

File No. 191050

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 13, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date November 8, 2019

Completed by: Linda Wong Date _____

[Real Property Lease Extension - Bayview Plaza, LLC - 3801 Third Street - \$543,901.56 Annual Base Rent]

Resolution authorizing the Director of Property, on behalf of the Human Services Agency, to exercise a five-year extension of a Lease between Bayview Plaza, LLC, as Landlord, and the City and County of San Francisco, as Tenant, for the real property located at 3801 Third Street, to commence on December 1, 2019, for a total term of December 1, 2014, through November 30, 2024, at the initial monthly base rent of \$45,325.13 for a total annual base rent of \$543,901.56.

WHEREAS, The City and County of San Francisco, ("City" or "Tenant"), and Bayview Plaza, LLC ("Landlord"), executed a lease dated December 2, 2014 (the "Lease"), authorized by Board of Supervisors' Resolution No. 433-14, for 15,083 rentable square feet within Suites 200, 205, 210, 220, 230, 235, and 240 (the "Premises") in the building located at 3801 Third Street in San Francisco, for use by the City's Human Services Agency ("HSA") for the operation of its Family and Children's Services program; and

WHEREAS, The Lease contains an option to extend the Lease for five (5) years at a "New Base Monthly Rental Rate" equal to 95% of fair market rental value, but in no event less than the "Current Base Monthly Rental Rate" of \$3.01 per sq. ft. per month, or \$45,325.13 in "Monthly Base Rent"; and

WHEREAS, The City's Real Estate Division, on behalf of HSA, negotiated the New Base Monthly Rental Rate for the "Extension Term" beginning on December 1, 2019 and expiring on November 30, 2024, will remain at the Current Base Monthly Rental Rate rather than being adjusted to 95% of the Fair Market Rental Rate, which is determined to be at or below 95% of the Fair Market Rental Rate; and

1 WHEREAS, Consistent with the terms of the Lease, the Extended Term's Base
2 Monthly Rental Rate of \$45,325.13 will continue to increase annually each year beginning on
3 December 1, 2020, by the Consumer Price Index Adjustments of no less than 3% and no
4 more than 5%; now, therefore, be it

5 RESOLVED, That in accordance with the recommendation of the Director of the
6 Human Services Agency and the Director of Property, the Director of Property Real Estate
7 is hereby authorized to take all actions on behalf of the City and County of San Francisco,
8 as Tenant, to extend the term of the Lease, and exercise the five (5) year extension for the
9 Extension Term beginning on December 1, 2019; and, be it

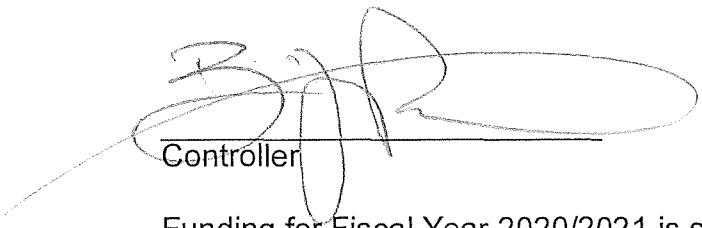
10 FURTHER RESOLVED, That commencing upon the lease extension period, the
11 monthly rent will stay as it is today at \$45,325.13 per month and will continue to increase
12 annually each year beginning on December 1, 2020, by the Consumer Price Index
13 Adjustments of no less than 3% and no more than 5%; and, be it

14 FURTHER RESOLVED, That any action taken by any City employee or official with
15 respect to the exercise of the extension provision contained in the Lease is hereby ratified
16 and affirmed; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Real
18 Estate to enter into any amendments or modifications to the Lease (including without
19 limitation, the exhibits) that the Director of Property determines, in consultation with the City
20 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially
21 increase the obligations or liabilities of the City, are necessary or advisable to effectuate the
22 purposes of the lease or this Resolution, and are in compliance with all applicable laws,
23 including City's Charter.

