

File No. 130711

Committee Item No. 26

Board Item No. 44

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 07/24/2013

Board of Supervisors Meeting

Date: July 30, 2013

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Analyst Report                   |
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Completed by: Victor Young

Date July 19, 2013

Completed by: Victor Young

Date 7/25/13

1 [Lease - Real Property at 1740 Cesar Chavez Street - Potrero Investor I, LLC and Potrero  
2 Investor II, LLC - \$21,450 monthly]

3 **Resolution authorizing a five-year lease of approximately 11,000 square feet at 1740**  
4 **Cesar Chavez Street from Potrero Investor I, LLC and Potrero Investor II, LLC, for the**  
5 **Department of Human Resources at the monthly cost of \$21,450 for the period of**  
6 **September 15, 2013, through September 15, 2018.**

7  
8 WHEREAS, The Board of Supervisors recognizes a need for increased recruitment,  
9 hiring and training of public safety staff to address anticipated retirements of the City's police  
10 and fire personnel in the coming years; and

11 WHEREAS, The City and County of San Francisco (City) Department of Human  
12 Resources (DHR) presently leases premises on the second floor of the building located at  
13 1740 Cesar Chavez Street to conduct recruitment and testing of public safety staff under a  
14 lease (the "Existing Lease") with the property owner, Potrero Investor I, LLC and Potrero  
15 Investor II, LLC (Landlord), the term of which Existing Lease is scheduled to expire on  
16 September 14, 2013; and

17 WHEREAS, The current recruitment and testing premises are too small to  
18 accommodate the size of the recruitment and testing classes that DHR expects to conduct in  
19 the coming years; and

20 WHEREAS, The Real Estate Division, at the request of DHR, negotiated a new lease  
21 with Landlord for approximately 11,000 rentable square feet of space on the ground floor of  
22 the building, a copy of which proposed lease is on file with the Clerk of the Board of  
23 Supervisors in File No. 130711 (the "New Lease"), and Landlord has agreed to coordinate a  
24 relocation from the existing second floor suite to the ground floor suite and provide an  
25 allowance of \$575,000 for leasehold improvements to the new space; and

1 WHEREAS, The City will pay the verified leasehold improvement costs, if any, in  
2 excess of the \$575,000 allowance, however, the City has an expectation that the final project  
3 costs will not exceed said allowance, and

4 WHEREAS, The term of the New Lease will commence upon the date of substantial  
5 completion of the leasehold improvements more particularly described in the New Lease  
6 (which date is estimated to be September 15, 2013) and will terminate sixty (60) months after  
7 the commencement date (for an initial term of five years), with one (1) option for the City to  
8 extend the term for an additional term of five (5) years on the same terms and conditions  
9 except the base rent shall be adjusted to equal the prevailing market rate for space of  
10 comparable size and location to the premises then being offered for rent in other buildings  
11 similar in age, location and quality to the premises situated within the Potrero Hill/Dog  
12 Patch/India Basin area of San Francisco; and

13 WHEREAS, The monthly base rent under the New Lease will be \$21,450 per  
14 month (approximately \$23.40 per square foot per year or \$1.95 per square foot per month) for  
15 Year 1, \$22,000 per month (approximately \$24.00 per square foot per year or \$2.00 per  
16 square foot per month) for Year 2, \$23,100 per month (approximately \$23.40 per square foot  
17 per year or \$2.10 per square foot per month) for Year 3, \$23,650 per month (approximately  
18 \$25.80 per square foot per year or \$2.15 per square foot per month) for the Year 4, and  
19 \$24,200 per month (approximately \$26.40 per square foot per year or \$2.20 per square foot  
20 per month) for Year 5, and City will pay a proportionate share of increases in insurance  
21 expenses and tax expenses for the building over a base year of calendar year 2013 and will  
22 be responsible for paying for electricity, water, sewer, janitorial services and trash pick up  
23 services for the ground floor premises; and  
24  
25

1 WHEREAS, The term of the Existing Lease will be extended on all the same terms and  
2 conditions of the Existing Lease through the date immediately preceding the commencement  
3 date of the New Lease; and

4 WHEREAS, The Director of Property has determined that the proposed rental rate set  
5 forth in the New Lease is equal to or less than fair market rent for the premises; now,  
6 therefore, be it

7 RESOLVED, That, in accordance with the recommendation of the Director of the DHR  
8 and the Director of Property, the Board of Supervisors hereby approves the New Lease in  
9 substantially in the form on file with the Clerk of the Board of Supervisors in File No. 130711,  
10 and the Director of Property is hereby authorized to take all actions on behalf of the City and  
11 County of San Francisco, as tenant, to execute the New Lease on the terms and conditions  
12 set forth herein, and on a form approved by the City Attorney; and, be it

13 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
14 with respect to such New Lease are hereby approved, confirmed and ratified; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
16 Property to enter into any amendments or modifications to the New Lease (including, without  
17 limitation, the exhibits) that the Director of Property determines, in consultation with the City  
18 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially  
19 increase the obligations or liabilities of the City (with the exception of any necessary tenant  
20 improvements so desired by DHR and authorized by the Director of Property, to be  
21 implemented by Landlord), are necessary or advisable to effectuate the purposes of the New  
22 Lease or this resolution, and are in compliance with all applicable laws, including the City  
23 Charter; and, be it

24 FURTHER RESOLVED, That the New Lease shall be subject to certification as to  
25 funds by the Controller, pursuant to Section 6.302 of the City Charter.



1 RENT AND TENANT IMPROVEMENTS

2 \$257,400 Available

3 Fund Type: 1G

4 Fund: AGF

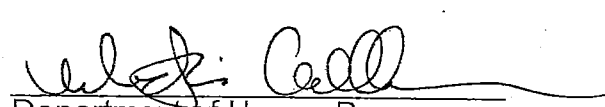
5 Subfund: AAA

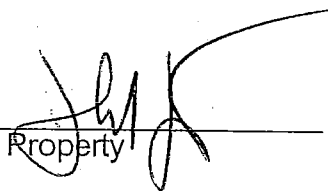
6  
7  
8   
9 Controller

10 Subject to the enactment of the Annual Appropriation  
11 Ordinance for FY 2014/2015

2013/2014 ;

12 **RECOMMENDED:**

13   
14 Department of Human Resources

15   
16 Director of Property

Funds are available  
contingent upon the  
Department of Human

Resources transfer of  
additional funds in  
index code 335046 to  
Subobject 03011 for  
this lease.



**Item 26**  
**File 13-0711**

**Departments:**  
Department of Human Resources (DHR) and  
Real Estate Division (RED)

## **EXECUTIVE SUMMARY**

### **Legislative Objective**

- The proposed resolution would authorize a new five-year lease for approximately 11,000 square feet on the ground floor of 1740 Cesar Chavez Street between the City as tenant, on behalf of the Department of Human Resources and Potrero Investor I, LLC and Potrero Investor II, LLC, as landlord from approximately September 15, 2013 through September 14, 2018.

### **Key Points**

- The Department of Human Resources (DHR) currently has 7,680 square feet of leased space on the 2nd floor of 1740 Cesar Chavez Street for conducting exams for public safety and other civil service classifications. The existing lease includes one five-year option to extend for a term from approximately September 15, 2013 through September 14, 2018 with the rent reset to fair market value.
- DHR is requesting to relocate to a larger space of 11,000 square feet on the first floor of 1740 Cesar Chavez Street. According to the Mr. John Kraus, DHR Assistant Deputy Director, the increased space on the first floor would increase the number of computer testing sites, oral interview rooms, and capacity of the main exam room. Mr. Kraus states that the existing space on the second floor is insufficient because, when the large exam room is in use, the computer and oral interview rooms cannot be used. Also, according to Mr. Kraus, the existing testing center on the second floor was used 190 days in 2012, an increase of 69 days compared to 121 days of use in 2009; the increase in use results in delays in scheduling tests, which in turn can delay the generation of eligible lists and delay overall hiring.

### **Fiscal Impact**

- The existing lease for second floor space provides for a five-year extension with an increase in rent to market rate, which according to Mr. John Updike, Director of Real Estate, is approximately \$24 per square foot. According to Mr. Updike, the City has notified the landlord that the City wishes to exercise the option to extend the existing lease in the event that the Board of Supervisors does not approve the proposed new lease for first floor space.
- According to Mr. Updike, the rent per square foot would be the approximately the same whether the City exercises the option to extend the existing lease for second floor space or enters into a new lease for the proposed first floor space. The proposed rent per square foot is \$23.40 per year, an increase of \$7.44 or 47 percent compared to current rent of \$15.96 per square foot.
- Funds for the subject lease are included in DHR's FY 2013-14 and FY 2014-15 budget.

- Under the proposed new lease, the space increases by 3,320 square feet, or 43 percent, from 7,680 for the existing second floor space to 11,000 square feet for the proposed new first floor space. The increased rent in the first year of the proposed new lease due to the increase in square footage is \$77,688 and over the five-year term of the proposed lease is \$414,336.
- The landlord will pay for tenant improvements to the first floor space up to \$575,500.

### **Policy Consideration**

- Mr. Updike states that the tenant improvement package will provide more functional, better oriented space, and lower the utility costs. Mr. Updike states that the more functional and better oriented space on the first floor space also increases the likelihood of securing other City training uses at this location, providing an intangible benefit to the City organization
- However, because the proposed new leases increases City costs by \$77,688 in the first year and \$414,336 over the five-year term, without specific and sufficient information on how the increased space would contribute to increased testing and generation of civil service eligibility lists, the Budget and Legislative Analyst does not recommend approval of the proposed new five-year lease for the first floor of 1740 Cesar Chavez Street. As an alternative, the Board of Supervisors should request the Director of Real Estate to enter into negotiations with the landlord to exercise the option to extend the existing lease for the second floor of 1740 Cesar Chavez Street.

### **Recommendations**

- Disapprove the proposed resolution, authorizing a new five-year lease for the first floor of 1740 Cesar Chavez Street for DHR's testing center.
- Request the Director of Real Estate to enter into negotiations with the landlord to exercise the option under the existing lease to extend the lease by five years for the second floor of 1740 Cesar Chavez Street.

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Under Administrative Code Section 23.27, leases with a term of more than one year or rent of more than \$5,000 per month, in which the City is the tenant, are subject to the Board of Supervisors approval, by resolution.

**Background**

The Board of Supervisors previously approved the Department of Human Resources' (DHR) five-year lease for the second floor of 1740 Cesar Chavez Street in 2008 for a five-year term from September 15, 2008 through September 14, 2013 (File 08-0263). DHR uses the leased space to conduct recruitment and testing of public safety classifications and other civil service classifications.

Although the City has the option to renew the existing lease for the second floor of 1740 Cesar Chavez Street for five years, DHR is proposing to relocate and enter into a new five-year lease for increased space on the first floor of 1740 Cesar Chavez Street, as discussed further below. According to Mr. John Updike, Director of Real Estate, the City has met the legal requirement of providing notice to exercise the five-year option to extend the existing lease for the second floor in the event that the Board of Supervisors does not approve the proposed new lease for the first floor.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would authorize a new five-year lease between the City and Potrero Investor I, LLC and Potrero Investor II, LLC for 1740 Cesar Chavez Street from approximately September 15, 2013 through September 15, 2018. Under the proposed lease, DHR would lease a portion of the first floor of 1740 Cesar Chavez Street to conduct exams for public safety and other civil service classifications.

A summary of the proposed new lease is shown in Table 1 below.

**Table 1: Summary of Proposed DHR Five-Year Lease at 1740 Cesar Chavez Street**

| Term                         | 5 years<br>(Approximately September 15, 2013 through<br>September 14, 2018)                         |                       |                         |
|------------------------------|---|-----------------------|-------------------------|
| Square feet (approximate)    | 11,000  |                       |                         |
| Rent                         | <u>Per Square Foot<br/>per Year</u>   | <u>Total per Year</u> | <u>Percent Increase</u> |
| 1st Lease Year               | \$23.40   | \$257,400             | n/a                     |
| 2nd Lease Year               | \$24.00   | \$264,000             | 2.6%                    |
| 3rd Lease Year               | \$25.20   | \$277,200             | 5.0%                    |
| 4th Lease Year               | \$25.80   | \$283,800             | 2.4%                    |
| 5th Lease Year               | \$26.40   | \$290,400             | 2.3%                    |
| Utilities and Services       | Utilities and janitorial services are paid by the City.   |                       |                         |
| Insurance and Property Taxes | Prorata share (18.16%) of operating expenses paid by the City.                                      |                       |                         |
| Tenant Improvements          | Tenant improvements paid by landlord of up to \$52.27 per square foot, or total of up to \$575,000. |                       |                         |
| Options to Extend            | One five-year option to extend, rent adjusted to 95% of fair market value.                          |                       |                         |

*Tenant Improvements*

Under the proposed lease, the landlord will pay for tenant improvements, up to \$575,500 or approximately \$52.27 per square foot, for the total 11,000 square feet. According to Mr. John Updike, Director of Real Estate, tenant improvements will include the following: the placement of walls, doors, paint and carpet; as well as, new electrical, plumbing and mechanical systems and a HVAC distribution system.

**FISCAL IMPACT**

Total estimated costs in the first year of the lease are \$292,383 as follows:

|                                      |              |
|--------------------------------------|--------------|
| Rent                                 | \$257,400    |
| Utilities and Janitorial             | 33,000       |
| Prorata Share of Insurance and Taxes | <u>1,983</u> |
| Total                                | \$292,383    |

Rent and associated costs have been included in the FY 2013-14 and FY 2014-15 DHR budget.

**The proposed lease results in a 47 percent increase in rent per square foot and a 43 percent increase in square footage**

First year rent of \$257,400 for the first floor of 1740 Cesar Chavez Street is an increase of \$134,827, or 110 percent, compared to current rent of \$122,573 for the second floor of 1740 Cesar Chavez Street. This increase is due to an increase in the rent per square foot, as shown in Table 2 below, based on fair market value, and an increase of 3,320 square feet.

**Table 2: Comparison of Existing and Proposed Annual Rent and Space**

|                               | Current rent<br>(2 <sup>nd</sup> Floor) | Proposed<br>rent<br>(1 <sup>st</sup> Floor) | Increase  | Percent<br>increase |
|-------------------------------|---|---|-----------|---------------------|
| Rent per Square Foot per Year | \$15.96                                 | \$23.40                                     | \$7.44    | 47%                 |
| Total Square Feet             | 7,680                                   | 11,000                                      | 3,320     | 43%                 |
| Total Rent                    | \$122,573                               | \$257,400                                   | \$134,827 | 110%                |

**Fair Market Rent**

Under the existing lease, DHR occupies space on the second floor of 1740 Cesar Chavez Street to conduct tests for civil service classifications. The existing lease provides for a five-year extension with the rent to be increased to market rate. According to Mr. Updike, the Real Estate Division has notified the landlord that the City wishes to exercise the option to extend the existing lease, pending approval by the Board of Supervisors of the proposed new lease for the first floor space. If the Board of Supervisors does not approve the proposed new lease for the first floor space, DHR could continue to occupy their existing space on the second floor at a rental rate reset to market. According to Mr. Updike, the estimated rent under an extension of the existing lease for the second floor would be approximately \$24 per square foot.

However, if the Board of Supervisors approves the proposed new lease for the first floor space, the City would not exercise the five-year option to extend the existing lease for the second floor space.

As shown in Table 2 above, the increase in rent per square foot is 47 percent. According to Mr. Updike, the proposed rent represents fair market value, based on a Real Estate Division survey of comparable properties in the area. Mr. Updike states the rent per square foot would be approximately the same whether the City exercises the option to extend the existing lease for second floor space or enters into a new lease for the proposed first floor space.

**Increased Square Footage**

Under the proposed lease, the square footage increases by 3,320 square feet or 43 percent, as shown in Table 2 above. The increased rent in the first year of the proposed lease due to the increase in square footage is \$77,688 and over the five-year term of the proposed lease is \$414,336.

According to Mr. John Kraus, DHR Assistant Deputy Director, the increased space on the first floor would increase (1) computer testing sites (from 28 computer sites to approximately 70 computer sites); (2) oral interview rooms (from 10 rooms to approximately 20 rooms); and (3) testing room space for 226 candidates compared to current space for 150 candidates. Because

more candidates could be processed in one sitting, DHR could reduce the number of test sessions for each test.

According to Mr. Kraus, the existing space on the second floor is insufficient for DHR because it contains one large testing room with adjacent oral exam and computer testing rooms. Mr. Kraus states that "when the large testing room is in use none of the other rooms can be used because traffic would disrupt the administration of the exam in the large room. Consequently, the current facility only allows one test to be administered at a time and this can delay list generation and hiring."

According to Mr. Kraus, the existing testing center on the second floor of 1740 Cesar Chavez was used 190 days in 2012, an increase of 69 days compared to 121 days of use in 2009. Mr. Kraus states that "Due to its extensive usage, there are times when, unfortunately, test administration is delayed because of competing demands for the facility. This, in turn, can delay the generation of eligible lists and delay overall hiring."

While DHR has shown that the increased first floor space would allow more testing capacity, DHR does not have specific information on current delays in testing and generation of civil service eligibility lists due to insufficient space on the second floor, or how testing and generation of civil service eligibility lists would be increased due to increased space on the first floor.

According to Mr. Updike, the landlord proposed the relocation from the second floor to the first floor for DHR's testing center; and in exchange agreed to pay for \$575,500 in tenant improvements. Mr. Updike states that the tenant improvement package will provide more functional, better oriented space, and lower the utility costs. Mr. Updike states that the more function and better oriented space on the first floor space also increases the likelihood of securing other City training uses at this location, providing an intangible benefit to the City organization.

Because the proposed new lease increases City costs by \$77,688 in the first year of the lease and \$414,336 over the five-year term of the lease, without sufficient information on how the increased space under the proposed new lease would contribute to increased testing and generation of civil service eligibility lists, the Budget and Legislative Analyst does not recommend approval of the proposed new five-year lease for the first floor of 1740 Cesar Chavez Street. As an alternative, the Board of Supervisors should request the Director of Real Estate to enter into negotiations with the landlord to exercise the option to extend the existing lease for the second floor of 1740 Cesar Chavez Street.

## RECOMMENDATIONS

- Disapprove the proposed resolution, authorizing a new five-year lease for the first floor of 1740 Cesar Chavez Street for DHR's testing center.
- Request the Director of Real Estate to enter into negotiations with the landlord to exercise the option under the existing lease to extend the lease by five years for the second floor of 1740 Cesar Chavez Street.





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



John Updike  
Director of Real Estate

July 8, 2013

**Department of Human Resources  
Lease of Real Property  
1740 Cesar Chavez Street**

Through Naomi Kelly  
City Administrator

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

Dear Board Members:

Attached for your consideration is a Resolution authorizing the lease of real property at 1740 Cesar Chavez Street, for use by the Department of Human Resources.

This proposed lease is for 11,000 rentable square feet for five years with one five year option. The Department of Human Resources currently leases space at 1740 Cesar Chavez Street that they utilize to provide all aspects of testing for public safety applicants. The current lease was approved by Resolution No. 147-08 and expires on September 14, 2013 if not either renewed or replaced. This includes written examinations, oral interviews, physical testing and performance examinations. Furthermore, the facility allows for large scale testing, permitting the City to process larger applicant pools, such as police officers and fire fighters, in order to meet the annual recruiting demands of the City's public safety agencies. Finally, this space will be used by various City departments to conduct exams and interviews beyond only public safety departments.

The schedule for base rent for the proposed lease shall be:

| <u>Year</u> | <u>Monthly</u> | <u>Annually/SF</u> |
|-------------|----------------|--------------------|
| 1           | \$21,450       | \$23.40            |
| 2           | \$22,000       | \$24.00            |
| 3           | \$23,100       | \$25.20            |
| 4           | \$23,650       | \$25.80            |
| 5           | \$24,200       | \$26.40            |

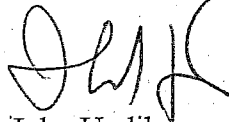
The initial rental rate is considered fair market rent for the area. The City will pay a proportionate share of increases in insurance expenses and tax expenses for the building over a base year of calendar

year 2013 and will be responsible for paying for electricity, water, sewer, janitorial services and trash pick-up services for the ground floor premises.

The current space is not adequate for the current and anticipated future needs of the City's and the Landlord has agreed to coordinate relocation from the existing second floor suite to the ground floor suite and provide an allowance of \$575,000 for leasehold improvements to the new space.

Given the needs of the Department of Human Resources, we highly recommend approval of the proposed lease. If you have any questions regarding this matter, please contact Jason Hinson in our office at 554-9873.

Respectfully,

A handwritten signature in black ink, appearing to read 'J Updike', with a long, sweeping horizontal line extending to the right.

John Updike  
Director of Property

Attachment

cc: Brent Lewis, DHR

OFFICE LEASE

between

POTRERO INVESTOR I, LLC  
and  
POTRERO INVESTOR II, LLC,  
as Landlord  
and

CITY AND COUNTY OF SAN FRANCISCO,  
as Tenant

For the lease of  
Portion of the first floor of the building located at  
1740 Cesar Chavez Street Suite E  
San Francisco, California

July 5, 2013

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- EXHIBIT F – Preliminary Construction Budget
- EXHIBIT G – Janitorial Services

## OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of July 5, 2013, is by and between POTRERO INVESTOR I, LLC, a Delaware limited liability company, and POTRERO INVESTOR II, LLC, a Delaware limited liability company (collectively, "Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant", and together with Landlord "parties" or "Parties").

