hour protection or monthly fee for electrified	$15,000	
Debris Boxes	$1,100 per haul off | (1) per week	$28,600	
Hazmat Abatement & Testing	NIC - Owner Responsible Item	NIC	
Temporary Facilities	Rental of temp facilities for duration of project	$30,000	
Scaffold | Lift Rental	Covered in Building B Budget	-	
Final Clean	Allowance for final clean post construction	$20,000	
Parking	Not in Contract - Assumes parking in yard	NIC	
	Duration Based Line Item Subtotal	**$356,200**	
	Per Floor + Duration Based Subtotal	**$6,046,637**	
% Based Line Items			
Contingency	10% of overall Budget	$604,664	$0
Pro Rata Insurance	$16 | $1000	$106,421	$0
SF Payroll Tax	$6 | $1,000	$40,546	$0
Overhead & Profit	5% of overall budget	$339,913	$0
LB Stone Management Fee	5% of Project Total	$356,909	$0
	PROJECT TOTAL	**$7,495,090**	**$0**

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2177 Jerrold
ROM Budget - Main Building A

Main Building A - HSH Scope

First Floor (HSH)	5,000
Second Floor	5,200

Line Item	Preliminary Scope Description	ROM BUDGET
Interior Demolition	Allowance for demo throughout	$20,000
ADA Entry - Concrete	Allowance to remove and re-pour approximately 70 sqft of concrete at the building entry. Allowance of $200 | sqft	$14,000
Rough Carpentry	Allowance for blocking and backing throughout	$2,500
Reception Desk & Locked Cabinet @ Window	Not in Contract - Assumes to be a furniture item	NIC
Millwork - 2nd Floor Break Room	Allowance for 9 LF of uppers and lowers with solid surface counters and code compliant backsplash. Allowance of $3,000 | LF	$27,000
Hardware Upgrade	Allowance of $400 | door on the 2nd floor only (15 doors) to replace existing hardware (not hinges) to make code compliant and consistent throughout.	$6,000
Doors | Frames | Hardware - New	Progress Set #05 First Floor: (5) single doors @ $3,000 each 2nd Floor: (3) standard single Doors @ $3,000 each 2nd Floor: (1) Doors with Sidelights - $4,500 each (note door and sidelight at Stair #01 is not required per HSH review of building. First Floor: Community Center Only, assumes reception area all existing infrastructure & storage room under stair #01 to remain as existing.	$28,500
Glazing	Allowance for new glazing at 2nd floor sidelights	$750
Drywall Patching	Allowance for minimal demo scars, removal of existing paneling, AC tile, wallcovering, lower cabinet with plumbing in Office 35	$15,000
Drywall | Framing	1st Floor: Allowance for 109 LF of new drywall partitions on the first floor in the community room only. Assumes 10' high. Total of 1,090 square feet @ $20 | sqft 2nd floor: Allowance for 60 LF of new drywall partitions, assume 10' high = 600 sqft @ $20 | sqft	$33,800
Exterior Infill - Community Center	Allowance to demo the existing roll up door and infill the approximate 10 x 10 opening. Stucco application on the exterior. Installation of a new exterior steel exit door with non-electrified hardware.	$7,500
New Window - 2nd Floor	Demo existing grille and install new window at the 2nd floor clinic room. Touch up exterior paint.	$2,500
Floor Prep	VE Budget: Prep for 2nd floor only Prep for new flooring throughout, note does not include floor leveling.	$5,200

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Flooring - VCT - 1st Floor	Allowance for new VCT in the reception area only on the first floor - 1,359 sqft. Note VCT in the offices seem to be in good condition and can remain as-is. Add Alt: VCT in the Warming Kitchen and the Laundry Facility - 304 sqft @ $10 | sqft = $3,040. Note: Remaining Community Room area and storage rooms	$13,590
Flooring - VCT - 2nd Floor	Assumes new VCT flooring on the 2nd floor in the clinic, front client facing area designated on the 2nd floor and the breakroom only - 1,616 sqft. At $10 | sqft.	$16,160
Carpet - 2nd Floor	Allowance for 3,584 or 425 yards @ $35 | sqyd for all areas where VCT is not installed.	$14,875
Rubber Base	New rubber base on the 2nd floor and base throughout the first floor community room	$7,500
Acoustic Grid & Tile	1st Floor: Limited scope, existing to remain as-is, tile replacement as necessary for damaged or stained. 2nd Floor considered all new at the existing ceilings heights - 4,448 sqft. Note existing open ceiling in breakroom and Office #31 (752 sqft) will remain as-is and not infilled with	$45,980
Interior Paint	Allowance of $5 | sqft x 10,200 sqft	$51,000
Exterior Paint	Allowance of $650 to paint the roll up door opening at the community center.	$650
Window Blinds	Blinds not in contract, assumes 2nd floor blinds to remain as-is pending review for accessible code compliance. If new are required. Assume 2nd Floor Only - (32) window openings x $300 each for manual roller shades	NIC
Bike Racks - Exterior	Allowance for bike parking on the exterior of Building A	$3,500
Evacuation Signage	Allowance for evac signage, permits and inspections throughout the building.	$15,000
Wayfinding Signage (POT & Exits)	Allowance for wayfinding, POT and general room signage	$7,500
Tenant Signage - Interior & Exterior	Allowance for HSH Specific signage	NIC
Tenant Signage - Room ID	Allowance for Room ID signage throughout	NIC
MEP Safe Off	Allowance for safe off	$12,500
Fire Sprinkler Engineering	Allowance for engineering for permit submission due to new layout throughout	$7,500
Fire Sprinkler Distribution	First floor covers head relocation for the new rooms in the community center only - allowance of $5k. Reception area to remain as-is. 2nd Floor - 5,200 square feet x $5	$31,000
Trenching - Community Center	Allowance for 50 LF of trenching for the new restroom and laundry facility. $200 | LF	$10,000
Plumbing	Allowance for plumbing throughout per Progress Set #05 (1) Unisex Restroom in the 1st floor Warming kitchen sink Laundry hookups for (4) washing machines + utility sink 2nd Floor break room sink and faucet Demo and cap of existing sink in Room #35	$75,000
1st Floor - GN Restroom - Finishes	Allowance for new GN restroom on the 1st floor Community Room	$10,000
HVAC Engineering & Permits	Allowance for HVAC engineering and permits.	$7,500