Available Funds: \$317,275.91
(Rent for Dec. 1, 2019 – June 30, 2020)

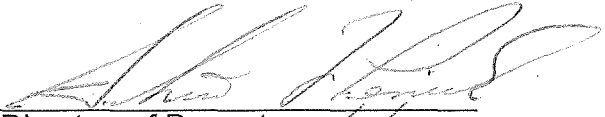
Fund ID: 10000
Department ID: 149657
PS Project ID: 10001700
Authority ID: 10000
Account ID: 530110
Activity ID: 0001


Controller

Funding for Fiscal Year 2020/2021 is subject
to the enactment of the Annual Appropriation
Ordinance for Fiscal Year 2020/2021

RECOMMENDED:


Human Services Agency
Executive Director


Director of Property 10/9/19

Item 8 File 19-1050	Department: Real Estate Division (RED) Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution authorizes the Director of Property, on behalf of the Human Services Agency (HSA), to exercise a five-year extension to extend the existing lease between Bayview Plaza, LLC, as landlord, and the City, as tenant, for 15,083 square feet within Suites 200, 205, 210, 220, 230, 235, and 240 at 3801 Third Street, to commence on December 1, 2019, for a total term of December 1, 2014, through November 30, 2024. The initial monthly base rent at 3891 Third Street will be \$45,325.13 for a total annual base rent of \$543,901.56. 	
<p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In November 2014, the Board of Supervisors approved the lease of 15,083 square feet at 3801 Third Street for the HSA with Bayview Plaza, LLC, merging Suites 200, 205, 210, 230, 235, 240, and adding Suite 220 at the initial monthly rent of \$39,215.80 during improvements and alterations, and then \$41,478.25 per month for five years after substantial completion of the tenant improvements, for a base year's rent total of \$373,304; and construction of tenant improvements in an estimated cost to the City of \$865,098 (File 14-1033). The 2014 lease provided for one five year option to extend to 2024. According to HSA, the Family and Children Services (FCS) Program utilizes 3801 3rd Street as general office space for protective service workers and support staff, while also providing services related to resource family (foster parents) training, child and family visitation, and family team meetings. 	
<p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> HSA's existing annual rent for 3801 Third Street from December 1, 2018 through November 30, 2019 is \$543,902 equal to approximately \$36.06 per square foot per year for approximately 15,083 square feet. The existing lease sets the new base monthly rental rate equal to 95 percent of fair market rental value when the option to extend is exercised but no less than the current base monthly rental rate. Under the proposed lease extension, the first year rent from December 1, 2019 through November 30, 2020 will remain at \$543,902. Under the proposed lease extension, the rent will be adjusted according to the Consumer Price Index (CPI) annually beginning on December 1, 2020 of no less than three percent and no more than five percent. Over the five-year term of the lease extension from December 1, 2019, through November 30, 2024, total rent to be paid by the HSA is \$3,005,399. This assumes the base rent increases at the maximum allowable CPI of five percent per year. 	
<p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

In 2009, the Board of Supervisors approved six leases between the City, as Tenant, on behalf of the Human Services Agency (HSA), and Bayview Plaza, as Landlord, to lease 3801 Third Street for Suites 200, 205, 210, 230, 235 and 240 to be used for HSA programming, including Family and Children's Services and Child Welfare Services. The original term of the lease was for one year from September 1, 2009 until August 31, 2010 with annual options to extend on a year-to-year basis with a final ending date of August 31, 2014, for total lease terms of five years.