Landlord and City hereby agree as follows:

### 1. BASIC LEASE INFORMATION

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

|   |  |
|---|--|
| Lease Reference Date:                             | July 5, 2013   |
| Landlord:   | Potrero Investor I, LLC, and Potrero Investor II, LLC  |
| Tenant:   | City and County of San Francisco   |
| Building ( <u>Section 2.1</u> ):                  | 1740 Cesar Chavez Street, San Francisco, California  |
| Premises ( <u>Section 2.1</u> ):                  | A portion of the first floor of the Building, as shown on <u>Exhibit A</u> .   |
| Rentable Area of Premises ( <u>Section 2.1</u> ): | Approximately 11,000 rentable square feet  |
| Term ( <u>Article 3</u> ):                        | Five (5) years, commencing on the Commencement Date (as defined in <u>Section 3.2</u> ), and ending on the date immediately preceding the fifth (5th) anniversary of the Commencement Date (the "Expiration Date") (sometimes referred to as the "Initial Term"), subject to the Extension Option set forth in <u>Section 3.4</u> below.<br><br>The Premises shall be delivered to City upon completion of the Leasehold Improvement Work (as defined in <u>Section 6.1(a)</u> , below) to be performed in the Premises.<br><br>Estimated Commencement Date: September 15, 2013<br><br>Estimated Expiration Date: September 14, 2018 |
| Extension Option ( <u>Section 3.4</u> ):          | City shall have the right to extend the Term for an additional term of five (5) years (the "Extended Term"), by providing not less than one hundred eighty (180) days' prior written   |

notice of exercise to Landlord, on the terms and conditions set forth in Section 3.4.

Base Rent (Section 4.1):

| <u>Lease Year</u> | <u>Monthly Base Rent</u> |
|-------------------|--------------------------|
| First Lease Year  | \$21,450 (\$1.95/sf/mo)  |
| Second Lease Year | \$22,000 (\$2.00/sf/mo)  |
| Third Lease Year  | \$23,100 (\$2.10/sf/mo)  |
| Fourth Lease Year | \$23,650 (\$2.15/sf/mo)  |
| Fifth Lease Year  | \$24,200 (\$2.20/sf/mo)  |

The "First Lease Year" shall be the period commencing on the Commencement Date and ending on the date immediately preceding the one (1)-year anniversary of the Commencement Date. Each twelve (12) calendar month period thereafter shall constitute a "Lease Year."

Determination of Base Rent for the Extended Term (Section 4.2):

Base Rent for the Extended Term shall be 95% of the then fair market rent as provided in Section 4.2, but in no event less than Base Rent for the month immediately preceding Extended Term.

Additional Charges (Section 4.3):

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including City's Percentage Share of increases in Insurance Costs and Real Estate Taxes over the relevant Base Year Insurance Costs and Base Year Real Estate Taxes, as provided in Section 4.3.

Base Year (Section 4.4):

Calendar year 2013

City's Percentage Share (Section 4.4):

18.16% with respect to Building, which has been calculated by dividing the rentable square footage of the Premises by the rentable square footage of the Building (which Landlord represents to be 60,573 square feet).

Use (Section 5.1):

General office program use by the Department of Human Resources, including but not limited to testing, training and recruitment for public safety personnel candidates.

Leasehold Improvements (Section 6):

Landlord shall cause the Leasehold Improvement Work to be performed to the Premises as provided in Section 6.1.

Allowance (Section 6.1(a)):

Landlord shall provide an Allowance of \$575,0000 for the construction of the Leasehold Improvements. City shall be responsible for the costs of the Leasehold Improvement Work to the extent the cost thereof exceeds \$575,0000.

Utilities (Section 9.1):

City shall pay, directly to provider or Landlord, for all gas, electricity, water and sewer used by



City at the Premises, and for trash removal for the Premises, as provided in Section 9.1.

Services (Section 9.2):

Landlord shall provide janitorial services to the Premises at City's cost, as provided in Section 9.2.

Key Contact and Notice Address of Landlord (Section 23.1):

Morrison Street Capital  
as agent for: Potrero Investors I, LLC and  
Potrero Investors II, LLC  
121 SW Morrison Street, Suite 1875  
Portland, Oregon 97204  
Attn: Greg Petry  
Asset Management

With a copy to:  
Kidder Mathews  
100 Spear Street, Suite 2100  
San Francisco, CA 94105  
Attn: Nanci Vega  
Fax No.: (415) 229-8987

Notice Address for Tenant (Section 23.1):

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

with a copy to:

Department of Human Resources  
One South Van Ness Avenue  
Fourth Floor  
San Francisco, CA 94103  
Attn: Director  
Telephone No.: (415) 557-4845  
Fax No.: (415) 551-8945

and a copy to:

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

Key Contact for Tenant:

Brent Lewis  
Department of Human Resources  
One South Van Ness Avenue  
Fourth Floor  
San Francisco, CA 94103  
Telephone No.: (415) 557-4847

Brokers (Section 23.8):

Landlord's Broker: Kidder Mathews

Parking Rights (Section 2.3):

City shall have the exclusive right to eleven (11) dedicated assigned parking spaces in the

parking lot adjacent to the Building and shall have the right to use any unoccupied and unreserved spaces in the parking lot outside of Business Hours on Business Days, as provided in Section 2.3.

Existing Lease (Section 2.4):

The term of the Existing Lease (as defined in Section 2.4) shall be extended as provided in Section 2.4.

Other Noteworthy Provisions (Section 22):

Exterior Signage (Section 22.1);

Secured Area (Section 22.2)

## **2. PREMISES**

### **2.1 Lease; Premises**

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

### **2.2 Common Areas**

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

### **2.3 Parking Rights**

City shall have the exclusive right to eleven (11) dedicated assigned parking spaces in the parking lot adjacent to the Building. Landlord shall install a sign designating that the spaces are reserved for the use of City and City's visitors. City shall have access to such parking spaces 24 hours per day each day of the Lease Term. In addition to the foregoing, City shall have the right to use, without additional charge, any unoccupied and unreserved spaces in the parking lot adjacent to the Building Saturdays, Sundays, holidays and outside of Business Hours on Business Days (as such terms are defined in Section 9.1).

### **2.4 Existing Lease**

City is presently in occupancy of certain premises on the second floor of the Building (the "Existing Second Floor Premises") pursuant to that certain Office Lease between City and Landlord, dated April 15, 2008 (the "Existing Lease"). City has exercised the option to extend the term of the Existing Lease, and, accordingly, the term of the Existing Lease is presently scheduled to expire on September 14, 2018 (subject to City's right to cancel the exercise of the extension option pursuant to the terms of Section 4.2(e) of the Existing Lease in the event City and Landlord do not agree upon the prevailing market rental rate for the extension term). City shall surrender the Existing Second Floor Premises to Landlord in the condition required by the Existing Lease on the Commencement Date of this Lease, and the Existing Lease shall terminate on the Commencement Date, provided, however, that Landlord and City's indemnification obligations under the Existing Lease shall survive the termination of the Existing Lease with regard to any events which took place prior to the later of (A) the Commencement Date or (B) the date on which City vacates and surrenders the Existing Second Floor Premises in accordance with the provisions of this Section.

### **3. TERM**

#### **3.1 Term of Lease**

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date as Landlord shall have delivered the Premises to City with the Leasehold Improvements (as defined below) having been substantially completed by Landlord and accepted by City pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements), or such earlier date as Landlord shall have so delivered the Premises to City with the Leasehold Improvements having been substantially completed by Landlord and accepted by City and City shall have commenced its occupancy of the Premises, provided in no event shall the term of this Lease commence prior to the Effective Date, as defined in Section 23.30. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates or is terminated pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option), below. The word "Term" as used herein shall refer to the Initial Term and the Extended Term if City exercises the Extension Option as provided below.

#### **3.2 Commencement Date and Expiration Date**

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

#### **3.3 Delay in Delivery of Possession**

Landlord shall use diligent, good faith efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property pursuant to Section 6.1(j) (City's Acceptance of Premises) on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder by the later of (i) the date which is one hundred eighty (180) days after the Estimated Commencement Date or (ii) the date which is two hundred forty (240) days after the Effective Date, as extended in either instance for delays resulting from any changes requested by City to the scope of the Leasehold Improvement Work (as defined in Section 6.1(a)(i) below), then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord. In the event of such termination, Landlord shall promptly reimburse for City any and all costs City has paid for construction of the Leasehold Improvement Work prior to the date of such termination.

#### **3.4 Extension Option**

City shall have the right to extend the Term of this Lease (the "Extension Option") for the additional term specified in the Basic Lease Information (the "Extended Term"). Such Extension Option shall be on all of the terms and conditions contained in this Lease, provided that Base Rent shall be adjusted as provided in Section 4.2 below. City may exercise the Extension Option, if at all, by giving written notice to Landlord no later than one hundred eighty (180) days

prior to expiration of the Initial Term; provided, however, City may not exercise the Extension Option during any period of time that City is in default under any provision of this Lease after receipt of written notice of such default.

#### **4. RENT**

##### **4.1 Base Rent**

Beginning on the Commencement Date, City shall pay to Landlord during the Term the respective amounts of Base Rent specified in the Basic Lease Information (the "Base Rent") for the respective periods set forth therein. The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30)-day month.

##### **4.2 Determination of Base Rent for the Extended Term**

If the Extension Option has been timely exercised by City pursuant the terms of Section 3.4, upon the commencement of the Extended Term, the Base Rent shall be adjusted to equal the amount(s) that is calculated by taking 95% multiplied by the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the Potrero Hill/Dogpatch/India Basin area of San Francisco ("Reference Area"), provided, however, that in no event shall the monthly Base Rent for the Extended Term be less than the Base Rent for the month immediately preceding the Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

(b) If within this thirty (30)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time

period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

(d) If City's Director of Property does not approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may at his or her election revoke the exercise of the Extension Option by City by written notice to Landlord (the "Exercise Revocation Notice") given within thirty (30) days after such determination is made, and in such event (i) City shall reimburse Landlord for the reasonable costs actually paid by Landlord to Landlord's appraiser in connection with such appraisal and (ii) if the Revocation Notice is given less than ninety (90) days prior to the Expiration Date of the Lease, the Term shall be extended through the date which is ninety (90) days after the Expiration Date.

(e) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Reference Area. Landlord and City shall each pay the cost of the appraiser selected by such party and, if applicable, one-half of the cost of the third appraiser, plus one-half of any other costs incurred in the arbitration.

#### **4.3 Additional Charges**

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including the charges for all Utilities provided for in Section 9.1, Janitorial Service as provided in Section 9.2, and City's Percentage Share of increases in Real Estate Taxes and Insurance Costs as provided in Section 4.4 through Section 4.9 below. All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent." Landlord shall provide City with invoices for all Additional Charges in a format reasonably approved by City.

#### **4.4 Definitions**

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

- (a) "Base Year" means the year specified in the Basic Lease Information.
- (b) "City's Percentage Share" means the percentage specified in the Basic Lease Information.
- (c) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences; provided that Landlord, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Insurance Costs shall be equitably adjusted for the Expense Years involved in any such change. Expense Year shall not include the Base Year.

(d) "Insurance Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof.

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

(e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the real property on which the Building is located. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

Notwithstanding the foregoing, Real Estate Taxes shall exclude, (1) franchise, transfer, inheritance, or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

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

#### **4.5 Payment of Percentage Share of Increases in Insurance Costs**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Insurance Costs for each Expense Year exceed the Insurance Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City by November of the previous year (e.g., by November 2013 for the calendar year 2014 payments). Landlord may revise such estimates of Insurance Costs during an Expense Year if done in a writing delivered to City prior to May 1st, and City shall thereafter make payments on the basis of such revised estimates, commencing on the first day of the calendar month which is thirty days after City's receipt of the revised estimate. With reasonable promptness not to exceed sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a copy of Landlord's insurance statements or invoices for such Expense Year (herein called "Landlord's Statements"), setting forth in reasonable detail the Insurance Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual increase in Insurance Costs for such Expense Year exceeds the estimated Insurance Costs paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Insurance Costs paid by City and City's Percentage Share of the actual increase in Insurance Costs within thirty (30) days after the receipt of Landlord's Statements. If the total amount paid by City for any such Percentage Share of increases in Insurance Costs exceeds

City's Percentage Share of the actual increase in Insurance Costs for such Expense Year, such excess shall be credited against the next installments of Insurance Costs due from City to Landlord hereunder, or refunded to City, at City's option. Notwithstanding anything to the contrary contained herein, in no event shall any annual increase in City's Percentage Share of Insurance Costs for any Expense Year exceed five percent (5%), and the aggregate increase in City's Percentage Share of Insurance Costs over the Term shall not exceed twenty-five percent (25%).

#### **4.6 Payment of Percentage Share of Increases in Real Estate Taxes**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share with respect to the Building of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share of increases in Real Property Taxes. If City's Percentage Share of the actual increase in Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual increase 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 such Tax Year exceeds City's Percentage Share of the actual increase Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

#### **4.7 Proration**

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

#### **4.8 Audits**

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

#### **4.9 Records**

Landlord shall maintain in a safe, complete and organized manner all of its records pertaining to this Lease, Real Estate Taxes, Insurance Costs and any other charges paid by City pursuant hereto, for a period of not less than three (3) years following expiration of the Term. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof. All such books and records shall be available at the Building or another location in San Francisco designated by Landlord for inspection, copying and audit by

City and its representatives, at City's expense, subject to the provisions of the final sentence of Section 4.8 above.

## **5. USE**

### **5.1 Permitted Use**

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

### **5.2 Observance of Rules and Regulations**

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit C (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

### **5.3 Interference with Access**

Tenant shall have access to the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after making diligent efforts to consult with the City's Administrator, interrupt City's access to the Premises in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for five (5) business days and materially impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such interruption of access to the Premises interferes with City's ability to carry on its business at the Premises. If any such interruption of access shall continue for sixty (60) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within ninety (90) days of the date City's use was interrupted, and such use is actually restored within such 90-day period. Nothing in this Section shall limit the rights of the Parties with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.



## 6. LEASEHOLD IMPROVEMENTS

### 6.1 Landlord's Obligation to Construct Improvements

#### (a) Leasehold Improvement Work.

(i) Leasehold Improvement Work. Landlord, through a general contractor chosen by Landlord and approved by City ("Contractor"), shall perform the work and make the installations in the Premises set forth in this Section 6.1, at Landlord's sole cost, up to \$575,000 (the "Allowance"), in accordance with the provisions of this Section. Such work and installations are sometimes referred to herein collectively as the "Leasehold Improvement Work" or the "Leasehold Improvements." The cost of the Leasehold Improvements above the \$575,000 Allowance shall be borne by the City as provided below.

(ii) Space Planning; Plans; Construction Documents. Prior to the reference date of this Lease, Landlord, at Landlord's expense as part of the Allowance, has caused Huntsman Architecture Group to prepare and submit to City for its approval a preliminary schematic space plan for the Premises, based on City's program requirements for use of the Premises, a copy of which is attached hereto as Exhibit E (the "Preliminary Space Plans"). Promptly after the Effective Date, Landlord, at Landlord's expense as part of the Allowance, shall engage Huntsman Architecture Group or another space planner chosen by Landlord and approved by City to consult with City in connection with the preparation of final schematic design plans (the "Schematic Design Documents") and preliminary working drawings for the improvements City desires to have constructed in the Premises. The space planner shall take into account Landlord's plans for the restrooms to be located within the Premises. The Schematic Design Documents shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed. The rate charged by space planner engaged by Landlord shall be subject to approval by City. Upon approval of the Schematic Design Documents, Landlord, at Landlord's expense as part of the Allowance, shall promptly have Landlord's architect prepare an architectural plan, power and signal plan, reflected ceiling plan, floor plans and finish specifications for the work shown on the Schematic Design Documents and otherwise required by this Section 6.1 (the "Plans"). Such Plans shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves such Plans, or any portion thereof, then City shall promptly notify Landlord thereof and of the revisions that City reasonably requires in order to obtain City's approval. As soon as reasonably possible thereafter, but in no event later than fourteen (14) days after City's notice, Landlord shall submit to City final Plans incorporating the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The final Plans for the Leasehold Improvements approved by City shall be referred to as the "Construction Documents."

#### (b) Mayor's Office of Disability Review; Permits

Landlord acknowledges that City requires that the Construction Documents be reviewed by the San Francisco Mayor's Office of Disability ("MOD") for compliance with the American With Disabilities Act of 1990 ("ADA") and other related laws prior to submittal to the San Francisco Department of Building Inspection for construction permits. Landlord shall cause Landlord's architect to submit the Construction Documents to MOD for review promptly following preparation thereof. If MOD requires revisions to the Construction Documents or modifications or additional improvements to the Premises or the Building, Landlord shall cause Landlord's architect to revise the Construction Documents and/or design and prepare all additional plans and specifications as required by such MOD review, in conformity with ADA and other legal requirements. Such revised plans and additional plans shall thereafter to be referred to as the "Construction Documents." Upon MOD's approval of the Construction Documents, Landlord shall cause Landlord's architect to notify Landlord and City that the Construction Documents have been approved and to identify the additional work, if any,

specified therein as a result of the MOD review (such work being referred to as the "MOD Identified Work").

Promptly following MOD's approval of the Construction Documents and City's approval of the construction budget, as provided below, Landlord shall apply for any permits, approvals or licenses necessary to complete the construction shown on the Construction Documents and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by the San Francisco Bureau of Building Inspection.

(c) **Landlord's Work.** Landlord shall perform or shall cause the contractor performing the Leasehold Improvement Work to perform the following work, which shall be collectively referred to herein as "Landlord's Work," the cost of which shall be paid from the Allowance or by City, as provided in Section 6.1(f) below:

(i) Roof and Weatherproofing. Landlord shall ensure all windows within the Premises are weatherproofed, repaired and in good working order.

(ii) HVAC Repairs and Operations. Landlord shall effect mutually acceptable necessary repairs or modifications to the heating, ventilation and air conditioning ("HVAC") system elements to insure appropriate heating, cooling and ventilation is provided to the occupied spaces within the Premises. The HVAC system operations shall be, at a minimum, in conformance with ASHRAE standard 90.1-2004, and HVAC zoning shall be not less than one (1) zone per one thousand two hundred (1,200) rentable square feet. Landlord shall ensure that all thermostats and air supply and return vents are located in appropriate areas.

(d) **Budget for Leasehold Improvements.** Landlord and City have agreed upon and approved the initial construction budget attached to this Lease as Exhibit F ("Preliminary Construction Budget"), which Preliminary Construction Budget includes the estimated cost of the space planner, architect, Landlord's Work and Leasehold Improvement Work, and is subject to the conditions and limitations described in the Narrative Description of Proposed Leasehold Improvement Work attached hereto as Exhibit E, and have agreed that any costs above \$575,000 shall be borne by City. City acknowledges that the Preliminary Construction Budget is just an estimate of the Leasehold Improvements cost and that costs may increase and if costs exceed \$575,000 then City shall be responsible for all costs (including any costs relating to the MOD review and any resulting MOD Identified Work) even if City has not changed the scope of the work. If during the course of construction, the Leasehold Improvements cannot be completed in strict conformity with the Preliminary Construction Budget or the recently City and Landlord approved construction budget, as applicable, Landlord shall immediately submit to City for its approval a revised construction budget and shall identify to City changes in line items and the reasons for the changes. If further changes are required, Landlord shall seek City's approval, following the same procedures. No costs shall be charged against the Allowance, and City shall not be obligated to pay any costs in excess of the Allowance, unless and until City approves the construction budget and any revisions thereto. City shall have the right to approve or disapprove any construction budget or revisions in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed. The most recently approved construction budget shall supersede all previously approved budgets. If the budget exceeds the Allowance amount and City desires to reduce the budget, Landlord and City shall work in good faith to promptly reduce the scope of work to the extent required to reduce budget to an amount approved by City, and the Construction Documents shall be revised as required to reflect such changes. Further, if at any time the budget exceeds the Allowance amount and Landlord is unwilling to expend any monies in excess of the Allowance prior to receiving City's reimbursement for such excess cost as provided in Section 6.1(f) below, then Landlord and City shall work in good faith to promptly reduce the scope of work to the extent required to reduce budget to the Allowance amount or such greater amount approved by

Landlord and City, and the Construction Documents shall be revised as required to reflect such changes. Changes to the Leasehold Improvement Work requested by City (whether to reduce the budget or otherwise) ("City Requested Changes") shall be subject to Landlord's approval, which shall not be unreasonably withheld or delayed. In the event City requests any City Requested Changes, Landlord shall immediately submit to City a revised construction budget. The most recently approved construction budget shall supersede all previously approved budgets. City acknowledges that provided that Landlord complies with the provisions of this Section 6.1(d) regarding budget revisions and efforts to reduce the scope of the work, if requested by City, any costs above \$575,000 shall be borne by City whether or not caused by a City Requested Change.

(e) **Required Documentation of Costs.** Landlord shall 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 such invoices, including unconditional lien waivers, or if such invoices have not been paid, conditional lien waivers, all such lien waivers being in the form prescribed by California Civil Code Section 3262 and executed by each subcontractor and material supplier, and (iii) such additional supporting data substantiating the contractor's or supplier's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

(f) **Reimbursement by City.** In the event that the actual costs to construct and install the Leasehold Improvements and to perform Landlord's Work incurred by Landlord exceed the amount of the Allowance, City shall pay such excess costs at the time of substantial completion within forty-five (45) days of City's receipt of required documentation in accordance with Section 6.1(e). At City's election, City shall establish a construction draw account through an appropriate third-party servicing entity for payment of part or all of the costs to be paid by City hereunder, and Landlord shall reasonably cooperate with the requirements for establishing and drawing from such account.

(g) **Inclusions and Exclusions of Costs Paid from the Allowance or by City.** The Leasehold Improvement costs shall include all actual and reasonable hard and soft costs of the Leasehold Improvements. Such costs shall include but not be limited to (A) space planning fees, architectural fees, engineering fees, consulting fees, and project manager fees, up to a maximum of ten percent (10%) of the total Leasehold Improvement cost, and (B) the costs of permits, application fees, testing and inspection fees, and contractor and vendor costs for the Leasehold Improvement Work, including for improvements that are required to bring the Premises and the Common Areas serving the Premises into compliance with all Disabled Access Laws and other laws and codes. City shall not be responsible for, and the Allowance shall not be used for, any review, supervision, administration or management fees of any person or entity, any overhead or other general expenses of Landlord, or any other person or entity other than a Construction/Project Manager at a cost not to exceed three percent (3%) of the Leasehold Improvement cost, or any charges for parking.