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HVAC - New Units	VE Budget: We assume existing is in good working order and to remain. Allowance for new HVAC rooftop units - $12 | sqft x 10,200	NIC
HVAC Distribution	1st Floor: Existing ductwork to remain on the first floor with minor modifications only in the Community Center for new rooms. 2nd floor - new ductwork distribution as needed. Existing units and duct work to remain as-is where possible. - $10 | sqft	$79,000
Electrical - T24 & Engineering	Allowance of electrical engineering, T24 and permits	$15,000
Electrical - Power Distribution & Lighting	1st Floor: All existing lighting to remain in the reception area. Allowance of $10,000 for new or re-configured power for new layout/TVs, reception desk, etc. Community Room = 2,700 sqft x $25 | sqft for lighting and power for new rooms. 2nd Floor: New lighting and controls throughout and existing power to remain where possible. 5,200 | sqft x $20 | sqft Allowance for new power distribution throughout	$181,500
Fire life Safety	Allowance of $5 | sqft for FLS engineering, permits and distribution throughout	$51,000
Tel | Data	Allowance of $3 | sqft for hard wired data	$30,600
Security	Lump Sum Line Item carried on Summary Page Allowance of $5 | sqft for security	-
AV	Not in Contract	NIC
	Subtotal	**$849,105**

Assumed to be included in the $500k FF&E Budget

Furniture, Fixtures & Equipment (FF&E)
Desks & Chairs
Conference Room Tables & Chairs
Ancillary Furniture
Storage Room Shelving
Lockers
TVs & Mounts
Appliances
Warming Kitchen Appliances
Tenant Break Room Appliances
Laundry - Washers & Dryers
Warming Kitchen - Supplies & Equipment

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CCi GENERAL CONTRACTOR

2177 Jerrold
ROM Budget Warehouse B

Progress Set #04 Scope: Eliminates all restrooms, showers and utility per plan.

Line Item	Preliminary Scope Description	ROM #04 Progress #05	Line item Credits in Permanent Restroom Scenario
Lift | Scaffold	Allowance for (6) months @ $3,500 | month	$21,000	
Interior Demolition	Assumes 11,000 sqft x $3 | sqft for interior demolition included (2) story office and all MEP	$33,000	
ADA Compliant Aluminum Platform	Allowance for aluminum platform for ADA access at the restroom and shower trailers	$15,000	($15,000)
Concrete Restoration - Vehicle Lift	Remove tripping hazards and patch the lift area.	$15,000	
Concrete - Pressure Clean	Allowance to pressure wash 9,100 asquare feet of existing concrete floor. $1 | sqft	$9,100	
Rough Carpentry - Blocking & Backing	Lump sum allowance for blocking an backing for restroom accessories, mirrors in single use restroom and showers.	$2,500	
Roof - Carpentry	Allowance to patch existing penetrations and new roof penetrations	$10,000	
Roof - New | Patch Existing	Allowance for roof patching due to new penetrations and existing penetrations that are removed.	$12,500	
Commercial Garage Doors - New	Included non-insulated commercial door and spring system, demo and removal of old, 3 year warranty - $6,500 each x (8)	$52,000	
Exterior Infill	Allowance to infill where the (1) roll up door was removed for the installation of the new double door into the warehouse	NIC	
Exterior - Steel Entry Doors	Replace (1) existing door only on the backside of the warehouse Add Alternate: Supply and install (1) new double door per plan. New steel double door ($5.5k)	$3,500	
DFH - Interior Doors	(2) storage doors | (2) @ Electrical - @ $3,000 each	$12,000	
Drywall | Framing	Storage room (Partial height), electrical room only, gender neutral restrooms	$50,000	
Interior Paint - Walls	Allowance of $6 for 11,000 sqft of warehouse. Assumes painting of all new gyp walls, ceilings. All interior perimeter walls to be painted.	$40,000	
Landscaping	Included in Landscaping summary line item	-	
MEP Safe Off	Allowance for safe off of existing MEP	$20,000	
Portable Restrooms & Shower Facilities	Purchase of (2) Shower & Restroom Trailers	$286,000	($286,000)
Plumbing Connection - Shower Trailers	4" sanitary sewer line | 1" water line - (2) points of connection for rental shower and restroom facilities.	$60,000	($60,000)
Fire Sprinkler Engineering	Allowance for engineering and permits	$15,000	

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Fire Sprinkler - New Service to Building	Building B underground proposal modifying the existing 4" fire service at Building A and extending the 4" underground supply to Building B. Scope includes adding a new backflow prevention device at the property line. The Building B Riser will be located on the East side of the Building just outside the Janitor's Closet. Penetrate the exterior wall 2' AFF and locate the riser inside the Janitor's closet.	$88,000	
Fire Sprinkler - Distribution	Allowance of $12 | sqft x 11,000 for all new fire sprinkler distribution	$77,000	
Mechanical - Engineering & Permits	Allowance for design and permitting for the exhaust system for all new restroom and showers.	NIC	
Mechanical - Owner HVAC Units	Not in Contract	NIC	
Mechanical - Restroom Exhaust	Allowance for exhaust for the (2) restroom and shower trailers	$20,000	($20,000)
Mechanical - Heaters	Not in Contract, assumes to be used as an outdoor space.	NIC	
Electrical - Title 24 Engineering & Permits	Allowance for T24 engineering and permits	$7,500	
Electrical - Power & Lighting	High Bay Lighting Only & minimal power distribution Provide power to all lights and controls	$120,000	
Electrical - Switch Gear & Panel	Allowance for new switchgear panel and infrastructure	$39,480	
Electrical - Shower & RR Trailers	Allowance for electrical hook up for two trailers	$40,000	($40,000)
Fire life Safety	Allowance of $3 | sqft x 11,000 sqft for FLS design and install	$33,000	
Tel | Data	**Lump Sum Line Item carried on Summary Page** Allowance for WAP throughout Building B	-	
Security	**Lump Sum Line Item carried on Summary Page** Allowance of $5 | sqft for security	-	
AV	Not in Contract	NIC	
	Warehouse Building B Subtotal	**$1,081,580**	**($421,000)**