In November 2014, the Board of Supervisors approved the lease of 15,083 square feet at 3801 Third Street for the HSA with Bayview Plaza, LLC, merging Suites 200, 205, 210, 230, 235, 240, and adding Suite 220 at the initial monthly rent of \$39,215.80 during improvements and alterations, and then \$41,478.25 per month for five years after substantial completion of the tenant improvements, for a base year's rent total of \$373,304; and construction of tenant improvements in an estimated cost to the City of \$865,098 (File 14-1033). The 2014 lease provided for one five year option to extend to 2024.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Director of Property, on behalf of the Human Services Agency (HSA), to exercise a five-year extension to extend the existing lease between Bayview Plaza, LLC, as landlord, and the City, as tenant, for 15,083 square feet within Suites 200, 205, 210, 220, 230, 235, and 240 at 3801 Third Street, to commence on December 1, 2019, for a total term of December 1, 2014, through November 30, 2024. The initial monthly base rent at 3891 Third Street will be \$45,325.13 for a total annual base rent of \$543,901.56. Table 1 below summarizes the terms and conditions of the lease provisions.

Table 1. Summary of Proposed Lease Extension Details

	Proposed Lease Extension
Premises	15,083 square feet
Base Rent (monthly)	\$45,325.13 (\$3.01 per square feet)
Service and Utilities	Paid by landlord
Base Rent Increase Amount	Rent to be adjusted according to the Consumer Price Index (CPI). Increase shall be not less than 3 percent and more than 5 percent. The first rent adjustment will occur on December 1, 2020.
Tenant Improvements	None

According to Mr. Robert Walsh, HSA's Director of Operations, the Family and Children Services (FCS) Program utilizes 3801 3rd Street as general office space for protective service workers and support staff, while also providing services related to resource family (foster parents) training, child and family visitation, and family team meetings. Mr. Walsh states that the facility is located in an ideal location due to its proximity to the 3rd street transportation corridor, which makes it easy to access by both clients and staff. The facility is also located in the same plaza as HSA's partners at DPH, who provide mental health services to clients in conjunction with FCS. The leased facility has 85 work stations, which includes offices, cubicles, and hoteling¹ stations. Of the 85 work stations, HSA's FCS Program uses 76 and DPH uses 9². According to Mr. Walsh, the proposed lease extension supports the current need for 85 work stations, which is not expected to change during the extension term.

Tenant Improvements

As noted above, the original lease approved in November 2014 provided for tenant improvements to merge existing suites, add new programmatic space and ensure that any improvements must comply with LEED Gold Certification³. According to the Real Estate Division, all tenant improvements are complete, and the premises was certified LEED Gold in 2018.

FISCAL IMPACT

HSA's existing annual rent for 3801 Third Street from December 1, 2018 through November 30, 2019 is \$543,902 equal to approximately \$36.06 per square foot per year for approximately 15,083 square feet. The existing lease sets the new base monthly rental rate equal to 95 percent of fair market rental value when the option to extend is exercised but no less than the current base monthly rental rate. Under the proposed lease extension, the first year rent from December 1, 2019 through November 30, 2020 will remain at \$543,902.

According to the Real Estate Division the current fair market rent for Class B office space in southeast San Francisco according to the market index is approximately \$53.63 per square foot per year⁴. The negotiated base rent of \$36.06 per square foot per year of the proposed lease extension is at or below the fair market rental value estimate. Consequently, the proposed

¹ Hoteling is reservation-based unassigned seating; employees reserve a workspace before they come to work in an office.

² HSA also uses the nine DPH stations for interns and "drop-in" staff.

³ LEED (Leadership in Energy and Environmental Design) is a program of the U.S. Green Building Council that certifies buildings constructed for energy and environmental efficiency. LEED has four certification levels: certified, silver, gold and platinum.

⁴ The Real Estate Division also reviewed the following comparable properties which also average above the proposed base rent: 2095 Jerrold Ave (\$50 per square foot per year), 2555 San Bruno Ave (\$45 per square foot per year), 78 29th Street (\$58 per square foot per year), 1425 Egbert Ave (\$54 per square foot per year), and 3450 Third Street (\$36 per square foot per year). The average of all comparable properties is \$48.60 per square foot per year, of which 95 percent is \$46.17.

lease extension does not meet the independent appraisal requirement threshold of \$45 per square foot per year as stipulated under Section 23.27 of the Administrative Code⁵.