(h) **Permits.** Landlord shall secure and pay for, as part of the Allowance, any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work. Promptly following City's approval of the Construction Documents, Landlord shall apply for any permits, approvals or licenses necessary to complete such construction and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by City's Bureau of Building Inspection.

(i) **First Source Hiring Requirements.** City has adopted a First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98), which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically

disadvantaged individuals for entry level positions. Within thirty (30) days after the City and County of San Francisco Real Estate Division of the Department of Administrative Services adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Ordinance, Landlord shall enter into a First Source Hiring Agreement that meets the applicable requirements of Section 83.9 of the First Source Hiring Ordinance in connection with certain building permit applications.

(j) **Construction.** Immediately upon approval of the final Construction Documents and the budget and Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages), below, and shall not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), below.

(k) **Construction Schedule; Substantial Completion.** Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. The Leasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed in accordance with the approved Construction Documents so that City can occupy the Premises and conduct its business for its intended uses and City, through its Director of Property, shall have approved the Leasehold Improvements. City may, at its option, approve the Leasehold Improvements even though there may remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Documents. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, nor constitute any waiver of any latent defects.

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

(l) **City's Acceptance of Premises.** Upon substantial completion of the Leasehold Improvement Work, Landlord shall deliver the Premises to City in good working order and in compliance with any and all applicable building codes. City's Director of Property shall not be required to accept Landlord's delivery of the Premises until substantial completion of the Leasehold Improvement Work as noted above, and (i) completion of a three (3) day burn off; (ii) receipt of an air balance report showing that the Building meets ASHRAE standards as built-out for the intended use and occupancy of the Premises; (iii) receipt of the results of a water test showing no leakage of the roof or windows, or other exterior points of the Building; and (iv) receipt of certification by a licensed industrial hygienist that the Property is free of mold and

other toxins. The industrial hygienist's report shall be secured and paid for by the City, and a copy of such report shall be provided to the Landlord. Any of the foregoing conditions may be waived by the City at City's sole discretion. City shall not unreasonably withhold or delay its acceptance of the Premises.

## **6.2 Installation of Telecommunications and Other Equipment**

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunications, data and computer cabling facilities and equipment ("Telcom Facilities"). City shall be responsible for installing such Telecom Facilities, at City's sole cost and expense, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the floor(s) on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Premises and such other portions of the Building at reasonable times during the course of construction of the Leasehold Improvements in order to install such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner. Notwithstanding anything to the contrary contained in this Section 6.2, City shall not have the right to enter any portion of the Building leased to third party tenants to conduct any installation or maintenance of the Telcom Facilities, and City shall perform the installation and maintenance of the Telcom Facilities in a manner which is designed to minimize disruption to the other tenants of the Property. Landlord shall have sole power to direct electricians as to where and how telephone and other wires are to be introduced into the Building and the Premises. No boring or cutting for wires shall be allowed without the consent of Landlord, and the location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord, which consent and approval shall not be unreasonably withheld or delayed.

## **6.3 Construction of Improvements that Disturb or Remove Exterior Paint**

Landlord, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 36 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 36 of the San Francisco Building Code does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 36 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 36 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or

removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

## **7. ALTERATIONS**

### **7.1 Alterations by City**

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

### **7.2 Title to Improvements**

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

### **7.3 City's Personal Property**

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document, in a form reasonably acceptable to Landlord and any holder of an Encumbrance (defined below), required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property, all at the cost and expense of such supplier, equipment lessor or lender. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date upon delivery to Landlord of advance written notice from such supplier, equipment lessor or lender.

#### **7.4 Alteration by Landlord**

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

### **8. REPAIRS AND MAINTENANCE**

#### **8.1 Landlord's Repairs**

Landlord shall repair and maintain, at its cost and in first-class condition, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, fire protection, life safety of the Building (collectively, the "Building Systems") and the Common Areas. Without limiting the foregoing, Landlord shall maintain the Building in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency, and shall not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

#### **8.2 City's Repairs**

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

#### **8.3 Liens**

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

## **9. UTILITIES AND SERVICES**

### **9.1 Landlord's Provision of Utilities**

Landlord shall furnish the following utilities and services to the Premises (which costs for such utilities and services shall be billed back to City and paid by City pursuant to Section 4.3) (a) heating, air conditioning and ventilation in amounts required for City's use and occupancy of the Premises in a manner providing reasonable comfort to occupants, during the period from 8:00 a.m. to 6:00 p.m. ("Business Hours"), Monday through Friday, except holidays generally recognized in San Francisco ("Business Days"); (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); and (c) water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Building in the San Francisco Civic Center District. Water and electricity service to the Premises shall be separately metered or submetered, provided that if for any reason Landlord and City elect not to cause a separate utility meters or submeters servicing the Premises to be installed as part of the Leasehold Improvements, Landlord's billing for the amount of the electricity and water and sewer service used and consumed on the Premises, shall be based on Landlord's reasonable, good faith estimate of City's demand and consumption, and shall be calculated in a manner reasonably approved by City.

### **9.2 Services**

#### **(a) Janitorial Service**

Landlord shall provide, at City's cost, janitorial service in accordance with the specifications contained in Exhibit G attached hereto and scavenger service as required by City for use of the Premises. City shall reimburse Landlord for the cost of janitorial service and scavenger service as provided in Section 4.3. All costs billed to City under this Section 9.2(a) shall be based on Landlord's actual costs without markup. City reserves the right to revise the janitorial service provided to the Premises from time to time during the Term, provided that such revised service is not unduly onerous or unreasonable and is sufficient to maintain the Premises in a clean and orderly condition.

#### **(b) Additional Services**

City reserves the right to request that Landlord, at City's cost, perform minor lease-related services or incur additional expenses not covered under this Lease that City may require from time to time, as requested by City in writing and approved by the Director of Property. City shall reimburse Landlord for such expenses as they are incurred, at rates agreed-upon in advance.

### **9.3 Conservation**

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

### **9.4 Disruption in Essential Utilities or Services**

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure,



stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

## **10. COMPLIANCE WITH LAWS; PREMISES CONDITION**

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

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks and drinking fountains and parking areas) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"),

including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any misrepresentation by Landlord under this Section or any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section, except to the extent such failure results from City's failure to comply with the provisions of Section 10.2.

#### **10.2 City's Compliance with Laws; Indemnity**

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

#### **10.3 City's Compliance with Insurance Requirements**

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

### **11. SUBORDINATION**

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a

subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

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

## **12. DAMAGE AND DESTRUCTION**

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within sixty (60) days after Landlord obtains all necessary permits for such repairs but not later than one hundred eighty (180) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which City cannot reasonably occupy any part of the Premises during the Repair Period. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents. In the event the Building is damaged such that City cannot reasonably operate within the Premises and such damage cannot be repaired within the Repair Period, City may terminate this Lease.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

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

Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

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

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

### **13. EMINENT DOMAIN**

#### **13.1 Definitions**

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

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

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

#### **13.2 General**

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

#### **13.3 Total Taking; Automatic Termination**

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

#### **13.4 Partial Taking; Election to Terminate**

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

affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

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

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

### **13.5 Rent; Award**

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

### **13.6 Partial Taking; Continuation of Lease**

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

### **13.7 Temporary Taking**

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

## **14. ASSIGNMENT AND SUBLETTING**

City shall have the right to sublease or assign this Lease, or any portion of the Premises during the Term of the Lease with Landlord's prior written consent, which shall not be unreasonably withheld or delayed. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the

Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

In the event that City sublets, assigns or transfers this Lease, City shall pay to Landlord as additional rent an amount equal to seventy-five percent (75%) of any Increased Rent (as defined below) when and as such Increased Rent is received by City, after City has first recovered the following costs of entering into each particular sublease or assignment (with no requirement to amortize such costs): (i) the cost of tenant improvements made in connection with the particular transaction and any tenant improvement allowance paid by City in connection with the particular transaction, (ii) brokerage commissions, if any, (iii) advertising costs, and (iv) attorneys' fees (including the fees of deputy City attorneys calculated at the then applicable rate charged to City departments for such legal services. As used in this Section, "Increased Rent" shall mean the excess of (i) all rent and other consideration which City is entitled to receive by reason of any sale, sublease, assignment or other transfer of this Lease, over (ii) the rent otherwise payable by City under this Lease at such time.

## **15. DEFAULT; REMEDIES**

### **15.1 Events of Default by City**

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any Adjustment Date, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

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

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

### **15.2 Landlord's Remedies**

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

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

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

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

### **15.3 Landlord's Default**

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) City may, at its sole option, cure such default at Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30)-day period, such thirty (30)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent, if any, to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

## **16. INDEMNITIES**

### **16.1 City's Indemnity**

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

### **16.2 Landlord's Indemnity**

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

selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of this Lease.

## **17. INSURANCE**

### **17.1 City's Self-Insurance**

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

### **17.2 Landlord's Insurance**

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

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

### **17.3 Waiver of Subrogation**

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

## **18. ACCESS BY LANDLORD**

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall endeavor to give reasonable notice to City), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be



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

## **19. ESTOPPEL CERTIFICATES**

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, may reasonably request the other party to execute, acknowledge and deliver to such persons or entities designated by such other party a certificate stating: (a) the Commencement Date and Expiration Date of this 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. Any such statement made by City may be relied upon by any prospective purchaser or prospective holder of an Encumbrance of all or any portion of the real property of which the Premises are a part.

## **20. SURRENDER OF PREMISES**

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City is permitted to install under the terms of this Lease and desires to remove or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease. No Leasehold Improvements or other alterations to the Premises that have been approved by Landlord shall be removed from the Premises at or prior to Tenant's surrender.

## **21. HAZARDOUS MATERIALS**

### **21.1 Definitions**

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

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

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to

Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

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

## **21.2 Landlord's Representations and Covenants**

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

## **21.3 Landlord's Environmental Indemnity**

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

## **21.4 City's Covenants**

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

## **21.5 City's Environmental Indemnity**

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after

the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

## **22. SPECIAL PROVISIONS**

### **22.1 Exterior Signage**

Pursuant to the Existing Lease, City erected signage on the exterior of the Building identifying City's premises as the "Isaac Espinoza Public Safety Testing Center" and signage depicting the seal of the City and County of San Francisco, and the symbols of the San Francisco Police Department and the San Francisco Fire Department. City shall have the right to maintain such signage throughout the Term of this Lease, or to install replacement signage, provided that all replacement signage shall be subject to Landlord's approval (which shall not be unreasonably withheld) with regard to size, design, color, material, content and location, and shall be appropriate for a first-class office building and in conformity with the overall design of the Building and the existing tenant signage on the exterior of the Building. The cost of the design, manufacture, installation and maintenance of the signage shall be borne by City. All signage must comply with applicable governmental laws and ordinances and City shall be responsible for obtaining any governmental permits or approvals required for City's signage. Upon the expiration or earlier termination of this Lease, Landlord shall have the right to remove such signage at City's expense and to repair and restore, at City's expense the affected areas of the Building to their original condition at the time the signage was installed, ordinary wear and tear excepted.

### **22.2 Secured Area**

From time to time City may store test materials or other unusually confidential information in the conference room or another designated room in the Premises (the "Secured Area"). Accordingly, notwithstanding any provision of this Lease to the contrary, the provisions of this Section shall govern Landlord's and City's respective rights with respect to the Secured Area. City may install a separate lock or locks on the door to the conference room or other room comprising the Secured Area, and City shall have no obligation to provide Landlord with a copy of the key to such locks. Whenever the door to the Secured Area is closed and locked, Landlord shall have no obligation to provide janitorial services to the Secured Area and Landlord shall not enter the Secured Area unless accompanied by a representative of City. City shall provide Landlord with written notice if City will use any room other than the conference room as the Secured Area. Upon reasonable advance request of Landlord (which shall be at least 24-hours in advance when practicable), which request may be oral, City agrees to make such representative available to Landlord. If Landlord requires access to the Secured Area outside of business hours due to an emergency, Landlord may contact Bruce Topp at (415) 557-4847 to obtain such emergency access. Notwithstanding anything to the contrary set forth in this Lease, to the extent Landlord is unable to access or enter the Secured Area due to City's exercise of its rights under this Section 22.2, then provided that Landlord has used reasonable efforts to request access to the Secured Area as provided above, Landlord shall not incur any liability, responsibility or expense of any kind for injury to persons or damage to property arising from Landlord's inability to access or enter the Secured Area.

## **23. GENERAL PROVISIONS**

### **23.1 Notices**

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by

sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

### **23.2 No Implied Waiver**

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

### **23.3 Amendments**

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

### **23.4 Authority**

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

### **23.5 Parties and Their Agents; Approvals**

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include 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 shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter and Administrative Code.

### **23.6 Interpretation of Lease**

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

### **23.7 Successors and Assigns**

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

### **23.8 Brokers**

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

### **23.9 Severability**

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

### **23.10 Governing Law**

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

### **23.11 Entire Agreement**

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

### **23.12 Attorneys' Fees**

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

### **23.13 Holding Over**

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

such holding over shall be one hundred twenty-five percent (125%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

#### **23.14 Cumulative Remedies**

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

#### **23.15 Time of Essence**

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

#### **23.16 Survival of Indemnities**

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

#### **23.17 Signs**

In addition to the exterior signage which City may erect pursuant to the terms of Section 22.1 above, City may erect or post signs on the Premises subject to Landlord's prior approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

#### **23.18 Quiet Enjoyment and Title**

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the Term of this Lease, as such Term may be extended, as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

#### **23.19 Bankruptcy**

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

restricted on account of any such case or proceeding, or for any other reason, City shall have the right to (a) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (b) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

### **23.20 Transfer of Landlord's Interest**

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

### **23.21 Non-Liability of City Officials, Employees and Agents**

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

### **23.22 MacBride Principles - Northern Ireland**

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

### **23.23 Controller's Certification of Funds**

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

### **23.24 Prevailing Wages for Construction Work**

Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises, which Landlord provides under this Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco, California. Landlord shall include, in any contract for



construction of such Leasehold Improvements or other improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of any Leasehold Improvements or other improvements to the Premises.

### **23.25 Non Discrimination in City Contracts and Benefits Ordinance**

#### **(a) Covenant Not to Discriminate**

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

#### **(b) Subcontracts**

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

#### **(c) Non-Discrimination in Benefits**

Landlord does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City elsewhere in 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 specified above within the United States, between employees with domestic partners and employees with spouses, and/or between domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the condition set forth in Section 12.B2(b) of the San Francisco Administrative Code.

#### **(d) HRC Form**

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

#### **(e) Incorporation of Administrative Code Provisions by Reference**

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of property to City are

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

### **23.26 Tropical Hardwood and Virgin Redwood Ban**

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

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

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

### **23.27 Bicycle Storage Facilities**

Article 1.5, Section 155.1, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle storage at City-leased buildings at no cost to Landlord and if funds are available. In the event public and/or private donations, grants or other funds become available, at any time during the Term of this Lease including any extension thereof, City may, by giving a 60-day advanced written notice to Landlord, install compliant bicycle storage in the parking lot however any parking spaces used by City shall reduce City's dedicated eleven (11) spaces for each space used for bicycle storage. Furthermore, City shall be limited to use no more than three (3) parking spaces for bicycle storage and Landlord shall be able to decide in its sole discretion the location of the bicycle storage. Landlord further agrees that City may install bicycle racks in front of the Premises, which are required to meet the Class 1 and/or Class 2 requirements of the Planning Code as long as such racks do not hinder access to any other tenants' suites in the park and subject to the foregoing regarding usage of parking spaces for bicycle storage and reduction of City parking spaces. Such installation shall be at no cost to Landlord. Landlord shall reasonably cooperate with City regarding the location of such bicycle racks in front of City's Premises in furtherance of the implementation of such requirements of the Planning Code.

### **23.28 Resource-Efficient City Buildings and Pilot Projects**

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

### **23.29 Counterparts**

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

### **23.30 Effective Date; Landlord's Right to Terminate For Delay in Effective Date**

The date on which this Lease shall become effective (the "Effective Date") is the date upon which (a) City's Mayor and Board of Supervisors, in 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 the parties hereto. If the Effective Date does not occur on or before July 31, 2013, Landlord shall have the right at any time thereafter, at its sole and absolute discretion, to give the City written notice of Landlord's intent to terminate this Lease. If the Effective Date does not thereupon occur by the date (the "Final Trigger Date") which is fifteen (15) days after the date City received Landlord's initial notice, then Landlord may terminate this Lease by written notice to City given within five (5) calendar days after the Final Trigger Date and this Lease shall be of no further force and effect.

### **23.31 Certification by Landlord**

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

### **23.32 Sunshine Ordinance**

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

### **23.33 Conflicts of Interest**

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

### **23.34 Notification of Limitations on Contributions**

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the

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

### **23.35 Preservative-Treated Wood Containing Arsenic**

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

### **23.36 Food Service Waste Reduction**

Landlord agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. This provision is a material term of this Lease. By entering into this Lease, Landlord agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Landlord agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Landlord's failure to comply with this provision.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR

LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

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

LANDLORD:

POTRERO INVESTOR I, LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
Rance Gregory, Authorized Signatory

POTRERO INVESTOR II, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Rance Gregory, Authorized Signatory

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
JOHN UPDIKE  
Director of Property  
pursuant to San Francisco Administrative  
Code Section 23.26

RECOMMENDED:

\_\_\_\_\_  
Director  
Department of Human Resources

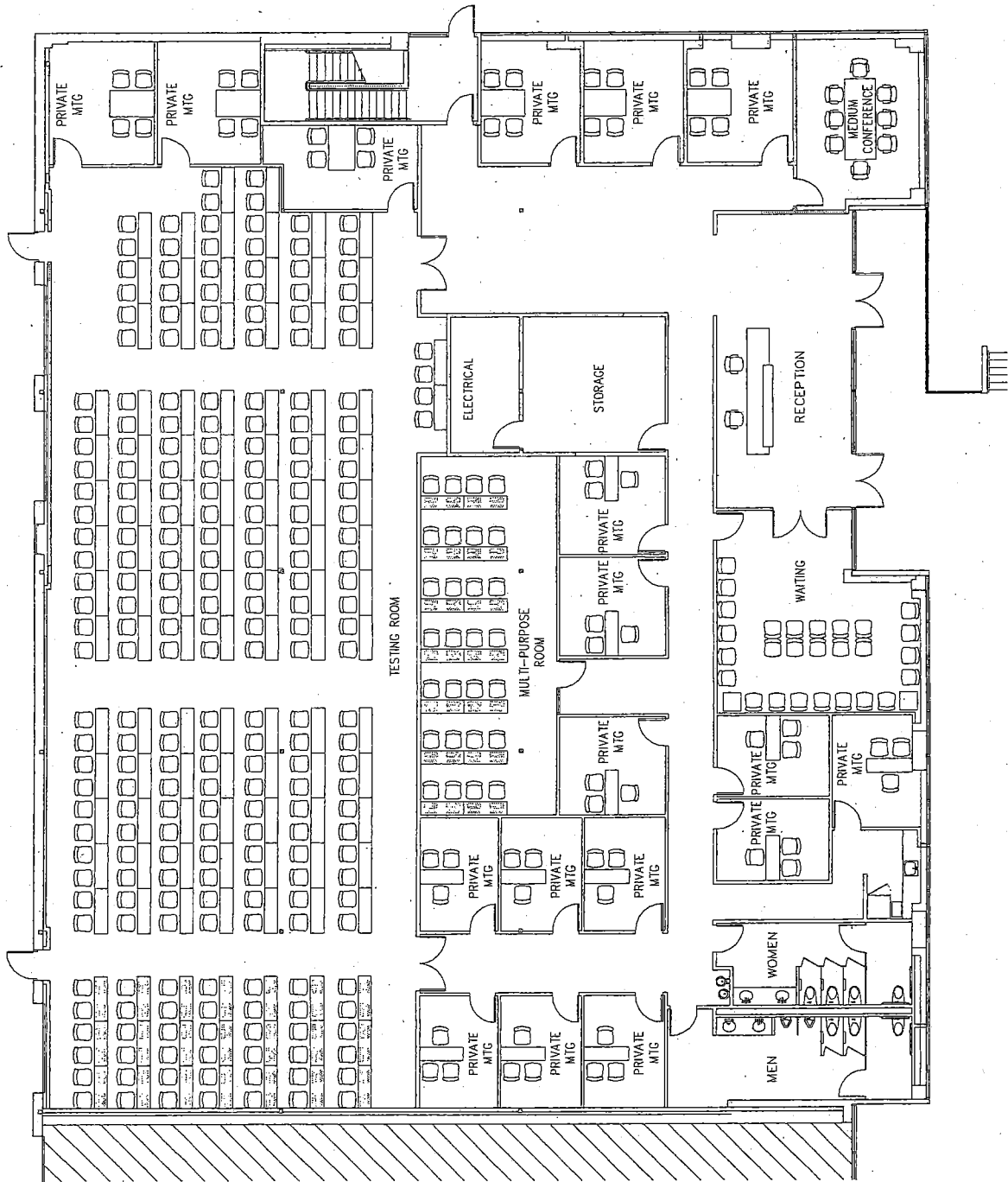
APPROVED AS TO FORM:

DENNIS J. HERRERA  
City Attorney

By: \_\_\_\_\_  
Anita L. Wood  
Deputy City Attorney

**EXHIBIT A**

**Floor Plan(s)**  
Consisting of One Page



5976

HUMAN RESOURCES - FIT PLAN (REVISED)

POTRERO BUSINESS CENTER | 1740 CESAR CHAVEZ

**H** HUNTSMAN

05.29.13  
1/8" = 1'-0"  
SK-9A



**EXHIBIT B**

**Notice of Commencement Date**

[Date]

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

RE: Acknowledgement of Commencement Date, Lease between POTRERO INVESTOR I, LLC, a Delaware limited liability company, and POTRERO INVESTOR II, LLC, a Delaware limited liability company (collectively, Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises comprised of the first floor of the building located at 1740 Cesar Chavez Street Suite E, San Francisco, California.