Assumed to be included in the $500k FF&E Budget
FF&E - Tenant Furniture
Tables & Chairs
Couches | Picnic tables
Office Furniture & Chairs
Storage Racks

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2177 Jerrold
ROM Budget Exterior Yard

Line Item	Preliminary Scope Description	ROM BUDGET
Fence Demo & Temporary Fence	Demo fence as designated for replacement.	$25,000
New Fence & Gates	Replacement of Jerrold property line, Back section of Upton Alley fence from maintenance shed to property line and the fence between the employee parking and the main yard only. Owner responsible for back fence at property line.	$175,000
Concrete @ Gate Entry	Allowance to remove and re-pour approximately 95 sqft of concrete at pedestrian entry at the Jerrold gate. Allowance of $200 | sqft. Note this will not be an ADA entrance based on existing grades.	$19,000
Electrical Path at Cabins - Access Gates	Allowance of $750 | gate - (8) gates shown on plan.	$6,000
Paving and Grading	Not in Contract - Assumed to be Landlord Scope	NIC
Seal Coat - Exterior yard	Seal coat yard prior to striping	$22,000
Site Striping	Site Striping per the Progress Set #05 Plan Set Excludes any sport court re-surfacing, only standard traffic paint striping.	$17,500
Exterior Bollards	(10) bollards, assumes bollards are $875 each	$8,750
Raised Wood Decks | Stairs | Ramps	Progress Set #04 - 625 sqft @ $35 | sqft	$21,875
Fort Lift Rental	Allowance for (3) months @ $3,500 | month	$10,500
(60) Boss Cubez	(60) Boss Cubes, supply only. Heater scenario included in pricing.	$1,160,000
Boss Cube - Cabin Assembly and Install	Assumes 1,500 hours to assemble the Cabins	$552,977
Interior Cabin Flooring	VCT Installation in (60) cabins 8,640 sqft x $10 | sqft	$86,400
Electrical - Boss Cubes	Provide power to (8) new A2 cabins (20A Dedicated), Rough In + Trim Out of Cabin; Assume 1 Fan, Outlet and Light each. Supply Excluded* Provide power to (44) A cabins (20A Dedicated), Rough In + Trim Out of Cabin; Assume 1 Fan, Outlet and Light each. Supply Excluded* Provide Power to (8) B cabins: (20A Dedicated), Rough In + Trim Out of Cabin; Assume 1 Fan, Outlet and Light each. Supply Excluded* Provide Power to Guard shed and RV Check-in, Gates and controls	$500,000
Trenching - Yard for Electrical	Approx. 450 LF of trenching in the yard to bring power to the cabins and RVs and motorized gates. 180 LF from Panel to back property line @ $125 | LF 270 LF for Cabins and RVs - $175 | LF	$69,750
Exterior Murals	Not in Contract	NIC
Landscaping	**Lump Sum Line Item carried on Summary Page** Allowance for landscaping throughout. Assume astroturf areas and container plants throughout per plan. Excludes irrigation	-
Plumbing - Exterior Yard Hose Bib Connections	Scope carries (5) exterior hose bibs along Building B Covered in Building B Budget Air compressor and wash hose	$17,500

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Fire Sprinklers	Not in Contract - Assumes no requirements in Cabins or other structures.	NIC
Mechanical - Exterior Heaters	Not in Contract	NIC
Electrical T24 Engineering & Permits	Allowance for Title 24 Engineering and permits	$7,500
Exterior Lighting & RV Power	(2) Pole Lights with LED heads String Lighting – Supply and install approx. (300ft) LED outdoor string lighting New 30 amp power to RV Parking (20)	$165,000
Electrical - EV Charging Stations	(1) Shown on plan	NIC
Fire Life Safety	Not in Contract - assumes not required in Cabins	NIC
Tel | Data	**Lump Sum Line Item carried on Summary Page** Allowance for Wi-Fi WAP Access Points in yard.	-
Security	**Lump Sum Line Item carried on Summary Page** Allowance for security throughout the yard. Includes card readers at all entry points.	-
	Exterior Yard Subtotal	**$2,864,752**

Assumed to be included in the $500k FF&E Budget
FF&E
Cabin Furniture
Yard Furniture
Exercise Equipment - Court
Exercise Equipment - Weights
Tables and Chairs - Client Facing
Tables & Chairs - Employee Smoking Area

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EXHIBIT E

APPROVED ADDITIONAL CHARGES FOR BATHROOM & SHOWER CONSTRUCTION TO BE CONSTRUCTED BY LANDLORD IN CONJUNCTION WITH THE TENANT IMPROVEMENTS.

CITY SHALL REMIT A MONTHLY ADDITIONAL CHARGE, OF $15,063.00, FOR 180 MONTHS, FIRST PAYMENT DUE UPON EFFECTIVE DATE OF THIS LEASE AS DEFINED IN THIS LEASE, WITHOUT ANY ABATEMENT PERIOD.