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is \_\_\_\_\_, 201\_.

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

Very truly yours,

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted and Agreed:

By: \_\_\_\_\_  
John Updike  
Director of Property

Dated: \_\_\_\_\_

## EXHIBIT C

### **Building Rules and Regulations**

1. City shall not place anything, or allow anything to be placed near the glass of any window, door, partition or wall which may, in Landlord's judgment, appear unsightly from outside of the Property.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by City or used by City for any purposes other than for ingress to and egress from the Premises. City shall lend its full cooperation to keep such areas free from all obstruction and in a clean and sightly condition and shall move all supplies, furniture and equipment as soon as received directly to the Premises and move all such items and waste being taken from the Premises (other than waste customarily removed by employees or contractors of the Building) directly to the shipping platform at or about the time arranged for removal therefrom. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall, in all cases, retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord, reasonably exercised, shall be prejudicial to the safety, character, reputation and interests of the Property. Neither City nor any employee or invitee of City shall go upon the roof of the Building.

3. The toilet rooms, urinals, wash bowls and other apparatuses shall not be used for any purposes other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and to the extent caused by City or its employees or invitees, the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by City.

4. City shall not cause any unnecessary janitorial labor or services by reason of City's carelessness or indifference in the preservation of good order and cleanliness.

5. City shall not install or operate any refrigerating, heating or air conditioning apparatus, or carry on any mechanical business without the prior written consent of Landlord; use the Premises for housing, lodging or sleeping purposes; or permit preparation or warming of food in the Premises (installation and operation of a refrigerator consistent with the size typically used in kitchens or coffee rooms of office tenants, and warming of coffee and individual meals of employees and guests excepted). City shall not occupy or use the Premises or permit the Premises to be occupied or used for any purpose, act or thing which is in violation of any Laws or which may be dangerous to persons or property.

6. City shall not bring upon, use or keep in the Premises or the Property any kerosene, gasoline or inflammable or combustible fluid or material, or any other articles deemed hazardous to persons or property, or use any method of heating or air conditioning other than that supplied by Landlord or ordinary office supplies and repair, maintenance and cleaning supplies maintained in reasonable and necessary quantities and used, stored and disposed of in accordance with all Environmental Laws.

7. [Intentionally deleted.]

8. Except as specifically provided in Section 22.2 of the Lease, no additional locks shall be placed upon any doors, windows or transoms in or to the Premises and City shall not change existing locks or the mechanism thereof. Upon termination of the lease, City shall deliver to Landlord all keys and passes for offices, rooms, parking lot and toilet rooms which shall have been furnished City.

In the event of the loss of keys so furnished, City shall pay Landlord therefor. City shall not make, or cause to be made, any such keys and shall order all such keys solely from Landlord and shall pay Landlord for any keys in addition to the two sets of keys originally furnished by Landlord for each lock.

9. City shall not install linoleum, tile, carpet or other floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Landlord.

10. City shall cause all doors to the Premises to be closed and securely locked and shall turn off all utilities, lights and machines before leaving the Building at the end of the day.

11. Without the prior written consent of Landlord, City shall not use the name of the Property or any picture of the Property in connection with, or in promoting or advertising the business of, City, except City may use the address of the Property as the address of its business.

12. City shall cooperate fully with Landlord to assure the most effective operation of the Premises' or the Property's heating and air conditioning, and shall refrain from attempting to adjust any controls, other than room thermostats installed for City's use. City shall keep corridor doors closed.

13. City assumes full responsibility for protecting the Premises from theft, robbery and pilferage, which may arise from a cause other than Landlord's negligence, which includes keeping doors locked and other means of entry to the Premises closed and secured.

14. Peddlers, solicitors and beggars shall be reported to the office of the Property or as Landlord otherwise requests.

15. City shall not advertise the business, profession or activities of City conducted in the Property in any manner which violates the letter or spirit of any code of ethics adopted by any recognized association or organization pertaining to such business, profession or activities.

16. No bicycle or other vehicle and no animals or pets shall be allowed in the Premises, halls, freight docks, or any other parts of the Building except "seeing eye" dogs or other assistance animals, which must at all times be kept under proper control. Tenant shall give Landlord written notice of any assistance animals which Tenant's employees or representatives bring into the Premises on a regular basis. City shall not make or permit any noise, vibration or odor to emanate from the Premises, or do anything therein tending to create, or maintain, a nuisance, or do any act tending to injure the reputation of the Building.

17. City shall not do or permit the manufacture, sale or purchase any fermented, intoxicating or alcoholic beverages in or from the Premises without obtaining written consent of Landlord.

18. City shall not disturb the quiet enjoyment of any other tenant.

19. City shall not provide any janitorial services or cleaning without Landlord's written consent and then only subject to supervision of Landlord and at City's sole responsibility and by janitor or cleaning contractor or employees at all times satisfactory to Landlord.

20. Landlord may retain a pass key to the Premises and be allowed admittance thereto at all times to enable its representatives to examine the Premises from time to time and to exhibit the same and Landlord may place and keep on the windows and doors of the Premises at any time signs advertising the Premises for Rent.

21. No equipment, mechanical ventilators, awnings, special shades or other forms of window covering shall be permitted either inside or outside the windows of the Premises without the prior written consent of Landlord, and then only at the expense and risk of City, and they shall be of such shape, color, material, quality, design and make as may be approved by Landlord.

22. City shall not during the term of this Lease canvas or solicit other tenants of the Building for any purpose.

23. City shall not install or operate any phonograph, musical or sound-producing instrument or device, radio receiver or transmitter, TV receiver or transmitter, or similar device in the Building which can be heard outside of the Premises. City shall not install or operate any antenna, aerial, wires or other equipment inside or outside the Building (including any electrical device from which may emanate electrical waves) which may interfere with or impair radio or television broadcasting or reception from or in the Building or elsewhere, without in each instance the prior written approval of Landlord. The use thereof, if permitted, shall be subject to control by Landlord to the end that others shall not be disturbed.

24. City shall promptly remove all rubbish and waste from the Premises, other than typical office waste routinely removed in connection with janitorial services to the Premises.

25. City shall not exhibit, sell or offer for sale, rent or exchange in the Premises or at the Property any article, thing or service without the prior written consent of Landlord.

26. City shall comply with the building rules for moving its furniture, fixtures, equipment and similar articles into and out of the Building.

27. City shall not overload any floors in the Premises or any public corridors or elevators in the Building.

28. City shall not do any painting in the Premises, or mark, paint, cut or drill into, drive nails or screws into, or in any way deface any part of the Premises or the Building, outside or inside, without the prior written consent of Landlord.

29. Whenever Landlord's consent, approval or satisfaction is required under these Rules, then unless otherwise stated, any such consent, approval or satisfaction must be obtained in advance, such consent or approval may be granted or withheld in Landlord's sole discretion, and Landlord's satisfaction shall be determined in its sole judgment.

**EXHIBIT D**

**Preliminary Schematic Drawings**

**(Attached)**

**EXHIBIT E**

**Narrative Description of Proposed Leasehold Improvement Work**

**[Attached]**

## EXHIBIT E

### City of San Francisco – Tenant Improvement Narrative

1740 Cesar Chavez

July 5, 2013

#### DEMOLITION:

1. Test the components that are to be removed for lead and asbestos. The results of the test will be delivered to the owner. If lead or asbestos is identified a price will be submitted for abatement and would be a Landlord expense solely
2. Remove the walls of the fitting rooms and two walls at the back of the space, all reflective ceiling grid, tiles and lights and safe off the electrical and mechanical as required doing selective demolition. Debris will be recycled as economically feasible and florescent light bulbs will be delivered as hazardous waste in the name of the owner.

#### HVAC:

1. Remove and dispose of 3 existing HVAC mechanical units on the roof and install 3 new units and curb adaptors and existing interior ductwork will be adjusted. The existing gas line will be dedicated to Galls and a new metered gas line installed feeding the HVAC units. Furnish and install exhaust fans in restrooms.
2. There is ducting in the class room that will require adjustments to insure that they have the fresh air required. HVAC engineering and plans are included in our price only if the City building department requires engineering as the duct are only redirected. A CAD file of the new floor plan is required to the drawing and is to be supplied by the owner.
3. Our bid assumes mechanical drawings will be submitted to DBI with the Architects package. Building permit fee is included in Exhibit F.

#### INTERIOR WALLS:

1. Installed new 2X4 - 22 gauge 24" on center metal stud walls as indicated in the drawings to the high of 6" above the ceiling grid. All work will meet present building codes.
2. Install drywall and provide an orange peal texture on all new surfaces matching the existing.

### ADDITIONAL SOUND PROOFING:

*Furnish and install R-11 fiberglass insulation in the wall cavities between interview rooms to curb sound.*

### PAINT:

1. *Install 1 primer coat on new walls and 2 coats of paint on all surfaces. Color to be chosen by owner's representative.*

### ELECTRICAL:

1. *Owner to provide an active CAD drawing of the desired floor plan and we will draw the electrical plan and return it to be submitted to DBI with the Architects package. The drawings will be as built as the existing conditions are unknown and will be verified during the demolition and installation of the new switching and lights. A building permit fee is included in Exhibit F.*
2. *The power and data I am quoting is based on the latest print (SK-9C) that I received yesterday. The lighting will be based on all new light fixtures as well as switching, which is intended to meet Title 24 requirements. Demo will consist of disconnecting of existing circuits only, with actual removal of all materials in the suite to be done by others. The quoted work is as follows:*
  - a) *Install 7 surface 4-plex receptacles with an additional 4-plex hard-wired on a 10' SO Cord. This is at the back left side wall in the testing area. SO cord to be tie-wrapped to tables by others. Each 4-plex to be on its own circuit (dedicated). Each location to have a ring and string installed for data.*
  - b) *Install 12 in-wall 4-plex receptacles at other locations shown in the testing room (5 locations) and multipurpose room (7 locations). Each 4-plex to be on its own circuit (dedicated). Each location to have a ring and string for data.*
  - c) *Install 20 in-wall 4-plex receptacles, 1 in each meeting room and at reception desk as shown. Each 4-plex will have 1 duplex receptacle for computer power and 1 duplex receptacle for general power. The computer receptacles (designated red) will be 4 per circuit, with the general receptacle to be house power. Each location to have a ring and string for data.*
  - d) *Install 12 duplex receptacles with-in suite for convenience power.*
  - e) *Install 1- 30A 220V receptacle for copier in storage room. Install ring and string for data next to it.*
  - f) *Install 1 each GFCI receptacles in each restroom.*



- g) *Install 2 - GFCI counter receptacles, 1 - refrigerator receptacle and a switched receptacle for disposal in coffee area. Each receptacle to be dedicated.*
- h) *Install 120 - 2x4 3-lamp (T8) A12 acrylic lens T-bar light fixtures. Lighting to meet or exceed Title 24 allowed lighting for each area. There are approximately 50 lights in the back area, 1 light per small meeting room, 2 per large meeting room, 3 per restroom and the balance evenly distributed.*
- i) *Install 21 - dual circuit, wall mount motion sensor switching in offices, meeting rooms and storage room.*
- j) *Install ceiling mount motion sensors with wall mount by-pass switching in restrooms, lobby, waiting room, hallways, multi-purpose room and back testing areas. Back testing area to have 3-way switching between the double doors.*
- k) *Install 10 LED emergency exit signs to establish a path of egress.*
- l) *Install 2 - emergency lights in restrooms (1 per room)*
- m) *Install new electrical panel to accommodate additional circuiting and to allow for future expansion. There will not be any additional power brought into the suite at this time. This is just to allow for extra circuits.*
- n) *Label all receptacles and switches with their circuit designation. Test all receptacles.*
- o) *Test all emergency exits to assure that they come on when local lighting circuit is de-energized.*
- p) *Prepare Title 24 Acceptance Documents for Inspecting Body per code.*
- q) *Obtain electrical permit from city, and stand all electrical inspections. (drawings, title 24 docs and fees)*

**Exclusions:**

*Any work not specifically listed above.*

*Earthquake support wires for light fixtures to be furnished by general contractor and is included in the ceiling installation scope*

*Drawings and Title 24 Documents (as per #Electrical above)*

**DOORS:**

1. *Furnish and install 18 single and 3 double paint grade doors in metal frames with the appropriate hardware to meet code. Existing doors and hardware in 6 locations will remain in place.*

**CEILING GRID:**

1. *Remove all existing ceiling and dispose off site (as referenced in Demolition, Item 2). Install new 2'X4' tile and heavy duty 15/16" grid in new and existing offices. All seismic requirements are included.*

**FIRE SUPPRESSION:**

1. *The existing fire suppression system will remain in place and the existing sprinkler heads will be adjusted and others added where required to meet code. The price is based on relocating 26 pendent heads and adding 27 new pendent heads. Our price is based on the existing sprinkler system sizing does not need to be upgraded to handle the addition of the heads.*

**FLOOR COVERING:**

1. *Install Capital III 26 oz. Nylon carpet with Unitary Backing - glue down installation carpet over the existing VCT flooring. Standard floor prep included - Unforeseen floor damage or high levels of moisture may be discovered during removal of existing flooring and may require repair at an additional charge, and would be a Landlord expense solely.*
2. *Furnish and install Burke 4" rubber base in all carpet areas.*

**RESTROOMS:**

1. *A section of concrete floor will be removed to install the new plumbing lines for two restrooms and tied into the existing plumbing. Furnish all standard sink and toilet fixtures, plastic laminated FMOHB standard color partition walls, toilet paper dispensers, seat cover dispensers, sanitary napkin disposal, 2 mirrors,*

vanity mounted soap dispensers, recessed paper towel & waste receptacles, signage set ( 1 wall and 1 door). All items as needed to meet ADA requirements. The flooring will be Vinyl with coved base and 4' of the wall covered with FRP paneling. Colors to be chosen by the owner's representative.

2. We are assuming that the water line is running parallel with the waste water line at the front of the space and we will be able to connect to it. If not, then any cost associated with correcting this would be a Landlord expense solely.

**FIRE EXTINGUISHERS:**

*Furnish and install fire extinguishers per code.*

**EXHIBIT F**

**Preliminary Construction Budget**

**[Attached]**

### Lease Exhibit F

| DESCRIPTION                            | LANDLORD          | CITY        | TOTAL             |
|--|-------------------|-------------|-------------------|
| <b>BASE BID</b>                        |                   |             |                   |
| General Conditions                     |                   |             |                   |
| Project Management, Cleanup, Dump      |                   |             |                   |
| Fees, Janitorial                       | \$ 42,317         | \$ -        | \$ 42,317         |
| Insurance                              | \$ 7,397          | \$ -        | \$ 7,397          |
| Profit                                 | \$ 39,454         | \$ -        | \$ 39,454         |
| Site Work                              |                   |             |                   |
| Demolition                             | \$ 19,243         | \$ -        | \$ 19,243         |
| HVAC                                   |                   |             |                   |
| HVAC units/Rooftop Carpentry           | \$ 116,820        | \$ -        | \$ 116,820        |
| Doors/Windows/Glass                    |                   |             |                   |
| Doors                                  | \$ 35,213         | \$ -        | \$ 35,213         |
| Finishes                               |                   |             |                   |
| Metal Frame/Wallboard                  | \$ 40,498         | \$ -        | \$ 40,498         |
| Misc. Wallboard                        |                   |             |                   |
| Acoustical Ceilings                    | \$ 46,016         | \$ -        | \$ 46,016         |
| Floor Coverings                        | \$ 32,687         | \$ -        | \$ 32,687         |
| Paint                                  | \$ 10,865         | \$ -        | \$ 10,865         |
| Additional Insulataion - Soundproofing | \$ 6,891          | \$ -        | \$ 6,891          |
| Specialties                            |                   |             |                   |
| Fire Extinguishers                     | \$ 275            | \$ -        | \$ 275            |
| Plumbing/Mechanical                    |                   |             |                   |
| Plumbing                               | \$ 46,148         | \$ -        | \$ 46,148         |
| Fire Sprinklers                        | \$ 13,786         | \$ -        | \$ 13,786         |
| Electrical                             |                   |             |                   |
| Base Electrical                        | \$ 53,777         | \$ -        | \$ 53,777         |
| Additional Outlets - Computers         | \$ 14,640         | \$ -        | \$ 14,640         |
| <b>TOTAL - BASE BID</b>                | <b>\$ 526,027</b> | <b>\$ -</b> | <b>\$ 526,027</b> |
| <b>Permits/Fees</b>                    |                   |             |                   |
| DESCRIPTION                            | LANDLORD          | CITY        | TOTAL             |
| Architectual                           | \$ 22,350         | \$ -        | \$ 22,350         |
| Building Permit                        | \$ 10,000         | \$ -        | \$ 10,000         |
| Kidder Mathews CM Fee                  | \$ 15,781         | \$ -        | \$ 15,781         |
| <b>Total - Permits/Fees</b>            | <b>\$ 48,131</b>  | <b>\$ -</b> | <b>\$ 48,131</b>  |
| <b>Total</b>                           |                   |             |                   |
| DESCRIPTION                            | LANDLORD          | CITY        | TOTAL             |
| Base Bid                               | \$ 526,027        | \$ -        | \$ 526,027        |
| Permits / Fees                         | \$ 48,131         | \$ -        | \$ 48,131         |
| <b>Total</b>                           | <b>\$ 574,158</b> | <b>\$ -</b> | <b>\$ 574,158</b> |

## EXHIBIT G

### STANDARDS FOR JANITORIAL SERVICE

*1740 Cesar Chavez Street*

#### I. SPECIFICATION OF SERVICES TO BE PERFORMED - SCOPE OF WORK

- A. Landlord's Contractor shall furnish all labor, materials and equipment required to perform exterior and interior janitorial service five days a week, Monday through Friday, excluding holidays, at the above location in accordance with these specifications:
- B. All windows and glass broken by Landlord's Contractor will be replaced at its expense.
- C. Landlord's Contractor must, at all times, maintain adequate staffing that meets these specifications. All employees must wear uniforms (See Section II). Tenant may request Landlord to remove any janitor from the Premises at any time it desires and for any reason whatsoever, and an immediate replacement will be provided. All written notices are to be submitted to:

City and County of San Francisco  
Department of Human Resources  
44 Gough Street  
San Francisco, CA 94102  
Attn.: Bruce Topp

- D. All services must be performed after 5:00 p.m.
- E. All employees of Landlord's Contractor shall be fully trained and experienced in the custodial service trade.
- F. Landlord will assign space in the Building to Contractor for the storage of supplies and equipment. Materials and equipment shall be neatly stored only in areas provided by Landlord. No supplies or equipment will be stored in the Premises without the prior approval of Tenant.
- G. Tenant's Recycling Program includes recycling materials from offices in the Building. Bins for recyclable materials can be obtained from Tenant.
- H. Landlord's Contractor will provide, upon Lease Commencement, a schedule for all periodic services specified herein.
- I. Janitorial Service Specifications for Offices and Common Areas.
  - 1. Nightly Services
    - a. Secure all lights as soon as possible each night.
    - b. Vacuum all carpets. Move electric cords to prevent damage to the corner bead.
    - c. Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.
    - d. Spot clean any stains on carpet.
    - e. Dust all desks and office furniture with treated dust cloths.
    - f. Papers and folders on desks are not to be moved.
    - g. Sanitize all telephone receivers.

- h. Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by Tenant.
  - i. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
  - j. Return chairs and waste baskets to proper positions.
  - k. Clean, sanitize and polish drinking fountains.
  - l. Police any interior public planters.
  - m. Dust and remove debris from all metal door thresholds.
  - n. Wipe clean smudged brightwork.
  - o. Spot clean resilient and composition floors as required.
  - p. Service all walk-off mats as required.
  - q. Close all window coverings.
  - r. Check for burned out lights and replace from building stock (supplied by Landlord).
2. Weekly Services
- a. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
  - b. Dust inside of all door jambs.
  - c. Clean and polish all metal door thresholds.
  - d. Wipe clean and polish all brightwork
  - e. Sweep the service stairwell.
  - f. Damp mop all vinyl bases.
  - g. Edge all carpeted areas.
3. Monthly Services
- a. Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
  - b. Vacuum upholstered furniture.
  - c. Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
  - d. Clean and buff all building standard resilient and/or composite flooring.
4. Quarterly Services
- a. Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
  - b. Wash all chair pads.

5. Semi-Annual Services
  - a. Vacuum all window coverings.
  - b. Dust light diffusers.
6. Annual Services
  - a. Shampoo carpets in offices (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.

J. Rest Room Service Specifications

1. Daily Service
  - a. Re-stock all rest rooms with supplies from the Landlord's stock, including paper towels, toilet tissue, seat covers and hand soap, as required.
  - b. Re-stock all sanitary napkin and tampon dispensers from Contractor's stock, as required.
  - c. Wash and polish all mirrors, dispensers, faucets, flushometers and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
  - d. Wash and sanitize all toilets, toilet seats, urinals and sinks with non-scratch disinfectant cleaner.
  - e. Remove stains, scale toilets, urinals and sinks, as required.
  - f. Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
  - g. Empty and sanitize all waste and sanitary napkin and tampon receptacles.
  - h. Remove all rest room trash.
  - i. Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.
  - j. Check for burned out lights and replace from building stock (supplied by Landlord).
  - k. Ventilate rest rooms.
2. Weekly Services
  - a. Dust all low reach and high reach areas, including but not limited to, structural ledges, mirror tops, partition tops and edges, air conditioning diffusers and return air grilles.
3. Monthly Services
  - a. Wipe down all walls and metal partitions. Partitions shall be left clean and not streaked after this work.
  - b. Clean all ventilation grilles.
  - c. Dust all doors and door jambs.
4. Quarterly Services
  - a. Thoroughly clean and reseal all ceramic tile floors, using approved sealers.