THE MONTHLY PAYMENT REPRESENTS THE COST OF THE WORK DESCRIPTION ATTACHED ($1,784,576.00 AMORTIZED OVER THE 15 YEAR INITIAL LEASE TRM AND INCLUDING A 6% INTEREST RATE)

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2177 Jerrold
ROM Budget Warehouse B - Owner Showers & Restrooms

Standalone Budget for the Owner direct MF Restroom & Showers

Warehouse Building B - Scope (HSH)

Line Item	Preliminary Scope Description	ROM #03 Progress #04
General Conditions	$7,500 per week	$22,500
Progress Labor	$2,600 per week	$7,800
Debris Boxes	$1,100 per haul off | (1) per week	$13,200
Hazmat Abatement & Testing	NIC - Owner Responsible Item	NIC
Temporary Facilities	Rental of temp facilities for duration of project	$15,000
Lift | Scaffold	Allowance for (3) months @ $3,500 | month	$10,500
Exterior Warehouse - Saw cutting & Trenching (Plumbing)	Assumes 285 LF of trenching for the new restroom and shower infrastructure. $200 | LF. Cut, break, trench, backfill and concrete patch.	$57,000
Roll Up Door Infill	Allowance to infill where the roll up door was removed for the new restroom configuration.	$20,000
Saw cutting - Exterior openings	Saw cutting for new ADA Restrooms and Janitors Closet | utility Room at exterior wall - Assumes (6) openings at $10,000 each	NIC
Structural Steel	Allowance for steel supports at the (6) new exterior openings.	NIC
Rough Carpentry - Blocking & Backing	Lump sum allowance for blocking an backing for restroom accessories, mirrors and partitions.	$15,000
Roof - Carpentry	Allowance to patch existing penetrations and new roof penetrations	$10,000
Roof - New | Patch Existing	Allowance for roof patching due to new penetrations and existing penetrations that are removed.	$12,500
Exterior - Steel Entry Doors	(6) Single doors @ $3,500	NIC
DFH - Interior Doors	Assumes (4) interior doors per the progress #03 plan set @ $3,000 each	$12,000
Drywall | Framing	Allowance per the Progress #04 plan set. Includes joisted ceiling for dead / non occupiable storage above the restroom cores. Assumes restroom cores at 10' Add Alt: $38,520 to rovide low walls at restroom ceiling for storage. 3/4" fire treated plywood at restroom framing for storage.	$150,000
Interior Paint - Walls	Allowance of $5 for 1,900 sqft of drywall in the restrooms and showers. Assumes painting of all new gyp walls, ceilings.	$9,500
Restroom - Floor Prep & Membrane	Allowance of $5 | sqft for floor prep and waterproof membrane	$9,500
Floor Tile - Restrooms	Assume 1,900 square feet of floor tile in the restroom, includes cove base. $20 | sqft	$38,000
FRP Panels - All Restroom Walls	Assume 450 lf of FRP panels @ 8' high = 3,600 sqft @ $10 | sqft	$36,000
Restroom Countertop Supports - In Wall Steel	Assume (24) sink supports in the MF RR and Shower rooms $250 per support	$6,000
Restroom Countertops	(4) triple sink locations - $6,000 each (5) double sink locations - $5,000 each	$49,000
Restroom & Shower Room Accessories	Allowance of: $20,000 each for the (2) MF RR $20,000 each for the (2) shower rooms $2,500 each for the (2) Janitors Closets	$85,000
Restroom Partitions	$35,000 per multi fixture restroom x (2)	$70,000
Mirrors	Allowance for (9) large safety mirrors @ $2,500 each	$22,500
Plumbing	Penidng sub feedback, allowance for new restrooms and showers per the Progress #04 plan set.	$550,000
Fire Sprinkler Engineering	Allowance for engineering and permits	$15,000
Fire Sprinkler - Distribution	Allowance of $12 | sqft x 1,900 for all new fire sprinkler distribution	$22,800
Mechanical - Engineering & Permits	Allowance for design and permitting for the exhaust system for all new restroom and showers.	$7,500
Mechanical - Restroom Exhaust	Allowance for exhaust for (2) MF RR, (2) shower rooms	$40,000
Electrical - Title 24 Engineering & Permits	Allowance for T24 engineering and permits	$15,000
Electrical - Power & Lighting	Provide power and lighting in restrooms only. Supply of all Lights in Restrooms: Allowance (50) 4" LED Down lights	$75,000
Fire life Safety	Allowance of $5 | sqft x 1,900 sqft for FLS design and install	$9,500
	Subtotal	**$1,405,800**
Contingency	10% of overall Budget	$140,580
		$1,546,380
Pro Rata Insurance	$16 | $1000	$24,742
		$1,571,122
SF Payroll Tax	$6 | $1,000	$9,427
		$1,580,549
Overhead & Profit	5% of overall budget	$79,027
	Warehouse Restrooms & Showers Only	**$1,659,576**

ROM Budget - Building Services		
Domestic Water Service	Meter upgrade - 2 1/2"	$50,000
Sewer Connection	Sewer lateral upgrade to 6"	$75,000
	Service Upgrade Subtotal	**$125,000**

	Subtotal	**$1,784,576**

Total divided by 180 months plus 6% Interest equals monthly Rent Rate	$15,063
Annual Base Rent	$180,756

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EXHIBIT F

WORK LETTER
2177 Jerrold Ave.

This Work Letter is part of the Lease dated as of November 1, 2023 (the "**Lease**"), executed concurrently with this Work Letter, by and between Lawrence B. Stone Properties #08, LLC, a Washington limited liability company, as Landlord, and the City and County of San Francisco, as Tenant, covering the Property, as defined in the Lease. All terms that are capitalized but not defined in this Work Letter have the same meanings given to them in the Lease.

Landlord, per Sections 4.15 and 6.1 of the Lease (except as otherwise specifically set forth below), and through its general contractor reasonably approved by City (the "**Contractor**"), will construct, furnish, and install in the Buildings the improvements shown on the Construction Documents finally approved by City under Paragraph 1 below (the "**Leasehold Improvements**" and the construction, furnishing and installation of the Leasehold Improvements, the "**Leasehold Improvement Work**"), in accordance with the provisions of this letter.