K. Main Floor Elevator Lobbies and Public Corridors Specifications

1. Nightly Services

- a. Spot clean all glass including low partitions and the corridor side of all windows and glass doors to tenant premises.
- b. Spot clean all chrome brightwork including swinging door hardware, kick plates, base partition tops, handrails, waste paper receptacles, planters, elevator call button plates, hose cabinets and visible hardware on the corridor side of tenant entry doors.
- c. Thoroughly clean all door saddles of dirt and debris.
- d. Empty, clean and sanitize all waste paper baskets and refuse receptacles as required.
- e. Vacuum and spot clean all carpets as necessary.
- f. Spot clean all elevator doors and frames.

L. Exterior Structure and Grounds Services Specifications

1. Daily Service

- a. Spot clean accumulations of dirt, papers and leaves in all corner areas where winds tend to cause collections of debris.
- b. Spot clean all exterior glass at building entrances.
- c. Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.
- d. Empty all waste receptacles and remove trash to designated trash areas.
- e. Clean sidewalk, steps and landscaped area, walks and benches; including gum removal.

2. Monthly Weekend Services

- a. Steam clean exterior sidewalk and walk way areas.

M. Carpet Cleaning

1. Provide spot cleaning to tenant space as necessary and shampoo carpets in tenant office space and any common areas once each year (exact schedule to be approved in advance by Tenant).

N. Window Cleaning

1. All work to be performed in accordance with generally accepted industry standards.
2. Proper safety standards are to be maintained at all times, including but not limited to, use of proper warning signs and clean up of water in compliance with all City, State and Federal laws (OSHA).
3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.
5. Interior and exterior window washing shall be scheduled immediately prior to Lease Commencement. Interior glass shall be cleaned not less than once

per year. Exterior glass shall be cleaned as needed, but not less than once every six months, including May of each year.

6. Contractor to notify the Tenant for specific scheduling of window washing one week prior to scheduled cleaning.
7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
8. Exterior surfaces of windows are not to be washed when it is raining.
9. The words "window" and "light" as used herein are synonymous and are to be construed to mean any pane of glass, or glass substitute.

## II. UNIFORMS

- A. Janitors must wear their uniforms whenever on duty.
- B. All personnel, including the coordinator and supervisors, will be uniformed. All personnel shall have a visible company name, logo, badge, etc., on their uniform.

## III. EMPLOYEE SAFETY

Landlord's Contractor shall accept responsibility for determining that all necessary safeguards for protection of Contractor's employees are available, or will be furnished. All work performed must conform to CAL-OSHA standards.

## IV. SUPPLIES

Landlord or its Contractor shall supply floor wax, wax stripper, and other expendable supplies required for daily cleaning and maintenance, as well as janitorial supplies such as hand soap, paper hand towels, paper toilet tissue, paper seat covers and deodorants. Furthermore, Landlord or its Contractor shall supply all equipment including, but not limited to, ladders, vacuum cleaners, extractors, floor machines, mops and buckets.

## V. APPROVAL OF PRODUCTS

Tenant shall have the right to prohibit the use of any product proposed or being used by Landlord's Contractor should the Tenant deem the product to be unsafe or harmful to those items being cleaned or to Tenant's staff. In this regard, Landlord must provide upon request a complete list of products to be used in the course of this Contract, together with Material Safety Data Sheets for each cleaning chemical.

## VI. DISPOSITION OF REFUSE

All trash and refuse collected by the custodians shall be deposited in a debris box as designated by the Landlord. (Landlord will pay for debris box service).

## VII. MAINTENANCE PROBLEMS

Employees of Landlord's Contractor shall note maintenance problems (such as broken glass, light bulbs missing or burned out, inoperative fixtures, etc.) and report them to Landlord. Any problem which prevents performance must be noted in the log (Section VIII) before the end of the shift. Contractor shall not claim, and Tenant will not entertain, any claim that such problems prevented Contractor's performance if said claim is not entered in the log.

## VIII. JANITORIAL LOG

Landlord's Contractor shall provide, and Tenant shall keep, a janitorial log on which deficiencies in performance, special problems or instructions shall be noted. Landlord's Contractor shall check the log daily, as arranged with Tenant, and correct any

deficiencies in service within twenty-four (24) hours of the log entry. Contractor shall initial and date each entry when deficiency has been corrected.

IX. EMERGENCY CONTACT

Landlord's Contractor shall provide Tenant with an emergency telephone number where Contractor may be reached at any time during normal business hours (Monday - Friday, 8:00 a.m. - 5:00 p.m.). Contractor must respond to emergency calls relating to deficiency of service by correcting said deficiency within two hours of receipt of the call.

X. PERFORMANCE

Landlord and its Contractor shall guarantee that workmanship required for the performance of this Contract shall be in accordance with the highest level of workmanship and accomplished according to the highest professional standards. The determination as to the adequacy of performance shall be made by Tenant or the Director of Property, City and County of San Francisco. Contractor or Contractor's agent must be available at reasonable intervals during regular business hours as requested by Tenant, to participate in inspection walk throughs. Contractor will supervise all janitors during all shifts.

XI. VERIFICATION OF SERVICE

Tenant may provide, install, or establish a system of sign off slips, service receipts, or room service sign off cards. Landlord's Contractor shall faithfully comply with same by initialing, dating, and indicating time at which service was completed. It is agreed that no such service has been completed unless signed off by Contractor and countersigned by Tenant if said system so requires.

XII. HOLIDAY SCHEDULE FOR TENANT

New Year's Day  
Martin Luther King Day  
President's Day  
Memorial Day  
Independence Day  
Labor Day  
Columbus Day  
Veteran's Day  
Thanksgiving Day  
Friday after Thanksgiving Day  
Christmas Day



OFFICE LEASE

between

POTRERO INVESTOR I, LLC  
and  
POTRERO INVESTOR II, LLC,  
as Landlord  
and

CITY AND COUNTY OF SAN FRANCISCO,  
as Tenant

For the lease of  
Portion of the second floor of the building located at  
1740 Cesar Chavez Street  
San Francisco, California

April 15, 2008

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#### LIST OF EXHIBITS

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 EXHIBIT D – Rules and Regulations  
 EXHIBIT E – Preliminary Schematic Drawings  
 EXHIBIT F – Description of Landlord Leasehold Improvement Work  
 EXHIBIT G – Janitorial Services  
 EXHIBIT H – Preliminary Construction Budget



## OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of April 15, 2008, is by and between POTRERO INVESTOR I, LLC, a Delaware limited liability company, and POTRERO INVESTOR II, LLC, a Delaware limited liability company (collectively, "Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

### 1. BASIC LEASE INFORMATION

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

9/15/08 - Camm

|   |  |
|---|--|
| Lease Reference Date:                             | April 15, 2008   |
| Landlord:   | Potrero Investor I, LLC and Potrero Investor II, LLC   |
| Tenant:   | City and County of San Francisco   |
| Building ( <u>Section 2.1</u> ):                  | 1740 Cesar Chavez Street, San Francisco, California  |
| Premises ( <u>Section 2.1</u> ):                  | A portion of the second floor of the Building, as shown on <u>Exhibit A</u> .  |
| Rentable Area of Premises ( <u>Section 2.1</u> ): | Approximately 7,680 rentable square feet (6,416 usable square feet)  |
| Term ( <u>Section 3</u> ):                        | Estimated commencement date: June 1, 2008<br><br>Expiration date: Sixty (60) months after the Commencement Date  |
| Extension Options ( <u>Section 3.4</u> ):         | One (1) additional term of five (5) years, exercisable by City by written notice to Landlord given not less than ninety (90) days prior to the expiration of the Initial Term (as defined in Section 3.1). |
| Base Rent ( <u>Section 4.1</u> ):                 | Monthly Base Rent - \$10,214.40 (\$1.33/sf/mo) for entire initial term.  |
| Base Rent Adjustment Dates:                       | Not applicable.  |

Determination of Base Rent for the Extended Term (Section 4.2):

At the commencement of the Extended Term, if applicable, the Base Rent shall be adjusted to an amount equal to the "prevailing market rate", as determined in accordance with Section 4.2 below.

Additional Charges (Section 4.3):

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), and City's proportionate share of increases over a 2008 calendar year ("Base Year") for insurance costs and real estate taxes.

Base Year (Section 4.4):

Calendar year 2008

City's Percentage Share (Section 4.4):

12.68% with respect to Building, which has been calculated by dividing the rentable square footage of the Premises by the rentable square footage of the Building (which Landlord represents to be 60,573 square feet).

Use (Section 5.1):

General office program use by the Department of Human Resources, including but not limited to testing, training and recruitment for public safety personnel candidates.

Leasehold Improvements (Section 6)

Landlord shall effect the improvements as set forth in Section 6 below. The cost of the improvements shall be borne as specified in Section 6.

Landlord shall design and construct an interior improvement plan that provides fully ADA-compliant men's and women's restrooms and other minor interior tenant improvements, including but not limited to carpet removal and replacement, minor wall removal and painting, and lighting efficiency upgrades where necessary.

Utilities (Section 9.1):

To be provided by Landlord, at Landlord's expense, except as otherwise set forth in Section 9.1.

Services (Section 9.2):

To be provided by Landlord, at Landlord's expense.

Key Contact and Notice Address of Landlord (Section 23.1):

c/o Birtcher Anderson Properties, Inc.  
31910 Del Obispo, Suite 100  
San Juan Capistrano, California 92675  
Attn: Portfolio Manager  
Fax No.: (949) 276-0550

Notice Address for Tenant (Section 23.1):

Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102  
Attn: Amy L. Brown,  
Director of Property  
Fax No.: (415) 552-9216

with a copy to:

Department of Human Resources  
44 Gough St.  
San Francisco, CA 94102  
Attn: Director  
Telephone No.: (415) 557-4845  
Fax No.: (415) 551-8945

and to:

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

Key Contact for Tenant:

Bruce Topp  
Department of Human Resources  
44 Gough St.  
San Francisco, CA 94102  
Telephone No.: (415) 557-4847

Brokers (Section 23.8):

NAI BT Commercial  
201 California Street, Suite 100  
San Francisco, California 94111

Other Noteworthy Provisions (Section 22):

Exterior Signage (Section 22.1);  
Secured Area (Section 22.2)

## **2. PREMISES**

### **2.1 Lease Premises**

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. As used in this Lease, the term "rentable area" shall mean that measurement of interior floor area reflected in those certain architectural drawings dated May 24, 2007 prepared by Landlord's architect and delivered to City prior to the mutual execution of this Lease by Landlord and City. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

### **2.2 Common Areas**

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

### **2.3 Parking Spaces**

City shall have the exclusive right to twenty (20) dedicated assigned parking spaces in the parking lot adjacent to the Building. Landlord shall install a sign designating that the spaces are reserved for the use of City and City's visitors. City shall have access to such parking spaces 24 hours per day each day of the Lease Term. In addition to the foregoing, City shall have the right to use, without additional charge, any unoccupied spaces in the parking lot adjacent to the Building Saturdays, Sundays, holidays and outside of Business Hours on Business Days (as such terms are defined in Section 9.1).

## **3. TERM**

### **3.1 Term of Lease**

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date as Landlord shall have delivered the Premises to City with the Leasehold Improvements (as defined below) having been substantially completed by Landlord and accepted by City pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements), or such earlier date as Landlord shall have so delivered the Premises to City with the Leasehold Improvements having been substantially completed by Landlord and accepted by City and City shall have commenced its occupancy of the Premises, provided in any case that on or before the commencement date the City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option as provided below.

### **3.2 Commencement Date and Expiration Date**

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

### **3.3 Delay in Delivery of Possession**

Landlord shall use diligent, good faith efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially completed and accepted by City's Director of Property pursuant to Section 6.1(j) (City's Acceptance of Premises) on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder by the later of (i) the date which is one hundred eighty (180) days after the Estimated Commencement Date or (ii) the date which is two hundred forty (240) days after the Effective Date, as extended in either instance for delays

resulting from any changes requested by City to the scope of the Leasehold Improvement Work (as defined in Section 6.1(a)(i) below), then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord. In the event of such termination, Landlord shall promptly reimburse for City any and all costs City has paid for construction of the Leasehold Improvement Work prior to the date of such termination.

### **3.4 Extension Option**

City shall have the right to extend the Term of this Lease (the "Extension Option") for the additional term specified in the Basic Lease Information (the "Extended Term"). Such Extension Option shall be on all of the terms and conditions contained in this Lease, provided that Base Rent shall be adjusted as provided in Section 4.2 below. City may exercise the Extension Option, if at all, by giving written notice to Landlord no later than ninety (90) days prior to expiration of the Initial Term; provided, however, City may not exercise the Extension Option during any period of time that City is in default under any provision of this Lease after receipt of written notice of such default.

## **4. RENT**

### **4.1 Base Rent**

Beginning on the Commencement Date, City shall pay to Landlord during the Term the respective annual Base Rent specified in the Basic Lease Information (the "Base Rent") for the respective periods set forth therein. The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30)-day month.

### **4.2 Determination of Base Rent for the Extended Term**

If the Extension Option has been timely exercised by City pursuant the terms of Section 3.4, upon the commencement of the Extended Term, the Base Rent shall be adjusted to equal the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the Potrero Hill/Hunters Point area of San Francisco ("Reference Area"). As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

(b) If within this thirty (30)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

(d) If City's Director of Property does not approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property may at his or her election revoke the exercise of the Extension Option by City by written notice to Landlord (the "Exercise Revocation Notice") given within thirty (30) days after such determination is made, and in such event (i) City shall reimburse Landlord for the reasonable costs actually paid by Landlord to Landlord's appraiser in connection with such appraisal and (ii) if the Revocation Notice is given less than ninety (90) days prior to the Expiration Date of the Lease, the Term shall be extended through the date which is ninety (90) days after the Expiration Date.

(e) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Reference Area. Landlord and City shall each pay the cost of the appraiser selected by such party and, if applicable, one-half of the cost of the third appraiser, plus one-half of any other costs incurred in the arbitration.

#### **4.3 Additional Charges**

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

#### **4.4 Definitions**

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

(a) "Base Year" means the year specified in the Basic Lease Information.

(b) "City's Percentage Share" means the percentage specified in the Basic Lease Information.

(c) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences; provided that Landlord, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Insurance Costs shall be equitably adjusted for the Expense Years involved in any such change. Expense Year shall not include the Base Year.

(d) "Insurance Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof.

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

(e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the real property on which the Building is located. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

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

#### **4.5 Payment of Percentage Share of Insurance Costs**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Insurance Costs for each Expense Year exceed the Insurance Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord may revise such estimates of Insurance Costs from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made

any earlier than four (4) months subsequent to the prior estimate for such Expense Year. With reasonable promptness not to exceed sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a copy of Landlord's insurance statements or invoices for such Expense Year (herein called "Landlord's Statements"), setting forth in reasonable detail the Insurance Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual Insurance Costs for such Expense Year exceeds the estimated Insurance Costs paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Insurance Costs paid by City and City's Percentage Share of the actual Insurance Costs within thirty (30) days after the receipt of Landlord's Statements. If the total amount paid by City for any such Percentage Share of Insurance Costs exceeds City's Insurance Costs Share of the actual Insurance Costs for such Expense Year, such excess shall be credited against the next installments of Insurance Costs due from City to Landlord hereunder, or refunded to City, at City's option. Notwithstanding anything to the contrary contained herein, in no event shall any annual increase in City's Percentage Share of Insurance Costs for any Expense Year exceed five percent (5%) and the aggregate increase in City's Percentage Share of Insurance Costs over the Term shall not exceed twenty-five percent (25%).

#### **4.6 Payment of Percentage Share of Real Estate Taxes**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share with respect to the Building of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the 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 such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

#### **4.7 Proration**

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

#### **4.8 Audits**

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



#### 4.9 Records

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

### 5. USE

#### 5.1 Permitted Use

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

#### 5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

#### 5.3 Interference with Access

Tenant shall have access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after making diligent efforts to consult with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for five (5) business days and materially impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such interruption of access to the Premises interferes with City's ability to carry on its business at the Premises. If any such interruption of access shall continue for sixty (60)

days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within ninety (90) days of the date City's use was interrupted, and such use is actually restored within such 90-day period. Nothing in this Section shall limit the rights of the Parties with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

## **6. LEASEHOLD IMPROVEMENTS**

### **6.1 Landlord's Obligation to Construct Improvements**

#### **(a) Leasehold Improvement Work.**

(i) Leasehold Improvement Work. Landlord, through a general contractor chosen by Landlord and approved by City ("Contractor"), shall perform the work and make the installations in the Premises set forth in this Section 6.1, at Landlord's sole cost, except as provided below, in accordance with the provisions of this Section. Such work and installations are sometimes referred to herein collectively as the "Leasehold Improvement Work" and "Leasehold Improvements."

(ii) Space Planning; Plans; Construction Documents. City's preliminary schematic space plan for the Premises is attached hereto as Exhibit E, and a general narrative description of the work which City desires to be performed in the Premises (other than Landlord's Work, as defined below) is attached hereto as Exhibit F. Promptly after the Effective Date, Landlord shall engage a space planner chosen by Landlord and approved by City to consult with City in connection with the preparation of final schematic design plans (the "Schematic Design Documents") and preliminary working drawings for the improvements City desires to have constructed in the Premises. The space planner shall take into account Landlord's plans for the restrooms to be located within the Premises. The fees of the space planner shall be subject to partial reimbursement as provided in Section 6.1(e)(i) below. The Schematic Design Documents shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed. The rate charged by space planner engaged by Landlord shall be subject to approval by City. Upon approval of the Schematic Design Documents, Landlord, at Landlord's expense, shall promptly have Landlord's architect prepare an architectural plan, power and signal plan, reflected ceiling plan, floor plans and finish specifications for the work shown on the Schematic Design Documents and otherwise required by this Section 6.1 (the "Plans"). Such Plans shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves such Plans, or any portion thereof, then City shall promptly notify Landlord thereof and of the revisions that City reasonably requires in order to obtain City's approval. As soon as reasonably possible thereafter, but in no event later than fourteen (14) days after City's notice, Landlord shall submit to City final Plans incorporating the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The final Plans for the Leasehold Improvements approved by City shall be referred to as the "Construction Documents."

(b) Landlord's Work. Landlord, at Landlord's sole cost (except as specifically indicated), shall perform the following work, which shall be collectively referred to herein as "Landlord's Work":

(i) Roof and Weatherproofing. Landlord shall effect mutually acceptable roof and other exterior improvements to provide appropriate weatherproof conditions for the Building, and maintain such improvements to City's satisfaction for the Term of the Lease. Landlord shall ensure all windows within the Premises are weatherproofed, repaired and in good working order.

(e) **Reimbursement by City.**

(i) Reimbursement for Space Planning Costs. Following the Effective Date of this Lease, and upon receipt of an invoice for such costs, City shall promptly reimburse Landlord for the cost of the space planner, except to the extent such cost relates to the restrooms within the Premises or to other items of Landlord's Work.

(ii) [INTENTIONALLY DELETED]

(iii) Reimbursement for Cost of Leasehold Improvements. Promptly following completion of the Leasehold Improvement Work, acceptance of the Leasehold Improvements by City's Director of Property pursuant to Section 6.1(j) below, and commencement of the Lease Term, City shall reimburse Landlord for the balance of the cost of City's Leasehold Improvements, up to the City Cost Cap and any Excess City Costs for which City is responsible pursuant to Section 6.1(c), upon submittal by Landlord of invoices for such work. City shall have no obligation to reimburse Landlord for the cost of Landlord's Work.

(iv) City's Right to Amortize Excess Improvement Costs. At City's written request, Landlord shall advance on City's behalf the cost of City's Leasehold Improvements, up to a maximum advance of \$15.00 per rentable square foot of the Premises. The amount so advanced is referred to herein as the "Improvement Advance". The amount of the Improvement Advance, together with interest at the rate of eight percent (8%) per annum on amounts thereof from time to time unpaid, shall be repaid by City in equal monthly installments in the amount as will fully amortize the amount of the Improvement Advance, together with such interest, over the period commencing on the first day of the first calendar month following the Commencement Date and ending on the Expiration Date of the Initial Term of this Lease. Such installments shall be additional rent hereunder, payable with the Base Rent provided for in Section 4.1 of this Lease. Notwithstanding anything in the foregoing to the contrary, if this Lease is terminated prior to the Expiration Date, for any reason whatsoever, the then-outstanding balance of the Improvement Advance, together with accrued and unpaid interest thereon, shall become immediately due and payable in full by City.

(v) Construction Draw Account. At City's election, City shall establish a construction draw account through an appropriate third-party servicing entity for payment of part or all of the costs to be paid by City hereunder, and Landlord shall reasonably cooperate with the requirements for establishing and drawing from such account.

(f) **Permits.** Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work. Promptly following City's approval of the Construction Documents, Landlord shall apply for any permits, approvals or licenses necessary to complete such construction and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by City's Bureau of Building Inspection.

(g) **First Source Hiring Requirements.** City has adopted a First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98), which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions. Within thirty (30) days after the City and County of San Francisco Real Estate Division of the Department of Administrative Services adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Ordinance, Landlord shall enter into a First Source Hiring Agreement that meets the applicable requirements of Section 83.9 of the First Source Hiring Ordinance in connection with certain building permit applications.

(ii) HVAC Repairs and Operations. Landlord shall effect mutually acceptable necessary repairs or modifications to the heating, ventilation and air conditioning ("HVAC") system elements to insure appropriate heating, cooling and ventilation is provided to the occupied spaces within the Premises. The HVAC system operations shall be, at a minimum, in conformance with ASHRAE standard 90.1-2004, and HVAC zoning shall be not less than one (1) zone per one thousand two hundred (1,200) rentable square feet. Landlord shall ensure that all thermostats and air supply and return vents are located in appropriate areas. Notwithstanding the foregoing, to the extent the work required under this Section 6.1(b)(iii) is triggered by the work shown on the Schematic Design Documents which is performed at City's request, such additional HVAC work and its associated ASHRAE compliance costs shall be borne by the City.

(iii) Accessible Parking Spaces. Landlord shall provide two (2) accessible parking spaces in an area directly across from the front doors to the Building by re-striping the three (3) existing parking spaces into one van accessible space with an 8-foot (8') wide side access aisle and one accessible automobile space sharing such access aisle. Landlord shall also construct and install a four-foot (4') wide curb ramp adjacent to the main entrance to the Building. At Landlord's election, the existing two (noncompliant) accessible automobile parking spaces may be converted into 4 compact parking spaces.

(iv) Alarm System. Landlord shall ensure the alarm system presently installed in the Premises is in proper working order as of the Commencement Date. Landlord shall have no further obligations thereafter with respect to the alarm system unless, City in its sole discretion, requests that Landlord maintain the alarm system in which case Landlord shall do so and City shall reimburse Landlord for all costs by Landlord in connection therewith.

(v) Accessible Restroom. Landlord shall construct a new single occupancy ADA compliant restroom adjacent to the existing restroom, as generally depicted on Exhibit E. The new restroom will include new and standard ADA bathroom fixtures and accessories, all new sheet vinyl flooring, FRP on the walls, and paint.

(c) Budget for Leasehold Improvements. Landlord's Work shall be performed at Landlord's sole cost and expense, except as otherwise specifically provided in this Section 6. Landlord and City have agreed upon and approved the initial construction budget attached to this Lease as Exhibit H ("Preliminary Construction Budget") and have agreed upon the line item costs for all work which is to be performed at City's cost as set forth in the Preliminary Construction Budget ("City's Leasehold Improvements"). City shall not be obligated to pay any costs in excess of the costs allocated to City in the Preliminary Construction Budget for City's Leasehold Improvements (the "City Cost Cap") unless such excess costs ("Excess City Costs") arise from or are related to changes in the Leasehold Improvement Work requested by City ("City Requested Changes"). City shall be responsible for all Excess City Costs. In the event City requests any City Requested Changes, Landlord shall immediately submit to City a revised construction budget reflecting any Excess City Costs. The most recently approved construction budget shall supersede all previously approved budgets.

(d) Required Documentation of Costs. Landlord shall 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 such invoices, including unconditional lien waivers, or if such invoices have not been paid, conditional lien waivers, all such lien waivers being in the form prescribed by California Civil Code Section 3262 and executed by each subcontractor and material supplier, and (iii) such additional supporting data substantiating the contractor's or supplier's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

(h) **Construction.** Immediately upon approval of the final Construction Documents and Landlord's procurement of all necessary permits and approvals, Landlord shall commence construction and shall cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall pay prevailing wages in connection with construction of the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages), below, and shall not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), below.

(i) **Construction Schedule; Substantial Completion.** Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. The Leasehold Improvement Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed in accordance with the approved Construction Documents so that City can occupy the Premises and conduct its business for its intended uses and City, through its Director of Property, shall have approved the Leasehold Improvements. City may, at its option, approve the Leasehold Improvements even though there may remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Documents. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the approved Construction Documents, nor constitute any waiver of any latent defects.

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

(j) **City's Acceptance of Premises.** Upon substantial completion of the Leasehold Improvement Work, Landlord shall deliver the Premises to City in good working order and in compliance with any and all applicable building codes. City's Director of Property shall not be required to accept Landlord's delivery of the Premises until substantial completion of the Leasehold Improvement Work as noted above, and (i) completion of a three (3) day burn off; (ii) receipt of an air balance report showing that the Building meets ASHRAE standards as built-out for the intended use and occupancy of the Premises; (iii) receipt of the results of a water test showing no leakage of the roof or windows, or other exterior points of the Building; and (iv) receipt of certification by a licensed industrial hygienist that the Property is free of mold and other toxins. The industrial hygienist's report shall be secured and paid for by the City, and a copy of such report shall be provided to the Landlord. Any of the foregoing conditions may be waived by the City at City's sole discretion.

## **6.2 Installation of Telecommunications and Other Equipment**

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunications, data and computer cabling facilities and equipment ("Telcom Facilities"). City shall be responsible for installing such Telecom Facilities, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the floor(s) on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Premises and such other portions of the Building at reasonable times during the course of construction of the Leasehold Improvements in order to install such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner. Notwithstanding anything to the contrary contained in this Section 6.2, City shall not have the right to enter any portion of the Building leased to third party tenants to conduct any installation or maintenance of the Telcom Facilities, and City shall perform the installation and maintenance of the Telcom Facilities in a manner which is designed to minimize disruption to the other tenants of the Property. Landlord shall have sole power to direct electricians as to where and how telephone and other wires are to be introduced into the Building and the Premises. No boring or cutting for wires shall be allowed without the consent of Landlord, and the location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord, which consent and approval shall not be unreasonably withheld or delayed.

## **6.3 Construction of Improvements that Disturb or Remove Exterior Paint**

Landlord, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 36 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 36 of the San Francisco Building Code does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 36 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 36 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

## **7. ALTERATIONS**

### **7.1 Alterations by City**

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

### **7.2 Title to Improvements**

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

### **7.3 City's Personal Property**

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document, in a form reasonably acceptable to Landlord and any holder of an Encumbrance (defined below), required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property) within such time it shall have waived any rights it may have had to City's Personal Property, and (ii) will repair any damage caused by the removal of City's Personal Property, all at the cost and expense of such supplier, equipment lessor or lender. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date upon delivery to Landlord of advance written notice from such supplier, equipment lessor or lender.

### **7.4 Alteration by Landlord**

Landlord shall use its good faith efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or



improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

## **8. REPAIRS AND MAINTENANCE**

### **8.1 Landlord's Repairs**

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

### **8.2 City's Repairs**

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

### **8.3 Liens**

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

## **9. UTILITIES AND SERVICES**

### **9.1 Landlord's Provision of Utilities**

Landlord shall furnish the following utilities and services to the Premises: (a) heating, air conditioning and ventilation in amounts required for City's use and occupancy of the Premises in a manner providing reasonable comfort to occupants, during the period from 8:00 a.m. to 6:00



p.m. ("Business Hours"), Monday through Friday, except holidays generally recognized in San Francisco ("Business Days"); (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); (c) elevator service on a Daily Basis; and (d) water for lavatory, kitchen and drinking purposes on a Daily Basis. During the Term, Landlord shall provide freight elevator service upon City's reasonable request. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Building in the San Francisco Civic Center District. If City requests heating, air conditioning and ventilation services outside of Business Hours on Business Days, Landlord shall provide such services and City shall pay to Landlord, promptly after receipt of an invoice and demand, an amount equal to City's proportionate share of the actual direct cost to Landlord in providing the heating, ventilating and air conditioning to City and all other tenants of the Building requesting such services outside of Business Hours on Business Days.

## **9.2 Services**

### **(a) Janitorial Service**

Landlord shall provide at its cost janitorial service in accordance with the specifications contained in Exhibit G attached hereto.

### **(b) [Intentionally Omitted]**

### **(c) Additional Services**

City reserves the right to request that Landlord, at City's cost, perform minor lease-related services or incur additional expenses not covered under this Lease that City may require from time to time, as requested by City and approved by the Director of Property. City shall reimburse Landlord for such expenses as they are incurred.

## **9.3 Conservation**

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

## **9.4 Disruption in Essential Utilities or Services**

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining

services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

## **10. COMPLIANCE WITH LAWS; PREMISES CONDITION**

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

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks and drinking fountains and parking areas) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any misrepresentation by Landlord under this Section or any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section, except to the extent such failure results from City's failure to comply with the provisions of Section 10.2.

### **10.2 City's Compliance with Laws; Indemnity**

City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations or modifications, or any changes to the Common Areas or Building Systems, in order to comply therewith unless such alterations, modifications or changes (i) are necessary solely because of any Alterations to the Premises

made by City pursuant to Section 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease or (ii) are required as a result of City's particular use of the Premises (as opposed to City's use of the Premises for general office purposes in a normal and customary manner). City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the physical structure, fixtures and permanent improvements of the Premises or portions of the Property or Building along the path of travel to the Premises, which are Landlord's obligation as provided in Section 10.1 above. Without limiting Section 16.1 (City's Indemnity), City shall indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

### **10.3 City's Compliance with Insurance Requirements**

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

## **11. SUBORDINATION**

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

(b) In the event 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 in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord. City's covenant under subsection (a) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (b). The provisions of this

Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

## **12. DAMAGE AND DESTRUCTION**

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within sixty (60) days after Landlord obtains all necessary permits for such repairs but not later than one hundred eighty (180) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which City cannot reasonably occupy any part of the Premises during the Repair Period. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents. In the event the Building is damaged such that City cannot reasonably operate within the Premises and such damage cannot be repaired within the Repair Period, City may terminate this Lease.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

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

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

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Landlord and City each hereby waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or

under any similar law, statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

### **13. EMINENT DOMAIN**

#### **13.1 Definitions**

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

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

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

#### **13.2 General**

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

#### **13.3 Total Taking; Automatic Termination**

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

#### **13.4 Partial Taking; Election to Terminate**

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

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

(c) Either party electing to terminate under the provisions of this Section 13.4 shall do so by giving written notice to the other party before or within thirty (30) days after the

Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30<sup>th</sup>) day after such written notice is given or the Date of Taking.

### **13.5 Rent; Award**

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

### **13.6 Partial Taking; Continuation of Lease**

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

### **13.7 Temporary Taking**

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

## **14. ASSIGNMENT AND SUBLETTING**

City shall have the right to sublease or assign this Lease, or any portion of the Premises during the Term of the Lease with Landlord's prior written consent, which shall not be unreasonably withheld or delayed. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

## **15. DEFAULT; REMEDIES**

### **15.1 Events of Default by City**

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or any

Adjustment Date, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

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

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

## **15.2 Landlord's Remedies**

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

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

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

## **15.3 Landlord's Default**

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) City may, at its sole option, cure such default at Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30)-day period, such thirty (30)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

## **16. INDEMNITIES**

### **16.1 City's Indemnity**

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

### **16.2 Landlord's Indemnity**

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

## **17. INSURANCE**

### **17.1 City's Self-Insurance**

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

### **17.2 Landlord's Insurance**

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



any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

### **17.3 Waiver of Subrogation**

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

### **18. ACCESS BY LANDLORD**

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall endeavor to give reasonable notice to City), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be materially interfered with.

### **19. ESTOPPEL CERTIFICATES**

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, may reasonably request the other party to execute, acknowledge and deliver to such persons or entities designated by such other party a certificate stating: (a) the Commencement Date and Expiration Date of this 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. Any such statement made by City may be relied upon by any prospective purchaser or prospective holder of an Encumbrance of all or any portion of the real property of which the Premises are a part.

### **20. SURRENDER OF PREMISES**

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other

casualty excepted. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City is permitted to install under the terms of this Lease and desires to remove or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

## **21. HAZARDOUS MATERIALS**

### **21.1 Definitions**

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

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

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

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

### **21.2 Landlord's Representations and Covenants**

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

Hazardous Material in the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the Premises for their intended purposes.

### **21.3 Landlord's Environmental Indemnity**

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

### **21.4 City's Covenants**

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

### **21.5 City's Environmental Indemnity**

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

## **22. SPECIAL PROVISIONS**

### **22.1 Exterior Signage**

City may erect signage on the exterior of the Building in accordance with the terms of this Section 22.1. City may erect signage on the Cesar Chavez side of the exterior of the Building above the second floor window line identifying City's premises as the "Isaac Espinoza Public Safety Testing Center" or such other designation as City shall elect, and signage depicting the seal of the City and County of San Francisco, and the symbols of the San Francisco Police Department and the San Francisco Fire Department. All signage shall be subject to Landlord's approval (which shall not be unreasonably withheld) with regard to size, design, color, material, content and location, and shall be appropriate for a first-class office building and in conformity with the overall design of the Building and the existing tenant signage on the exterior of the Building. The cost of the design, manufacture, installation and maintenance of the signage shall be borne by City. All signage must comply with applicable governmental laws and ordinances and City shall be responsible for obtaining any governmental permits or approvals required for City's signage. Upon the expiration or earlier termination of this Lease, Landlord shall have the right to remove such signage at City's expense and to repair and restore, at City's expense the affected areas of the Building to their original condition at the time the signage was installed, ordinary wear and tear excepted.

## 22.2 Secured Area

From time to time City may store test materials or other unusually confidential information in the conference room or another designated room in the Premises (the "Secured Area"). Accordingly, notwithstanding any provision of this Lease to the contrary, the provisions of this Section shall govern Landlord's and City's respective rights with respect to the Secured Area. City may install a separate lock or locks on the door to the conference room or other room comprising the Secured Area, and City shall have no obligation to provide Landlord with a copy of the key to such locks. Whenever the door to the Secured Area is closed and locked, Landlord shall have no obligation to provide janitorial services to the Secured Area and Landlord shall not enter the Secured Area unless accompanied by a representative of City. City shall provide Landlord with written notice if City will use any room other than the conference room as the Secured Area. Upon reasonable advance request of Landlord (which shall be at least 24-hours in advance when practicable), which request may be oral, City agrees to make such representative available to Landlord. If Landlord requires access to the Secured Area outside of business hours due to an emergency, Landlord may contact Bruce Topp at (415) 557-4847 to obtain such emergency access. Notwithstanding anything to the contrary set forth in this Lease, to the extent Landlord is unable to access or enter the Secured Area due to City's exercise of its rights under this Section 22.2, then provided that Landlord has used reasonable efforts to request access to the Secured Area as provided above, Landlord shall not incur any liability, responsibility or expense of any kind for injury to persons or damage to property arising from Landlord's inability to access or enter the Secured Area.

## 23. GENERAL PROVISIONS

### 23.1 Notices

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

### 23.2 No Implied Waiver

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

### 23.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

### 23.4 Authority

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

### 23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include 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 shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter and Administrative Code.

### 23.6 Interpretation of Lease

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

### **23.7 Successors and Assigns**

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

### **23.8 Brokers**

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

### **23.9 Severability**

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

### **23.10 Governing Law**

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

### **23.11 Entire Agreement**

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

### **23.12 Attorneys' Fees**

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

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

### **23.13 Holding Over**

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred twenty-five percent (125%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

### **23.14 Cumulative Remedies**

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

### **23.15 Time of Essence**

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

### **23.16 Survival of Indemnities**

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

### **23.17 Signs**

In addition to the exterior signage which City may erect pursuant to the terms of Section 22.1 above, City may erect or post signs on or about the Premises subject to Landlord's prior approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

### **23.18 Quiet Enjoyment and Title**

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the Term of this Lease, as such Term may be extended, as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

### **23.19 Bankruptcy**

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein, and that if any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such case or proceeding, or for any other reason, City shall have the right to (a) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (b) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

### **23.20 Transfer of Landlord's Interest**

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

### **23.21 Non-Liability of City Officials, Employees and Agents**

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

### **23.22 MacBride Principles - Northern Ireland**

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



### **23.23 Controller's Certification of Funds**

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

### **23.24 Prevailing Wages for Construction Work**

Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises, which Landlord provides under this Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco, California. Landlord shall include, in any contract for construction of such Leasehold Improvements or other improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of any Leasehold Improvements or other improvements to the Premises.

### **23.25 Non Discrimination in City Contracts and Benefits Ordinance**

#### **(a) Covenant Not to Discriminate**

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

#### **(b) Subcontracts**

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

(c) **Non-Discrimination in Benefits**

Landlord does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City elsewhere in 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 specified above within the United States, between employees with domestic partners and employees with spouses, and/or between domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the condition set forth in Section 12.B2(b) of the San Francisco Administrative Code.

(d) **HRC Form**

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

(e) **Incorporation of Administrative Code Provisions by Reference**

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

**23.26 Tropical Hardwood and Virgin Redwood Ban**

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

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

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

### **23.27 Bicycle Storage Facilities**

Article 1.5, Section 155.1, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle storage at City-leased buildings at no cost to Landlord and if funds are available. In the event public and/or private donations, grants or other funds become available, at any time during the Term of this Lease including any extension thereof, City may, by giving a 60-day advanced written notice to Landlord, install compliant bicycle storage in the Building garage or parking lot. City shall pay the monthly rent value for any such parking spaces used for such bicycle parking, or Landlord also agrees that City may install bicycle racks in other location(s) in front of the Building, which are required to meet the Class 1 and/or Class 2 requirements of the Planning Code. Landlord, at no cost to Landlord, shall reasonably cooperate with City regarding the location of such spaces in furtherance of the implementation of such requirements of the Planning Code.

### **23.28 Resource-Efficient City Buildings and Pilot Projects**

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

### **23.29 Counterparts**

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

### **23.30 Effective Date**

The date on which this Lease shall become effective (the "Effective Date") is the date upon which (a) City's Mayor and Board of Supervisors, in 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 the parties hereto. If the Effective Date does not occur on or before June 1, 2008, Landlord shall have the right at any time thereafter, in its sole and absolute discretion, to give City written notice of Landlord's intent to terminate this Lease. If the Effective Date does not thereupon occur by the date (the "Final Trigger Date") which is fifteen (15) days after the date City received Landlord's initial notice, then Landlord may terminate this Lease by written notice to City given within five (5) calendar days after the Final Trigger Date and this Lease shall be of no further force and effect.

### **23.31 Certification by Landlord**

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

### **23.32 Sunshine Ordinance**

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to

inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

### **23.33 Conflicts of Interest**

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

### **23.34 Notification of Limitations on Contributions**

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with City for the selling or leasing of any land or building to or from City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for such contract until the termination of negotiations for such contract or three (3) months has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.

### **23.35 Preservative-Treated Wood Containing Arsenic**

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

### **23.36 Food Service Waste Reduction**

Landlord agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. This provision is a material term of this Lease. By entering into this Lease, Landlord agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Landlord agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the

violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Landlord's failure to comply with this provision.

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

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

LANDLORD:

POTRERO INVESTOR I, LLC  
a Delaware limited liability company

By: ABRA Potrero Investor, LLC,  
a Delaware limited liability company,  
its Sole Member

By: ABRA Investors,  
a California general partnership,  
Managing Member

By: \_\_\_\_\_  
Robert M. Anderson, Trustee of  
the Anderson Family Trust  
established August 4, 1995,  
Managing Partner

POTRERO INVESTOR II, LLC,  
a Delaware limited liability company

By: SF Potrero Holdings, LLC,  
a Delaware limited liability company  
Sole Member

By: SF Potrero Associates, LP,  
a California limited partnership,  
Sole Member

By: BAP Potrero Associates, LLC,  
a Delaware limited liability  
company, General Partner

By: ABRA Investments,  
a California general  
partnership, Managing  
Member

By: \_\_\_\_\_  
Robert M. Anderson,  
Trustee of the  
Anderson Family  
Trust established  
August 4, 1995,  
Managing Partner

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: Amy L. Brown

AMY L. BROWN  
Director of Property

RECOMMENDED:

Robert J. Call  
Director  
Department of Human Resources

APPROVED AS TO FORM:

DENNIS J. HERRERA  
City Attorney

By: Anita C. Wood  
Deputy City Attorney

**EXHIBIT A**

**Floor Plan(s)**  
Consisting of One Page



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

LANDLORD:

POTRERO INVESTOR I, LLC  
a Delaware limited liability company

By: ABRA Potrero Investor, LLC,  
a Delaware limited liability company,  
its Sole Member

By: ABRA Investors,  
a California general partnership,  
Managing Member

By: Robert M. Anderson  
Robert M. Anderson, Trustee of  
the Anderson Family Trust  
established August 4, 1995,  
Managing Partner

POTRERO INVESTOR II, LLC,  
a Delaware limited liability company

By: SF Potrero Holdings, LLC,  
a Delaware limited liability company  
Sole Member

By: SF Potrero Associates, LP,  
a California limited partnership,  
Sole Member

By: BAP Potrero Associates, LLC,  
a Delaware limited liability  
company, General Partner

By: ABRA Investments,  
a California general  
partnership, Managing  
Member

By: Robert M. Anderson  
Robert M. Anderson,  
Trustee of the  
Anderson Family  
Trust established  
August 4, 1995,  
Managing Partner



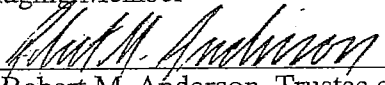
Landlord and City have executed this Lease as of the date first written above.