1. Plans and Specifications

a. Schematic Design Documents. City and Landlord have approved the schematic design plans for the Leasehold Improvement Work dated 11/2/2023, prepared by Costa Brown Architecture (the "**Schematic Design Documents**") in accordance with the program requirements of City; provided, however, that approval will not limit Landlord's obligations under this Work Letter or the Lease.

b. Design Development Documents. Based on the approved Schematic Design Documents and any adjustments approved by City, on or before sixty (60) days after the City approves and executes the Lease,, Landlord will cause its architect or space planner approved by City (the "**Architect**") and its qualified and licensed engineer approved by City (the "**Engineer**") to prepare and submit to City for its approval plans and specifications expanding in greater detail the representations of the Schematic Design Documents and fixing and describing the size and character of the Leasehold Improvements, including architectural, structural, mechanical, electrical, fire and life safety systems, materials, and other elements as may be appropriate, together with fully developed floor plans, interior elevations, reflected ceiling plans, and wall and building sections (collectively, the "**Design Development Documents**"). The Design Development Documents must show the following:

i. location of all demolition;

ii. location and type of all partitions;

iii. location and type of all doors, with door hardware specifications;

iv. location of telephone equipment room, with all special electrical and cooling requirements;

v. location and type of all electrical outlets, switches, telephone outlets, and lights;

vi. location and type of all computer and other equipment requiring special electrical requirements;

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vii. location, weight per square foot, and description of any heavy equipment or filing system exceeding 50 pounds per square foot live and dead load;

viii. requirements for special air conditioning or ventilation for the Buildings;

ix. location of all heating and air conditioning ducts;

x. location, type, and color of floor covering;

xi. location, type, and color of all window treatment;

xii. ceiling plans including light fixtures;

xiii. location of sprinklers;

xiv. location, type, and color of wall covering;

xv. location, type, and color of paint or finishing;

xvi. location and type of plumbing;

xvii. location and type of kitchen equipment;

xviii. disabled accessibility standards, including any improvements to the lobbies, corridors, drinking fountains, telephone banks, elevators, elevator vestibules, stairs, stair vestibules, and restrooms on all floors of the Building in which the Premises are located;

xix. any modifications needed to increase the existing raised floor areas;

xx. location, capacity, and type of any water tower or chilling equipment or air conditioning equipment;

xxi. location and type of any backup generator;

xxii. location, type, and capacity of any underground storage tank;

xxiii. critical dimensions for construction; and

xxiv. other interior improvement work required by City.

The Design Development Documents are subject to approval by City as provided in Paragraph 1.e below.

c. Construction Documents. Based on the approved Design Development Documents and any further adjustments approved by City, on or before thirty (30) days after the City approves the Design Development Documents, Landlord will cause its Architect and Engineer to prepare and submit to City for its approval final plans, specifications, and working drawings for the Leasehold Improvements, setting forth in detail all aspects of the design, function, and construction of the Leasehold Improvements, in form sufficient for bidding of all elements of construction, and in conformity with all of the requirements of this Work Letter (collectively, the "**Construction Documents**"). The Construction Documents are subject to approval by City in accordance with Paragraph 1.e below

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d. Design in Accordance with City's Requirements. City has prepared and submitted to Landlord documents that outline City's space requirements for the Buildings. Landlord's Architect will design the Buildings and prepare all plans and specifications, including the Design Development Documents and Construction Documents, in conformity with the documents. Landlord's Architect will consult and hold periodic meetings with City and its architectural consultants and space planners in the preparation of the Design Development Documents and Construction Documents.

e. City's Approval of Plans. The Design Development Documents and Construction Documents (and any Landlord Change Orders, as described below) are subject to approval by City, which approval will not be unreasonably withheld or delayed, in accordance with the following procedure. After Landlord submits the Design Development Documents, Construction Documents, or proposed Change Order to City, City will have five (5) business days to notify Landlord of its disapproval of any element of any of them and of the revisions that City reasonably requires in order to obtain approval. As soon as reasonably possible, but not later than ten (10) business days after receipt of City's disapproval notice, Landlord will submit to City documents incorporating the required revisions. The revisions will be subject to City's approval, which will not be unreasonably withheld or delayed. If City fails to notify Landlord of any objection to the revisions within five (5) business days after receipt, then the revisions will be deemed approved by City.

f. Payment for Plans. Landlord will pay the costs of preparing the Schematic Design Documents, Design Development Documents, and the Construction Documents and those costs will be reimbursed by City as a portion of the City LI Share deducted from the Allowance (as defined in Paragraph 4.b below), subject to City's prior approval of the costs as provided in Paragraph 4.c below. Landlord will provide City evidence of the costs by invoices and other substantiation as City may reasonably require.

g. Changes to Approved Construction Documents.

i. City Change Orders. If following its approval of the Construction Documents, City requests any change, addition, or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("**City Change Order**"), Landlord will cause the Architect or Engineer, as applicable, to prepare plans and specifications for the change, addition, or alteration. Within five (5) business days of City's request, Landlord will notify City of the cost that would be incurred resulting from the proposed City Change Order and any delay in the anticipated date of Substantial Completion that would result from the City Change Order. If City approves the cost of the City Change Order within five (5) business days of receipt from Landlord, then Landlord's Contractor will proceed with the City Change Order as soon as reasonably practicable. If City does not approve the cost within the five (5)-business day period, then construction of the Leasehold Improvements will proceed in accordance with the original completed and approved Construction Documents. City will be responsible for the cost actually incurred by Landlord in the preparation of the plans and specifications for any City Change Order, as evidenced by invoices or other substantiation reasonably required by City.

ii. Landlord Change Orders. If after City's approval of the Construction Documents, Landlord requests or is required by a third party or government agency to make any change, addition, or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("**Landlord Change Order**"), Landlord will provide City with proposed plans and specifications for the change, addition, or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from the Landlord Change Order. Any Landlord Change Order will be subject to City's prior written approval, in accordance with Paragraph 1.e above. No approval by City of any Landlord Change Order will relieve or modify Landlord's obligations to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, or limit any of City's

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rights or remedies under this Work Letter or under the Lease. Landlord will be solely responsible for the cost of the Landlord Change Order, including the costs of preparing the plans and specifications, and none of the costs for or related to any Landlord Change Order will be paid or deducted from the Allowance.

iii. Appointment of Representatives. City and Landlord will each designate and maintain at all times during the design and construction period a project representative ("**Representative**"), and an alternate for the Representative ("**Alternate**"), each of whom will be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Landlord and City may not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of the other party unless otherwise authorized by the other party, including the other party's architect, engineers, consultants, and contractors or any of their agents or employees, regarding matters associated with this Work Letter. The initial Representatives and Alternates are:

Landlord:	Representative — _ Nick Czapla (509) 209-3531_ Alternate — Jasper Coulter (509) 789-8661
City:	Representative — Joanne Park (415) 336-3355_

Each party may at any time and from time to time change its Representative or Alternate by written notice to the other party. Each party's Representative or Alternate must be available during ordinary business hours so that questions and problems may be quickly resolved and so that the Leasehold Improvements may be completed economically and in accordance with the Construction Schedule. All approvals made by City's Representative or Alternate must be made in writing.