LANDLORD:

POTRERO INVESTOR I, LLC  
a Delaware limited liability company

By: ABRA Potrero Investor, LLC,  
a Delaware limited liability company,  
its Sole Member

By: ABRA Investors,  
a California general partnership,  
Managing Member

By:   
Robert M. Anderson, Trustee of  
the Anderson Family Trust  
established August 4, 1995,  
Managing Partner

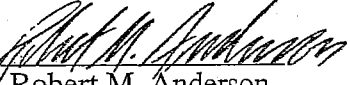
POTRERO INVESTOR II, LLC,  
a Delaware limited liability company

By: SF Potrero Holdings, LLC,  
a Delaware limited liability company  
Sole Member

By: SF Potrero Associates, LP,  
a California limited partnership,  
Sole Member

By: BAP Potrero Associates, LLC,  
a Delaware limited liability  
company, General Partner

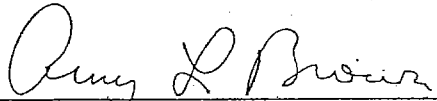
By: ABRA Investments,  
a California general  
partnership, Managing  
Member

By:   
Robert M. Anderson,  
Trustee of the  
Anderson Family  
Trust established  
August 4, 1995,  
Managing Partner

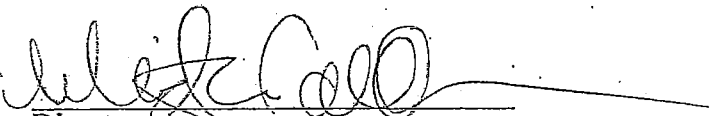


CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By:   
AMY L. BROWN  
Director of Property

RECOMMENDED:

  
Director  
Department of Human Resources

APPROVED AS TO FORM:

DENNIS J. HERRERA  
City Attorney

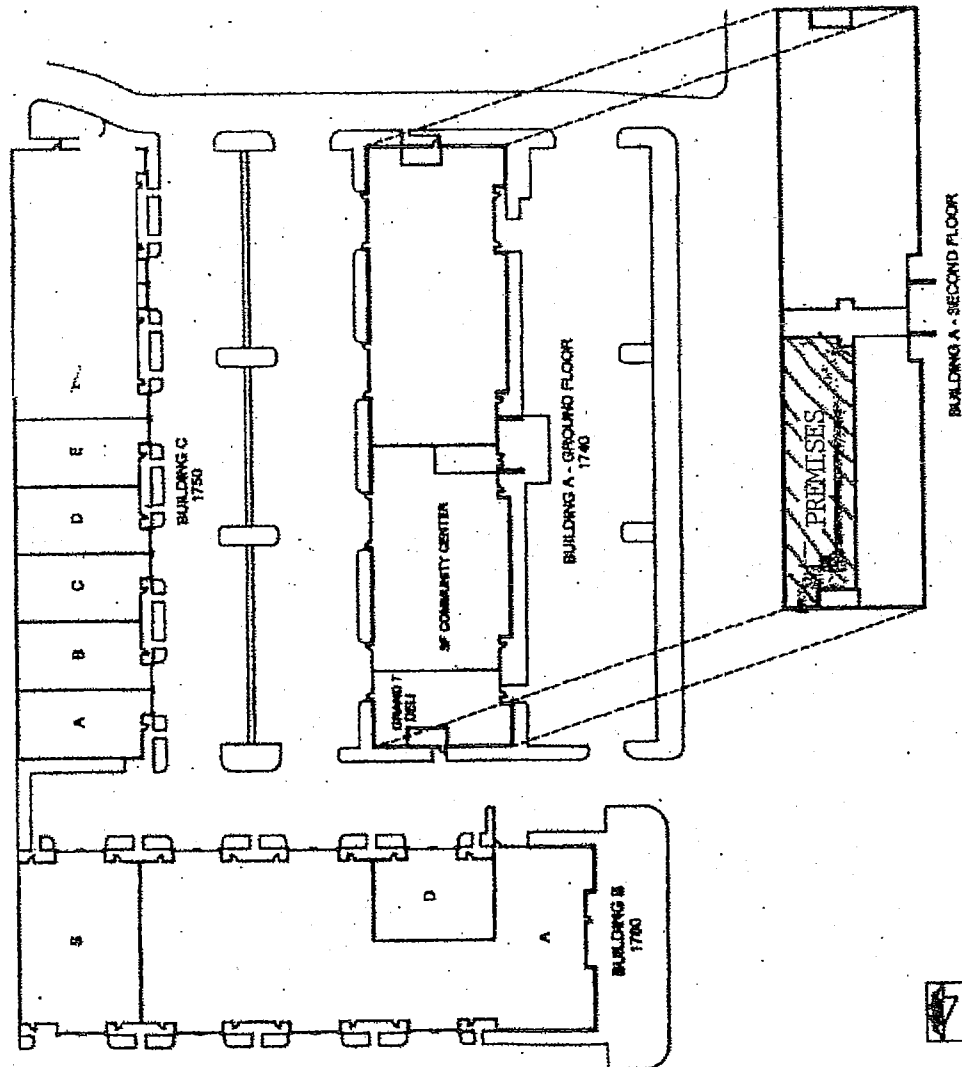
By:   
Deputy City Attorney

**EXHIBIT A**

**Floor Plan(s)**  
Consisting of One Page

EXHIBIT A  
PREMISES

POTRERO BUSINESS CENTER /



**EXHIBIT B**

**Notice of Commencement Date**

[Date]

Ms. Amy L. Brown  
Director of Property  
Real Estate Division  
City and County of San Francisco  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102

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

Dear Ms. Brown:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as  
defined in Section 3.2 of the Lease) is \_\_\_\_\_, 200\_.

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: \_\_\_\_\_  
Amy L. Brown  
Director of Property

Dated: \_\_\_\_\_



**EXHIBIT B**

**Notice of Commencement Date**

October 6, 2008

Ms. Amy L. Brown  
Director of Property  
Real Estate Division  
City and County of San Francisco  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102

**RECEIVED**

**NOV 12 2008**

**REAL ESTATE DIV.**

RE: Acknowledgement of Commencement Date, Lease between Potrero Investor I, LLC and Potrero Investor II, LLC (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as Potrero Business Park located at 1740 Cesar Chavez Street in San Francisco, California.

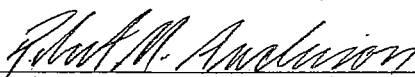
Dear Ms. Brown:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is September 15, 2008.

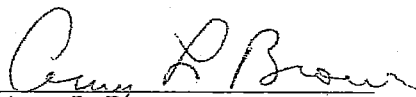
In addition to the Commencement Date confirmation, the Tenant acknowledges the balance of excess Leasehold Improvements (as defined in Section 6.1 (c) and 6.1 (e) of the Lease) due to the Landlord.

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:   
Amy L. Brown  
Director of Property

Dated: 10/16/08



**EXHIBIT C**

**[INTENTIONALLY DELETED]**

## **EXHIBIT D**

### **Building Rules and Regulations**

1. City shall not place anything, or allow anything to be placed near the glass of any window, door, partition or wall which may, in Landlord's judgment, appear unsightly from outside of the Property.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by City or used by City for any purposes other than for ingress to and egress from the Premises. City shall lend its full cooperation to keep such areas free from all obstruction and in a clean and sightly condition and shall move all supplies, furniture and equipment as soon as received directly to the Premises and move all such items and waste being taken from the Premises (other than waste customarily removed by employees or contractors of the Building) directly to the shipping platform at or about the time arranged for removal therefrom. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall, in all cases, retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord, reasonably exercised, shall be prejudicial to the safety, character, reputation and interests of the Property. Neither City nor any employee or invitee of City shall go upon the roof of the Building.

3. The toilet rooms, urinals, wash bowls and other apparatuses shall not be used for any purposes other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and to the extent caused by City or its employees or invitees, the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by City.

4. City shall not cause any unnecessary janitorial labor or services by reason of City's carelessness or indifference in the preservation of good order and cleanliness.

5. City shall not install or operate any refrigerating, heating or air conditioning apparatus, or carry on any mechanical business without the prior written consent of Landlord; use the Premises for housing, lodging or sleeping purposes; or permit preparation or warming of food in the Premises (installation and operation of a refrigerator consistent with the size typically used in kitchens or coffee rooms of office tenants, and warming of coffee and individual meals of employees and guests excepted). City shall not occupy or use the Premises or permit the Premises to be occupied or used for any purpose, act or thing which is in violation of any Laws or which may be dangerous to persons or property.

6. City shall not bring upon, use or keep in the Premises or the Property any kerosene, gasoline or inflammable or combustible fluid or material, or any other articles deemed hazardous to persons or property, or use any method of heating or air conditioning other than that supplied by Landlord or ordinary office supplies and repair, maintenance and cleaning supplies maintained in reasonable and necessary quantities and used, stored and disposed of in accordance with all Environmental Laws.

7. [Intentionally deleted.]

8. Except as specifically provided in Section 22.2 of the Lease, no additional locks shall be placed upon any doors, windows or transoms in or to the Premises and City shall not change existing locks or the mechanism thereof. Upon termination of the lease, City shall deliver to Landlord all keys and passes for offices, rooms, parking lot and toilet rooms which shall have been furnished City.

In the event of the loss of keys so furnished, City shall pay Landlord therefor. City shall not make, or cause to be made, any such keys and shall order all such keys solely from Landlord and shall pay Landlord for any keys in addition to the two sets of keys originally furnished by Landlord for each lock.

9. City shall not install linoleum, tile, carpet or other floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Landlord.

10. City shall cause all doors to the Premises to be closed and securely locked and shall turn off all utilities, lights and machines before leaving the Building at the end of the day.

11. Without the prior written consent of Landlord, City shall not use the name of the Property or any picture of the Property in connection with, or in promoting or advertising the business of, City, except City may use the address of the Property as the address of its business.

12. City shall cooperate fully with Landlord to assure the most effective operation of the Premises' or the Property's heating and air conditioning, and shall refrain from attempting to adjust any controls, other than room thermostats installed for City's use. City shall keep corridor doors closed.

13. City assumes full responsibility for protecting the Premises from theft, robbery and pilferage, which may arise from a cause other than Landlord's negligence, which includes keeping doors locked and other means of entry to the Premises closed and secured.

14. Peddlers, solicitors and beggars shall be reported to the office of the Property or as Landlord otherwise requests.

15. City shall not advertise the business, profession or activities of City conducted in the Property in any manner which violates the letter or spirit of any code of ethics adopted by any recognized association or organization pertaining to such business, profession or activities.

16. No bicycle or other vehicle and no animals or pets shall be allowed in the Premises, halls, freight docks, or any other parts of the Building except "seeing eye" dogs or other assistance animals, which must at all times be kept under proper control. Tenant shall give Landlord written notice of any assistance animals which Tenant's employees or representatives bring into the Premises on a regular basis. City shall not make or permit any noise, vibration or odor to emanate from the Premises, or do anything therein tending to create, or maintain, a nuisance, or do any act tending to injure the reputation of the Building.

17. City shall not do or permit the manufacture, sale or purchase any fermented, intoxicating or alcoholic beverages in or from the Premises without obtaining written consent of Landlord.

18. City shall not disturb the quiet enjoyment of any other tenant.
19. City shall not provide any janitorial services or cleaning without Landlord's written consent and then only subject to supervision of Landlord and at City's sole responsibility and by janitor or cleaning contractor or employees at all times satisfactory to Landlord.
20. Landlord may retain a pass key to the Premises and be allowed admittance thereto at all times to enable its representatives to examine the Premises from time to time and to exhibit the same and Landlord may place and keep on the windows and doors of the Premises at any time signs advertising the Premises for Rent.
21. No equipment, mechanical ventilators, awnings, special shades or other forms of window covering shall be permitted either inside or outside the windows of the Premises without the prior written consent of Landlord, and then only at the expense and risk of City, and they shall be of such shape, color, material, quality, design and make as may be approved by Landlord.
22. City shall not during the term of this Lease canvas or solicit other tenants of the Building for any purpose.
23. City shall not install or operate any phonograph, musical or sound- producing instrument or device, radio receiver or transmitter, TV receiver or transmitter, or similar device in the Building which can be heard outside of the Premises. City shall not install or operate any antenna, aerial, wires or other equipment inside or outside the Building (including any electrical device from which may emanate electrical waves) which may interfere with or impair radio or television broadcasting or reception from or in the Building or elsewhere, without in each instance the prior written approval of Landlord. The use thereof, if permitted, shall be subject to control by Landlord to the end that others shall not be disturbed.
24. City shall promptly remove all rubbish and waste from the Premises, other than typical office waste routinely removed in connection with janitorial services to the Premises.
25. City shall not exhibit, sell or offer for sale, rent or exchange in the Premises or at the Property any article, thing or service without the prior written consent of Landlord.
26. City shall comply with the building rules for moving its furniture, fixtures, equipment and similar articles into and out of the Building.
27. City shall not overload any floors in the Premises or any public corridors or elevators in the Building.
28. City shall not do any painting in the Premises, or mark, paint, cut or drill into, drive nails or screws into, or in any way deface any part of the Premises or the Building, outside or inside, without the prior written consent of Landlord.
29. Whenever Landlord's consent, approval or satisfaction is required under these Rules, then unless otherwise stated, any such consent, approval or satisfaction must be obtained in advance, such consent or approval may be granted or withheld in Landlord's sole discretion, and Landlord's satisfaction shall be determined in its sole judgment.

# EXHIBIT E

## ELIMINARY FLOOR PLAN

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

**kma**  
architecture+design

AD1.0

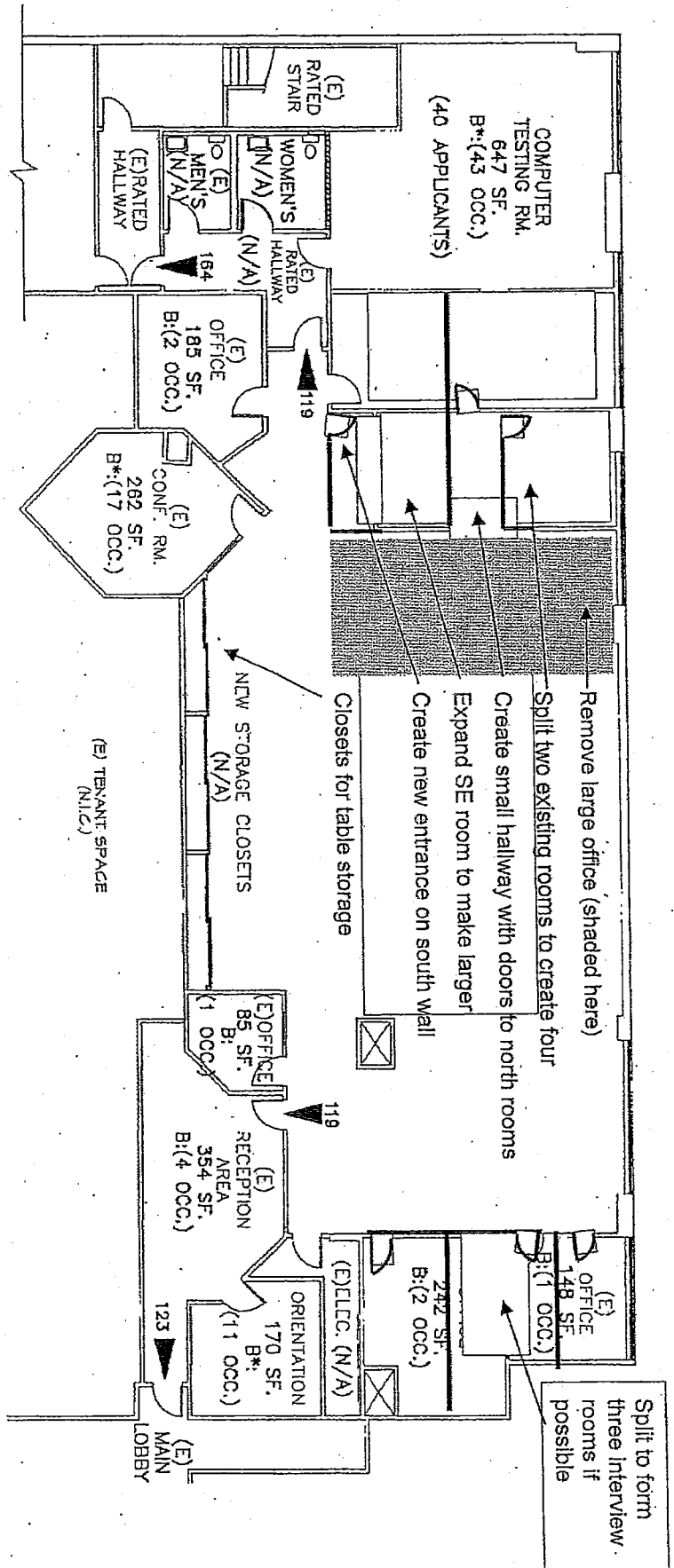
10 CESAR CHAVEZ ST.  
SAN FRANCISCO, CA

DESIGNATED EXIT/ ACCUMULATED OCCUPANT LOAD

OVERALL SUITE AREA : 6,416 U.S.F.\*

REF. C.B.C. TABLE 10-A

A-3 - OCCUPANCY LOAD FACTOR = 15  
B - OCCUPANCY LOAD FACTOR = 100  
B\* - OCCUPANCY LOAD FACTOR = 15



**EXHIBIT E**

**Preliminary Schematic Drawings**



## **EXHIBIT F**

### **Description of Leasehold Improvement Work**

Repaint the entire Premises.

Remove existing flooring and install new VCT and carpet throughout the Premises.

Create three interview rooms in the Northeast portion of the Premises where there are currently two offices, as generally depicted on Exhibit E. This will require demolition of one existing wall and construction of two new walls. Supply and install one door and hardware to the most southern of the three new offices. If after review of drawings City's representatives determine that the new rooms will be too small, at City's option, Landlord will create two rooms. If City selects the second option the build-out will consist of two interview rooms.

Demolish existing large office across from the conference room to create additional open space in the north central portion of the suite. The office to be demolished is shown as shaded on Exhibit E.

Split the two existing offices adjacent to the computer testing room to create four offices with a small hallway with doors to the two northernmost rooms, configured as shown on Exhibit E. Perform demolition of existing walls and construct new walls and add doors as required to achieve depicted configuration:

Add and relocate duct runs based on the new room layout.

Create three storage closets on the southern central portion of the suite.

## EXHIBIT G

### STANDARDS FOR JANITORIAL SERVICE

*1740 Cesar Chavez Street*

#### I. SPECIFICATION OF SERVICES TO BE PERFORMED - SCOPE OF WORK

- A. Landlord's Contractor shall furnish all labor, materials and equipment required to perform exterior and interior janitorial service five days a week, Monday through Friday, excluding holidays, at the above location in accordance with these specifications:
- B. All windows and glass broken by Landlord's Contractor will be replaced at its expense.
- C. Landlord's Contractor must, at all times, maintain adequate staffing that meets these specifications. All employees must wear uniforms (See Section II). Tenant may request Landlord to remove any janitor from the Premises at any time it desires and for any reason whatsoever, and an immediate replacement will be provided. All written notices are to be submitted to:

City and County of San Francisco  
Department of Human Resources  
44 Gough Street  
San Francisco, CA 94102  
Attn.: Bruce Topp

- D. All services must be performed after 5:00 p.m.
- E. All employees of Landlord's Contractor shall be fully trained and experienced in the custodial service trade.
- F. Landlord will assign space in the Building to Contractor for the storage of supplies and equipment. Materials and equipment shall be neatly stored only in areas provided by Landlord. No supplies or equipment will be stored in the Premises without the prior approval of Tenant.
- G. Tenant's Recycling Program includes recycling materials from offices in the Building. Bins for recyclable materials can be obtained from Tenant.
- H. Landlord's Contractor will provide, upon Lease Commencement, a schedule for all periodic services specified herein.
- I. Janitorial Service Specifications for Offices and Common Areas.
  - 1. Nightly Services
    - a. Secure all lights as soon as possible each night.
    - b. Vacuum all carpets. Move electric cords to prevent damage to the corner bead.
    - c. Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.
    - d. Spot clean any stains on carpet.
    - e. Dust all desks and office furniture with treated dust cloths.
    - f. Papers and folders on desks are not to be moved.
    - g. Sanitize all telephone receivers.

- h. Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by Tenant.
  - i. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
  - j. Return chairs and waste baskets to proper positions.
  - k. Clean, sanitize and polish drinking fountains.
  - l. Police any interior public planters.
  - m. Dust and remove debris from all metal door thresholds.
  - n. Wipe clean smudged brightwork.
  - o. Spot clean resilient and composition floors as required.
  - p. Service all walk-off mats as required.
  - q. Close all window coverings.
  - r. Check for burned out lights and replace from building stock (supplied by Landlord).
2. Weekly Services
- a. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
  - b. Dust inside of all door jambs.
  - c. Clean and polish all metal door thresholds.
  - d. Wipe clean and polish all brightwork
  - e. Sweep the service stairwell.
  - f. Damp mop all vinyl bases.
  - g. Edge all carpeted areas.
3. Monthly Services
- a. Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc..
  - b. Vacuum upholstered furniture.
  - c. Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
  - d. Clean and buff all building standard resilient and/or composite flooring.
4. Quarterly Services
- a. Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
  - b. Wash all chair pads.

5. Semi-Annual Services

- a. Vacuum all window coverings.
- b. Dust light diffusers.

6. Annual Services

- a. Shampoo carpets in offices (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.

J. Rest Room Service Specifications

1. Daily Service

- a. Re-stock all rest rooms with supplies from the Landlord's stock, including paper towels, toilet tissue, seat covers and hand soap, as required.
- b. Re-stock all sanitary napkin and tampon dispensers from Contractor's stock, as required.
- c. Wash and polish all mirrors, dispensers, faucets, flushometers and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
- d. Wash and sanitize all toilets, toilet seats, urinals and sinks with non-scratch disinfectant cleaner.
- e. Remove stains, scale toilets, urinals and sinks, as required.
- f. Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
- g. Empty and sanitize all waste and sanitary napkin and tampon receptacles.
- h. Remove all rest room trash.
- i. Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.
- j. Check for burned out lights and replace from building stock (supplied by Landlord).
- k. Ventilate rest rooms.

2. Weekly Services

- a. Dust all low reach and high reach areas, including but not limited to, structural ledges, mirror tops, partition tops and edges, air conditioning diffusers and return air grilles.

3. Monthly Services

- a. Wipe down all walls and metal partitions. Partitions shall be left clean and not streaked after this work.
- b. Clean all ventilation grilles.
- c. Dust all doors and door jambs.

4. Quarterly Services

- a. Thoroughly clean and reseal all ceramic tile floors, using approved sealers.

K. Main Floor Elevator Lobbies and Public Corridors Specifications

1. Nightly Services

- a. Spot clean all glass including low partitions and the corridor side of all windows and glass doors to tenant premises.
- b. Spot clean all chrome brightwork including swinging door hardware, kick plates, base partition tops, handrails, waste paper receptacles, planters, elevator call button plates, hose cabinets and visible hardware on the corridor side of tenant entry doors.
- c. Thoroughly clean all door saddles of dirt and debris.
- d. Empty, clean and sanitize all waste paper baskets and refuse receptacles as required.
- e. Vacuum and spot clean all carpets as necessary.
- f. Spot clean all elevator doors and frames.

L. Exterior Structure and Grounds Services Specifications

1. Daily Service

- a. Spot clean accumulations of dirt, papers and leaves in all corner areas where winds tend to cause collections of debris.
- b. Spot clean all exterior glass at building entrances.
- c. Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.
- d. Empty all waste receptacles and remove trash to designated trash areas.
- e. Clean sidewalk, steps and landscaped area, walks and benches; including gum removal.

2. Monthly Weekend Services

- a. Steam clean exterior sidewalk and walk way areas.

M. Carpet Cleaning

1. Provide spot cleaning to tenant space as necessary and shampoo carpets in tenant office space and any common areas once each year (exact schedule to be approved in advance by Tenant).

N. Window Cleaning

1. All work to be performed in accordance with generally accepted industry standards.
2. Proper safety standards are to be maintained at all times, including but not limited to, use of proper warning signs and clean up of water in compliance with all City, State and Federal laws (OSHA).
3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.
5. Interior and exterior window washing shall be scheduled immediately prior to Lease Commencement. Interior glass shall be cleaned not less than once

per year. Exterior glass shall be cleaned as needed, but not less than once every six months, including May of each year.

6. Contractor to notify the Tenant for specific scheduling of window washing one week prior to scheduled cleaning.
7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
8. Exterior surfaces of windows are not to be washed when it is raining.
9. The words "window" and "light" as used herein are synonymous and are to be construed to mean any pane of glass, or glass substitute.

## II. UNIFORMS

- A. Janitors must wear their uniforms whenever on duty.
- B. All personnel, including the coordinator and supervisors, will be uniformed. All personnel shall have a visible company name, logo, badge, etc., on their uniform.

## III. EMPLOYEE SAFETY

Landlord's Contractor shall accept responsibility for determining that all necessary safeguards for protection of Contractor's employees are available, or will be furnished. All work performed must conform to CAL-OSHA standards.

## IV. SUPPLIES

Landlord or its Contractor shall supply floor wax, wax stripper, and other expendable supplies required for daily cleaning and maintenance, as well as janitorial supplies such as hand soap, paper hand towels, paper toilet tissue, paper seat covers and deodorants. Furthermore, Landlord or its Contractor shall supply all equipment including, but not limited to, ladders, vacuum cleaners, extractors, floor machines, mops and buckets.

## V. APPROVAL OF PRODUCTS

Tenant shall have the right to prohibit the use of any product proposed or being used by Landlord's Contractor should the Tenant deem the product to be unsafe or harmful to those items being cleaned or to Tenant's staff. In this regard, Landlord must provide upon request a complete list of products to be used in the course of this Contract, together with Material Safety Data Sheets for each cleaning chemical.

## VI. DISPOSITION OF REFUSE

All trash and refuse collected by the custodians shall be deposited in a debris box as designated by the Landlord. (Landlord will pay for debris box service).

## VII. MAINTENANCE PROBLEMS

Employees of Landlord's Contractor shall note maintenance problems (such as broken glass, light bulbs missing or burned out, inoperative fixtures, etc.) and report them to Landlord. Any problem which prevents performance must be noted in the log (Section VIII) before the end of the shift. Contractor shall not claim, and Tenant will not entertain, any claim that such problems prevented Contractor's performance if said claim is not entered in the log.

## VIII. JANITORIAL LOG

Landlord's Contractor shall provide, and Tenant shall keep, a janitorial log on which deficiencies in performance, special problems or instructions shall be noted. Landlord's Contractor shall check the log daily, as arranged with Tenant, and correct any

deficiencies in service within twenty-four (24) hours of the log entry. Contractor shall initial and date each entry when deficiency has been corrected.

IX. EMERGENCY CONTACT

Landlord's Contractor shall provide Tenant with an emergency telephone number where Contractor may be reached at any time during normal business hours (Monday - Friday, 8:00 a.m. - 5:00 p.m.). Contractor must respond to emergency calls relating to deficiency of service by correcting said deficiency within two hours of receipt of the call.

X. PERFORMANCE

Landlord and its Contractor shall guarantee that workmanship required for the performance of this Contract shall be in accordance with the highest level of workmanship and accomplished according to the highest professional standards. The determination as to the adequacy of performance shall be made by Tenant or the Director of Property, City and County of San Francisco. Contractor or Contractor's agent must be available at reasonable intervals during regular business hours as requested by Tenant, to participate in inspection walk throughs. Contractor will supervise all janitors during all shifts.

XI. VERIFICATION OF SERVICE

Tenant may provide, install, or establish a system of sign off slips, service receipts, or room service sign off cards. Landlord's Contractor shall faithfully comply with same by initialing, dating, and indicating time at which service was completed. It is agreed that no such service has been completed unless signed off by Contractor and countersigned by Tenant if said system so requires.

XII. HOLIDAY SCHEDULE FOR TENANT

New Year's Day  
Martin Luther King Day  
President's Day  
Memorial Day  
Independence Day  
Labor Day  
Columbus Day  
Veteran's Day  
Thanksgiving Day  
Friday after Thanksgiving Day  
Christmas Day

## EXHIBIT H

### Preliminary Construction Budget

**GIDEL & KOCAL CONSTRUCTION CO.**  
574 Division Street  
Campbell, CA 95208-6906  
408.370.0280 fax: 408.370.0335

C = City  
LL = Landlord  
S = Shared Costs split 50/50

---

#### BASE BID:

|                            |            |
|----------------------------|------------|
| <b>GENERAL CONDITIONS</b>  |            |
| Progressive Clean -up      | 3,360 (S)  |
| Dump Fees-Debris           | 1,152 (S)  |
| Janitorial Service         | 871 (S)    |
| Project Manager            | 7,200 (S)  |
| <b>SITE WORK</b>           |            |
| Demolition                 | 5,160 (LL) |
| <b>CARPENTRY</b>           |            |
| Carpentry/HVAC Units       | 4,296 (C)  |
| <b>THERMAL/MOISTURE</b>    |            |
| Roof Patch                 | 2,400 (LL) |
| Insulation                 | 900 (LL)   |
| <b>DOORS/WINDOWS/GLASS</b> |            |
| Doors                      | 13,320 (C) |
| Glazing                    | 900 (LL)   |
| <b>FINISHES</b>            |            |
| Mtl Framing/Wallboard      | 7,800 (C)  |
| Misc Wallboard             | 3,072 (C)  |
| Acoustical Ceilings        | 5,265 (LL) |
| Floor Coverings            | 35,895 (S) |
| Paint                      | 8,740 (S)  |
| <b>SPECIALTIES</b>         |            |
| Bath Accessories           | 2,424 (LL) |
| <b>FURNISHINGS</b>         |            |
| Miniblinds                 | 300 (L)    |



**PLUMBING/MECHANICAL**

|                 |                                |
|-----------------|--------------------------------|
| Plumbing        | 12,000 (LL)                    |
| Fire Sprinklers | 6,248 (LL)                     |
| Mechanical      | 24,300 (C)=17,300 (LL) = 7,000 |

1. Add and relocate duct runs based on the new room layout.
2. The existing HVAC units are undersized in the open office area and the testing area for the intended use by the tenant.
3. Excludes any upgrades to the HVAC system to meet ASHRAE standards.
4. Excludes air balance reports.

**ELECTRICAL**

|            |            |
|------------|------------|
| Electrical | 24,900 (S) |
|------------|------------|

|                |           |
|----------------|-----------|
| Total Base Bid | \$170,503 |
|----------------|-----------|

**ALTERNATES:****001 Code Upgrades**

1. The T-bar ceiling, lighting and HVAC ducting are not to code. If permits are pulled these will be an issue. The CO cost is to replace the t-bar ceiling, replace all HVAC with registers, and install new light fixtures with t-8 tubes.

**GENERAL CONDITIONS**

|                      |            |
|----------------------|------------|
| Progressive clean-up | 1,032 (LL) |
| Project Manager      | 2,160 (LL) |

**SITE WORK**

|            |            |
|------------|------------|
| Demolition | 2,911 (LL) |
|------------|------------|

**FINISHES**

|                     |             |
|---------------------|-------------|
| Acoustical Ceilings | 19,383 (LL) |
|---------------------|-------------|

**PLUMBING/MECHANICAL**

|                 |             |
|-----------------|-------------|
| Fire Sprinklers | 3,300 (LL)  |
| Mechanical      | 19,140 (LL) |

**ELECTRICAL**

|            |            |
|------------|------------|
| Electrical | 16,800 (S) |
|------------|------------|

|                      |          |
|----------------------|----------|
| Total Alternate 001: | \$64,726 |
|----------------------|----------|

**002 ADA Parking Upgrade****GENERAL CONDITIONS**

|                      |            |
|----------------------|------------|
| Progressive clean-up | 624 (LL)   |
| Project Manager      | 2,700 (LL) |

**SITE WORK**

|                      |             |
|----------------------|-------------|
| Parking Lot Striping | 1,140 (LL)  |
| Landscaping          | 3,000 (LL)  |
| <b>CONCRETE</b>      |             |
| Misc. Concrete       | 22,060 (LL) |

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|                     |          |
|---------------------|----------|
| Total Alternate 002 | \$29,524 |
|---------------------|----------|

### 003 City Office Changes

1. Provide wall modifications as per the revised redlined plans dated 8/22/07.

|                            |            |
|----------------------------|------------|
| <b>SITE WORK</b>           |            |
| Demolition                 | 2,395 (C)  |
| <b>DOORS/WINDOWS/GLASS</b> |            |
| Doors                      | 1,260 (C)  |
| <b>FINISHES</b>            |            |
| MtlFraming/Wallboard       | 10,990 (C) |
| <b>ELECTRICAL</b>          |            |
| Electrical                 | 2,995 (C)  |

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|                     |          |
|---------------------|----------|
| Total Alternate 003 | \$17,640 |
|---------------------|----------|

September 15, 2008

Jason Hinson  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102



Re: 1740 Cesar Chavez  
San Francisco, CA

Mr. Hinson,

On August 14, 2008, Gidel & Kocal Construction, Co., Inc. performed a water test on the roof, windows, and exterior of the building located at 1740 Cesar Chavez. During this test, there were no visual water leaks observed. This test in no way guarantees that there may not be leaks in the future.

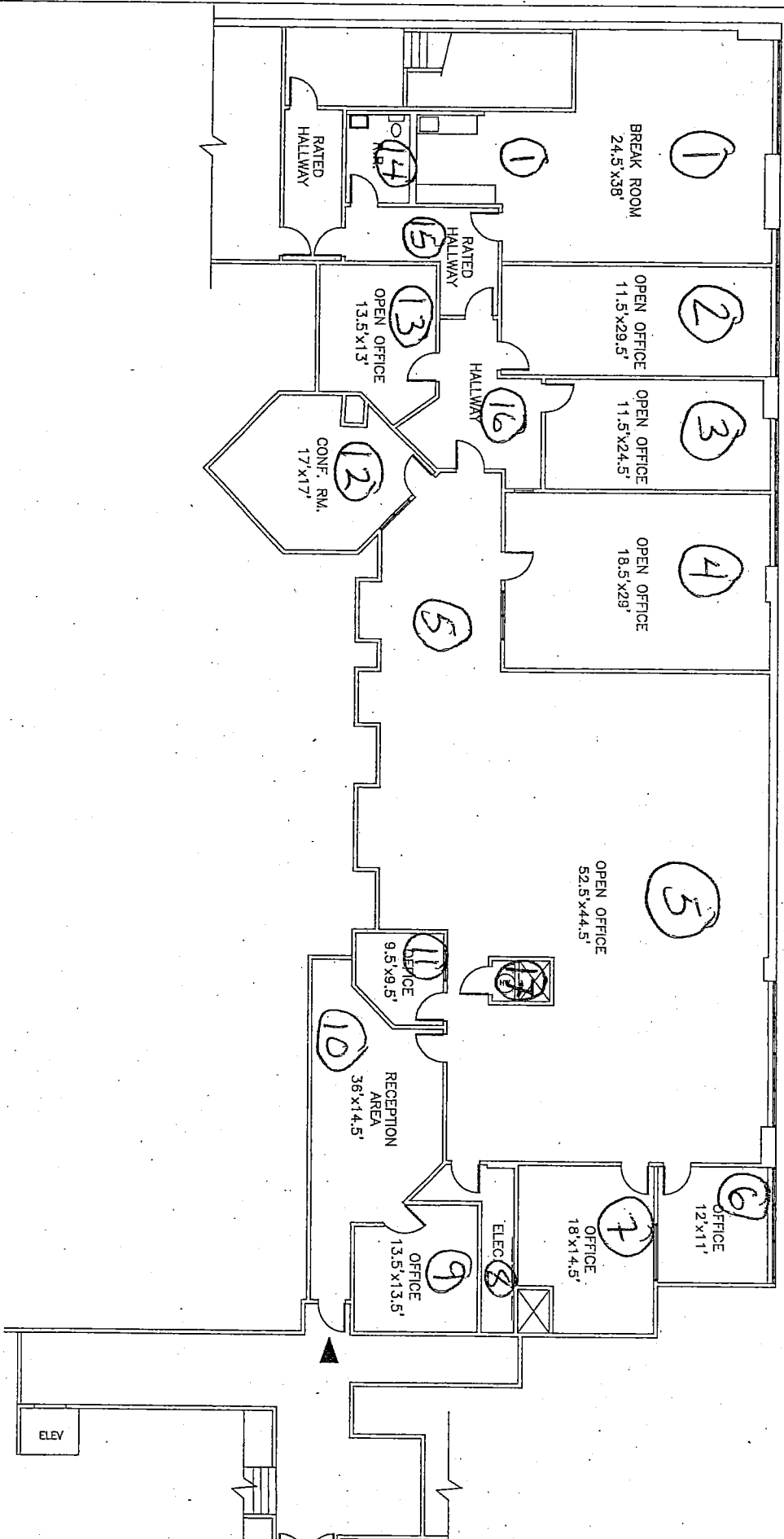
Please contact me with any questions or should you require additional information.

Cordially,

A handwritten signature in black ink, appearing to read "Lance Gidel", is written over a horizontal line.

Lance Gidel  
President





1740 CESAR CHAVEZ ST.  
SAN FRANCISCO, CA

EXISTING PARTIAL SECOND FLOOR

SCALE: 1/16"=1'-0"

**kevin n. matos architect**  
111 w. st. john street, suite 950  
san jose, ca. 95113  
p 408.999.6622  
f 408.999.0646

**kma**  
architecture+design

JOB#: 0638.00

DATE: 04-25-07

REV: -

SHT. NO.

ADO



1 [Lease of Real Property at 1740 Cesar Chavez Street]

2  
3 **Resolution authorizing a new lease of approximately 7,680 square feet at 1740 Cesar**  
4 **Chavez Street for the Department of Human Resources (DHR) for a term of five**  
5 **years.**

6  
7 WHEREAS, the City and County of San Francisco recognize a need for increased  
8 recruitment and testing efforts of public safety staff to address anticipated retirements of the  
9 City's police and fire personnel; and

10  
11 WHEREAS, said recruitment and testing now often takes place in hotel or convention  
12 facilities which are available only when market conditions provide vacancies; and

13  
14 WHEREAS, utilizing multiple sites for recruitment and testing purposes requires  
15 significant set-up, coordination and planning with site owners and operators, and creates  
16 inefficiencies in DHR operations; now, therefore, be it

17  
18 RESOLVED, That in accordance with the recommendation of the Director of the DHR  
19 and the Director of Property, the Director of Property is hereby authorized to take all actions  
20 on behalf of the City and County of San Francisco, as tenant, to execute a written lease (the  
21 "Lease"), substantially in the form on file with the Clerk of the Board of Supervisors in File No.  
22 \_\_\_\_\_ 080263 \_\_\_\_\_, and other related documents with Potrero Investor I, LLC and Potrero  
23 Investor II, LLC. (collectively, "Landlord"), for a portion of the second floor of the building  
24 commonly known as 1740 Cesar Chavez Street, San Francisco, California, which is  
25





1 comprised of an area of approximately 6,152 sq. ft. (the "Premises"), on the terms and  
2 conditions set forth herein, and on a form approved by the City Attorney; and, be it

3 FURTHER RESOLVED, That the Lease term shall commence upon the date of  
4 substantial completion of improvements more particularly described in the Lease (which date  
5 is estimated to be September 15, 2008) and terminate sixty (60) months after the  
6 commencement date (for an initial term of approximately five (5) years). The monthly rent  
7 shall be \$10,214.40 (approximately \$16.00 per square foot per year or \$1.33 per square foot  
8 per month) which shall be due and payable on the first day of each month for the entire Lease  
9 term. The Lease shall be fully serviced with the Landlord paying for standard electricity,  
10 water, sewer, janitorial services and building maintenance and repairs, provided that the City  
11 shall pay a proportionate share of increases in insurance expenses and tax expenses over a  
12 base year of calendar year 2008; and, be it

13 FURTHER RESOLVED, That the City shall have one (1) option to renew the Lease for  
14 an additional term of five (5) years on the same terms and conditions except the Base Rent  
15 shall be adjusted to equal the prevailing market rate for space of comparable size and location  
16 to the Premises then being offered for rent in other buildings similar in age, location and  
17 quality to the Premises situated within the Potrero Hill/Hunters Point area of San Francisco;  
18 and, be it

19 FURTHER RESOLVED, That the Lease shall include a clause approved by the City  
20 Attorney, indemnifying, holding harmless, and defending Landlord and its agents from and  
21 against any and all claims, costs and expenses, including without limitation, reasonable  
22 attorneys' fees, incurred as a result of any default by the City in the performance of any of its  
23 material obligations under the Lease, or any negligent acts or omissions of the City or its  
24 agents, in, on, or about the Premises or the property on which the Premises are located,  
25



1 excluding those claims, costs and expenses incurred as a result of the negligence or willful  
2 misconduct of the Landlord or its agents; and, be it

3 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
4 with respect to such Lease are hereby approved, confirmed and ratified; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
6 Property to enter into any amendments or modifications to the Lease (including, without  
7 limitation, the exhibits) that the Director of Property determines, in consultation with the City  
8 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially  
9 increase the obligations or liabilities of the City (with the exception of any necessary tenant  
10 improvements so desired by DHR and authorized by the Director of Property, to be  
11 implemented by Landlord), are necessary or advisable to effectuate the purposes of the  
12 Lease or this resolution, and are in compliance with all applicable laws, including the City  
13 Charter; and, be it

14 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term  
15 of the Lease unless funds for the DHR rental payments are not appropriated in any  
16 subsequent fiscal year at which time the City may terminate the Lease. Said Lease shall be  
17 subject to certification as to funds by the Controller, pursuant to Section 6.302 of the City  
18 Charter.

19  
20  
21  
22  
23  
24  
25 ///////////////



1 RENT AND TENANT IMPROVEMENTS

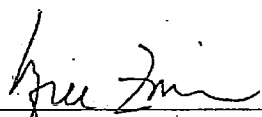
2 \$252,000 Available

3 Fund Type: 1G

4 Fund: AGF

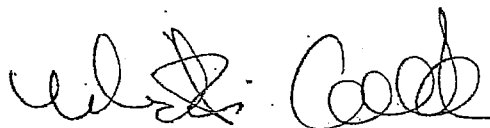
5 Subfund: AAA

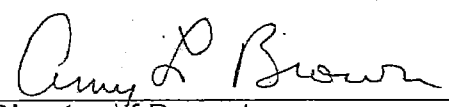
6 Index code 335018

7   
Controller

8 Subject to the enactment of the Annual Appropriation  
Ordinance for FY 2008/2009

9 **RECOMMENDED:**

10   
11 Department of Human Resources

12   
13 Director of Property  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25





City and County of San Francisco

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

Tails  
Resolution

File Number: 080263

Date Passed:

Resolution authorizing a new lease of approximately 7,680 square feet at 1740 Cesar Chavez Street for the Department of Human Resources (DHR) for a term of five years.

April 8, 2008 Board of Supervisors — ADOPTED

Ayes: 11 - Alioto-Pier, Ammiano, Chu, Daly, Duffy, Elsbernd, Maxwell,  
McGoldrick, Mirkarimi, Peskin, Sandoval

File No. 080263

I hereby certify that the foregoing Resolution  
was ADOPTED on April 8, 2008 by the  
Board of Supervisors of the City and County  
of San Francisco.

Angela Calvillo  
Clerk of the Board

4.11.08

Date Approved

  
Mayor Gavin Newsom





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

|   |  |
|---|--|
| <b>City Elective Officer Information</b> <i>(Please print clearly.)</i>   |  |
| Name of City elective officer(s):<br>Members, Board of Supervisors  | City elective office(s) held:<br>Members, Board of Supervisors |
| <b>Contractor Information</b> <i>(Please print clearly.)</i>  |  |
| Name of contractor:<br><b>Potrero Investor I, LLC, and Potrero Investor II, LLC</b>   |  |
| Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.<br>Rance Gregory, Authorized Signator |  |
| The landlord is two Single purpose LLC's with no boards or CEO's but Rance Gregory is the authorized signor for the Company. The LLC's are pass-through vehicles and the majority owner is a Fund controlled by Morrison Street Capital (through several layers). There are no individuals with 20% or more ownership.  |  |
| Contractor address:<br>121 SW Morrison, Suite 1875<br>Portland, OR 97204  |  |
| Date that contract was approved:<br><i>(By the SF Board of Supervisors)</i>   | Amount of contract:<br>\$1,372,800.00                          |
| Describe the nature of the contract that was approved:<br>Five (5) year lease term at 1740 Cesar Chavez, Unit E, San Francisco, CA 94124  |  |
| Comments:<br>Expansion and extension of existing leased Premises at the above location.   |  |

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves: San Francisco Board of Supervisors  
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

|   |   |
|---|---|
| <b>Filer Information</b> <i>(Please print clearly.)</i>                                 |   |
| Name of filer:<br>Angela Calvillo, Clerk of the Board                                   | Contact telephone number:<br>(415) 554-5184 |
| Address:<br>City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102 | E-mail:<br>Board.of.Supervisors@sfgov.org   |

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

Date Signed

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

Date Signed