2. Permits

a. Responsibility for Obtaining Permits. Landlord is responsible for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work, and promptly on receipt of any permit or approval, Landlord will deliver copies to City. To the extent of its proprietary capacity as a Tenant, and not in its regulatory capacity as any Agency or Department, City will assist with the permit and approval process and provide any documentation and authorizations reasonably requested by Landlord. Landlord will use commercially reasonable efforts to obtain all needed approvals and permits on or before Five months (150 days) following the Commencement Date defined in the Lease. Landlord is responsible for calling for all inspections required by City's Department of Building Inspection.

3. Construction

a. Construction of Leasehold Improvements. After City's approval of the Construction Documents, Landlord will cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any approved Change Orders, and the terms of this Work Letter. City will not have any obligation for any work except as provided in this Work Letter.

b. Construction Schedule. Landlord will commence construction of the Leasehold Improvements within ten (10) calendar days after approval of all required permits for construction in accordance with the approved Construction Documents, and will diligently pursue construction to completion, all in accordance with the construction schedule to be delivered by Landlord to City ten (10) calendar days after approval of all required permits for construction (the "**Construction Schedule**").

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c. Status Reports; Inspections. Landlord will keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor will furnish City with monthly reports on construction. From time to time during the design and construction of the Leasehold Improvements, after reasonable advance oral or written notice to Landlord, City may enter the Buildings at reasonable times to inspect the Buildings, and City will use commercially reasonable efforts not to interfere with the construction. Landlord or its Representative may accompany City during any inspection.

d. General Conditions. Landlord shall be responsible for the performance of all Leasehold Improvement Work by Landlord in accordance with the following terms and conditions:

i. All of the Leasehold Improvement Work must be performed in compliance with all Laws bearing on construction of the Leasehold Improvements;

ii. Without limiting the foregoing, the construction of the Leasehold Improvements must comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable Laws intended to provide equal accessibility for persons with disabilities (collectively, "**Disabled Access Laws**").

iii. Landlord and its Contractor are responsible for all required insurance to the extent specified in the Lease; and

iv. Landlord will require at least three (3) competitive bids from subcontractors in each trade for all Leasehold Improvement Work, unless City has pre-approved particular subcontractors and Landlord obtains a bid from such subcontractor commensurate with the current market.

e. Cooperation. Landlord will cooperate at all times with City in timely completing the Leasehold Improvements. Landlord will resolve any and all disputes arising out of the Leasehold Improvements Work in a manner that will allow work to proceed expeditiously.

f. Telecommunications, Data and Computer Cabling Installation Work to be Performed by City. At City's cost, City or its consultants and contractors will perform surveys and develop plans and specifications for the installation of telecommunications, data, and computer cabling for City's occupancy of the Buildings. Landlord, under City's direction and with equipment and cabling selected and paid for by City, will be responsible for providing telecommunications, data, and computer cabling up to the point where it is stubbed out in the Building's core area. Landlord will cause Contractor to cooperate reasonably with City and its consultants, contractors, and subcontractors during all surveying work and the installation of the telecommunications, data, and computer cabling and coordinate that work with the Leasehold Improvement Work. The foregoing obligation will include an obligation to give City and its consultants, contractors, and subcontractors access and entry to the Buildings and sufficient opportunity and time during each work day without separate charge, to enable the installation of City's telecommunications, data, and computer cabling. That access must include reasonable access to the elevator in the Building designated for freight use **(i)** on a non-exclusive basis during normal business hours and **(ii)** on an exclusive basis after hours as reasonably needed from time to time. Landlord understands that the conduit for the telecommunications, data, and computer cabling will be included in the Construction Documents and installed by Contractor.

g. Asbestos Related Work. If City, its consultants, contractors or subcontractors encounter any asbestos containing materials ("**ACM**") in the Building in connection with the installation of City's telecommunications, data, and computer cabling, Landlord will be responsible for all legally required work or other work necessary relating to the

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proper containment, abatement, removal, and disposal of the ACM and all costs related to the ACM. Such costs of asbestos remediation work will be performed at Landlord's sole cost and expense, and will not be deducted from the Allowance defined in the Lease. Any delay due to the presence of unknown ACM in the Building will be considered a Landlord Delay (defined below).

h. Construction Improvements that Disturb or Remove Exterior Paint. Landlord, on behalf of itself and its agents, employees, officers, and contractors, will comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable Laws, including the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord, its agents, employees, officers, and contractors will 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 or potentially lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint under San Francisco Building Code Chapter 34 does not constitute notification to City as Tenant under the Lease and similarly that notice under the Lease does not constitute notice under San Francisco Building Code Chapter 34. Further, Landlord and its agents, employees, officers, and contractors, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, will not use or cause to be used any of the following methods: **(i)** acetylene or propane burning and torching; **(ii)** scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("**HEPA**") local vacuum exhaust tool; **(iii)** hydroblasting or high-pressure wash without containment barriers; **(iv)** abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and **(v)** heat guns operating above 1,100 degrees Fahrenheit. Landlord will comply with the requirements of California Code of Regulations Title 17 when taking measures that are designed to reduce or eliminate lead hazards. 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 on 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. This Section will apply only to the extent lead-based paint is actually encountered. Landlord shall be solely responsible for all costs associated with compliance with the requirements of this paragraph; such expenses shall not be paid from the Allowance.

4. Reimbursement Payments for Work

a. Accessibility Improvements. Through its approved Contractor, Landlord will furnish and install all improvements that are required to bring the Buildings and the Common Areas serving the Buildings, including the lobbies, corridors, telephone banks, drinking fountains, elevators, elevator vestibules, stairs, stair vestibules, restrooms, and signage in all those areas, into full compliance with all Disabled Access Laws and City's work plan in accordance with Paragraph 3.d.ii. above. All costs of that work will be performed at Landlord's sole cost and expense, and will not be deducted from the Allowance.

b. Other Leasehold Improvement Work. Subject to Paragraph 4.a above, Landlord will pay for the cost of constructing and installing the Leasehold Improvements defined in the Lease as **Exhibit D**. If the actual costs of the Leasehold Improvement Work incurred by Landlord exceed the Allowance, Landlord will be solely responsible for the additional expense. City shall reimburse Landlord, upon receipt of an invoice from Landlord ("**Reimbursement Invoice**") beginning 2 months (60 days) following start of construction, and every 2 months (60 days) thereafter through complete payment of the City TI Share as defined in Section 6 of the Lease. City shall pay the Reimbursement Invoices within thirty (30) days of receipt of required documentation in accordance with subparagraph d below. City will not be responsible for, and neither shall the Allowance nor the City LI Share be used for, any review, supervision,

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administration, or management fees of any person or entity, any overhead or other general expenses of Landlord or any other person or entity, and any charges for parking or use of hoists or freight elevators, or for remediation of lead-based paint, asbestos, mold or any other contaminants or toxic materials. City will be responsible for the costs of the telecommunications, data, and computer cabling work to as described in subparagraph 3(f) above.

c. City's Approval of Costs. The costs of the Leasehold Improvement Work must be set forth in a detailed construction budget prepared by Landlord and approved by City. The approved construction budget must show all costs funded by the Allowance and any other costs to be paid by City in line items in cost categories. The initial City-approved construction budget is attached to the Lease as **Exhibit D.** If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved construction budget, Landlord must immediately submit to City for its approval a revised construction budget and identify to City changes in line items and the reasons for the changes. If further changes are required, then Landlord will seek City's approval, following the same procedures. City may approve or disapprove any construction budget or revisions in its reasonable judgment. City will not unreasonably delay its approval or disapproval. The most recently approved construction budget will supersede all previously approved budgets.

d. Required Documentation of Costs. Landlord will provide City with copies of **(i)** all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, **(ii)** satisfactory evidence of payment of the invoices, including unconditional lien waivers, or if the invoices have not been paid, conditional lien waivers; all lien waivers must meet the requirements of California Civil Code Section 8124 and be in the form prescribed by California Civil Code Sections 8132, 8134, 8136, and 8138, as applicable, and be executed by each subcontractor and material supplier, and **(iii)** any additional supporting documentation substantiating the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

5. Substantial Completion

a. Construction Schedule. Landlord will use commercially reasonable efforts to complete the Leasehold Improvement Work on or before the date that is One Calendar Year (365 days) after the Commencement Date of the Lease, , except as extended by Tenant Delays and Unavoidable Delays (as defined in Paragraph 6 below). When construction progress permits, but not less than fifteen (15) days before substantial completion, Landlord will notify City of the date that the Leasehold Improvement Work is anticipated to be substantially completed in accordance with the approved Construction Documents and the provisions of the Lease and this Work Letter. Landlord will notify City when the Leasehold Improvement Work is in fact Substantially Completed and the Buildings are ready for occupancy by City. Promptly after City receives Landlord's notice of substantial completion, City or its representatives will accompany Landlord or its architect on an inspection of the Buildings on a mutually agreeable date.

b. Substantial Completion. The Leasehold Improvements will be deemed to be "**Substantially Completed**" when **(i)** all necessary inspections required for occupancy of the Buildings have been completed and signed off as approved by the appropriate governmental authority(ies), **(ii)** a temporary or permanent certificate of occupancy for City's occupancy of the Premises has been issued by the appropriate governmental authority, and **(iii)** the Architect reasonably determines and certifies in writing to City that the Leasehold Improvements have been Substantially Completed in accordance with the Construction Documents to the extent necessary to enable City to occupy the Buildings and to conduct its normal business operations in the Buildings without unreasonable impairment or interference, but subject to "punchlist" items, the completion of which will not unreasonably interfere with City's normal business

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operations at the Buildings. At its option, City may approve the Leasehold Improvements even though there remain defective or incomplete minor details that would not interfere with City's use. In addition, City may present to Landlord at its inspection of the Buildings or within fifteen (15) days after acceptance of the Premises, a written "punchlist" consisting of any incomplete details or items that have not been finished in accordance with the Construction Documents and the terms of the Lease and this Work Letter. Landlord will promptly complete all defective or incomplete items identified in the punchlist, within, but not more than fifteen (15) business days after the delivery of the punchlist. City's failure to include any item on the punchlist will not alter Landlord's responsibility under the Lease or this Work Letter to complete all Leasehold Improvement Work in accordance with the Construction Documents and comply with the terms of the Lease and this Work Letter, or constitute a waiver of any latent defects.

6. Delays in Construction

a. Unavoidable Delays. "**Unavoidable Delays**" means any delays by reason of acts of nature, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, epidemics, pandemics, and related governmental orders and requirements (and private sector responses to comply with those orders and requirements); protests; riots; demonstrations; or by any other reason without fault and beyond the reasonable control of the party obligated to perform. If an Unavoidable Delay occurs, the party affected by the Unavoidable Delay will give prompt written notice to the other of the event causing the Unavoidable Delay and the length of the projected delay in performance, and will continue to keep the other party regularly informed of the status of the Unavoidable Delay. Under no circumstances may the number of days of Unavoidable Delays asserted with respect to the Leasehold Improvement Work exceed a total of one hundred twenty (120) days.

b. Tenant Delays. Subject to any Unavoidable Delay, City will be responsible for any delay in the construction of the Leasehold Improvements resulting proximately from any of the following (collectively, "**Tenant Delays**"): **(i)** City's failure to review the plans and specifications within the time provided in this Work Letter, **(ii)** City Change Orders to the Construction Documents, and **(iii)** City's failure to review any costs to be included in the Allowance within the time provided in this Work Letter. Tenant Delays in the completion of construction of the Leasehold Improvement Work will extend the date for Substantial Completion for each day of the Tenant Delay.

c. Landlord Delays; Liquidated Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE LEASE, IF LANDLORD'S DELIVERY OF POSSESSION OF THE PROPERTY TO CITY IS DELAYED BECAUSE OF LANDLORD'S FAILURE TO COMPLETE CONSTRUCTION OF THE LEASEHOLD IMPROVEMENTS BEFORE ONE CALENDAR YEAR (365 DAYS) FOLLOWING THE COMMENCEMENT DATE DEFINED IN THE LEASE (AS EXTENDED BY UNAVOIDABLE DELAYS AFFECTING LANDLORD OR ITS CONTRACTOR IN ACCORDANCE WITH SUBSECTION A ABOVE AND TENANT DELAYS), THEN LANDLORD WILL PAY TO CITY ONE THOUSAND DOLLARS ($1,000) FOR EACH DAY OF DELAY, AS LIQUIDATED DAMAGES AND AS CITY'S SOLE AND EXCLUSIVE REMEDY EXCEPT FOR CITY'S TERMINATION RIGHTS. THE PARTIES HAVE AGREED THAT CITY'S ACTUAL DAMAGES IN THE EVENT OF DELAY WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THEY HAVE AGREED ON THE SUM SPECIFIED ABOVE, AFTER NEGOTIATION, AS THEIR REASONABLE ESTIMATE OF CITY'S DAMAGES CAUSED BY THE DELAY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS WORK LETTER OR THE LEASE, THE AGGREGATE LIQUIDATED DAMAGES PAID BY LANDLORD WILL NOT EXCEED THREE PERCENT (3%) OF THE APPROVED COSTS OF THE LEASEHOLD IMPROVEMENTS.

Initials: Landlord Lawrence B. Stone City _____

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7. General Provisions.

a. Notices. Except as may be otherwise specifically provided in this Work Letter, any notice given under this Work Letter must be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

City:	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Director of Property
Landlord:	Lawrence B. Stone Properties #08, LLC PO Box 3949 Spokane, WA 99220 Attn: Jasper Coulter

or any other address as a party may designate to the others as its new address for notices by notice given to the others in accordance with the provisions of this paragraph. A properly addressed notice transmitted by one of the foregoing methods will be deemed received upon confirmed delivery or attempted delivery. Neither party may give official or binding notice by email, provided that email notice may be used concurrently with another method of giving official notice. In the event urgent response is required, either party may give email notice so long as official notice is promptly given thereafter.

b. Landlord's Duty to Notify City. Landlord will promptly notify City in writing of **(i)** any written communication that Landlord may receive from any governmental, judicial, or legal authority giving notice of any claim or assertion that the Property, Buildings, or Leasehold Improvements fail in any respect to comply with applicable Laws; **(ii)** any known material adverse change in the physical condition of the Property, including any damage suffered as a result of earthquakes; and **(iii)** any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

c. Prevailing Wages and Apprentices. Any person performing labor in the construction of the Leasehold Improvements that Landlord is obligated to provide under this Work Letter will be paid not less than the highest prevailing rate of wages and Landlord will include in any contract for construction of the Leasehold Improvements a requirement that all persons performing labor under the contract will be paid not less than the highest prevailing rate of wages for the labor performed. In connection with the construction of the Leasehold Improvements under this Work Letter, Landlord will comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Section 6.22(E) of the San Francisco Administrative Code. In addition, if the Leasehold Improvements are Covered Construction (as defined in San Francisco Administrative Code Section 23.61), Landlord will require its contractors and subcontractors (regardless of tier) to pay the Prevailing Rate of Wages (as defined in San Francisco Administrative Code Section 23.61), employ Apprentices (as defined in San Francisco Administrative Code Section 23.61), and comply with all the provisions of Section 23.3 of the Lease, and San Francisco Administrative Code Section 23.61 of the regarding the Leasehold Improvements.

d. Tropical Hardwood and Virgin Redwood Ban.

A. Except as expressly permitted by the application of San Francisco Environment Code Sections 802(b) and 803(b), neither Landlord nor any of its contractors may provide any items to City in the construction of the

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Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

B. City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood, or virgin redwood wood products.

C. If Landlord fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Landlord will be liable for liquidated damages for each violation in any amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is lower. Landlord acknowledges and agrees that the liquidated damages assessed will be payable to City on demand.

e. Days; Incorporation of Exhibits. Unless otherwise provided in this Work Letter, all periods specified by a number of days will refer to business days. Saturdays, Sundays, and recognized City holidays will not constitute business days. Exhibits ___ attached to this Work Letter, are made a part of this Work Letter by this reference.

f. Approvals. City is entering into this Work Letter in its proprietary capacity and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary in this Work Letter or the Lease, no approval by City of the plans for the Leasehold Improvements (including the Design Development Documents or Construction Documents or Change Orders), completion of the Leasehold Improvement Work or any other approvals by City under this Work Letter or the Lease will be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Property. All approvals or other determinations of City as Tenant under this Work Letter or the Lease may be made by City's Director of Property unless otherwise specified.

8. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter where definite time for performance is specified, including the date for Substantial Completion.

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The parties have executed this Work Letter as of the date of the Lease.

LANDLORD:

Lawrence B. Stone Properties #08, LLC,
a Washington limited liability company

By: Lawrence B. Stone

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: DocuSigned by: Andrico Q. Penick
3441150C0287459...

ANDRICO Q. PENICK
Director of Property

RECOMMENDED:

DocuSigned by: Shireen Mcspadden@sfgov.org
CAD7B781896B449...

Shireen McSpadden
Executive Director
Department of Homelessness and Supportive Housing

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: DocuSigned by: Vincent Brown
5D88F562E4274BB...

Vincent Brown
Deputy City Attorney