Under the proposed lease extension, the rent will be adjusted according to the Consumer Price Index (CPI) annually beginning on December 1, 2020 of no less than three percent and no more than five percent.

As shown in Table 2 below, over the five-year term of the lease extension from December 1, 2019, through November 30, 2024, total rent to be paid by the HSA is \$3,005,399. This assumes the base rent increases at the maximum allowable CPI of five percent per year. The total cost would be paid from the City's General Fund, subject to Board of Supervisors appropriation approval in the HSA's annual budget.

Table 2: Total Costs by Year under Proposed Lease Extension

Lease Year	Monthly Rent	Annual Rent	Total Cost
Year 1	\$45,325	\$543,901	\$543,902
Year 2	\$47,591	\$571,097	\$571,097
Year 3	\$49,971	\$599,651	\$599,651
Year 4	\$52,470	\$629,634	\$629,634
Year 5	\$55,093	\$661,116	\$661,116
Total		\$3,005,399	\$3,005,399

RECOMMENDATION

Approve the proposed resolution.

⁵ Per City Charter Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than \$45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease.

OFFICE LEASE

between

BAYVIEW PLAZA, LLC
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
3801 Third Street, Suites 200, 205, 210, 230, 235, 240, 220
San Francisco, California

December 2, 2014

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LIST OF EXHIBITS

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 EXHIBIT E – Standards for Janitorial Service
 EXHIBIT F – Standards for Security Service
 EXHIBIT G – City’s Specification Drawing
 EXHIBIT H – Work Letter

OFFICE LEASE

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

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	December 2, 2014
Landlord:	BAYVIEW PLAZA, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	3801 Third Street
Premises (<u>Section 2.1</u>):	Suites 200, 205, 210, 230, 235, 240, 220
Parking (<u>Section 2.5</u>):	At no additional cost, City has the right to park six (6) vehicles in the parking lots during normal business hours (8:00 a.m.-5:00 p.m., seven days a week) for more than the 2-hour posted limit. Between 5:00 p.m. and 8:00 a.m., City may park additional vehicles in the same area, as available in accordance with the provisions in <u>Section 2.5</u> below.
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 15,083 rentable square feet
Term (<u>Section 3</u>):	Commencing upon the mutual execution and exchange of the Lease together with approval by the Board of Supervisors and Mayor, in their sole and absolute discretion, Estimated commencement date: October 1, 2014. Expiration date: Five years from the date of Substantial Completion of the phase 2 of the Leasehold Improvements.

Extension Options (Section 3.3):

City shall have the right to extend the Term for one 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 3.3.

Base Rent for the Extended Term shall be 95% of the then fair market rent as provided in Section 4.4.

Base Rent (Section 4.1):

Monthly payments: \$39,215.80 (\$2.60 per sq. ft.) until completion of the Leasehold Improvements

Base Rent upon Completion of all of the Leasehold Improvements (Section 4.1)

Monthly payments upon substantial completion of the tenant improvements: \$41,478.25 (\$2.75 per sq. ft.)

In the event the Leasehold Improvements are completed in phases, the monthly rent shall be equitably prorated based on the dates of Substantial Completion of each phase.

Adjustment Dates (Section 4.2):

Annually, the Base Rent will be adjusted by an amount equal to any increase in the CPI; provided, however, that any such amount shall not be lower than 3% nor exceed 5% of the Base Rent payable by City for the last full month immediately preceding each Adjustment Date.

Use (Section 5.1):

General office and Human Service Agency counseling services

Leasehold Improvements (Section 6 and Exhibits G + H)

Landlord shall construct the Leasehold Improvements through its general contractor up to a cost of \$232,193.00 consistent with the terms of the lease and the Work Letter attached as Exhibit H. Construction shall occur in phases and City shall be responsible for all costs to temporarily vacate the Premises.

Utilities (Section 9.1):

A full service lease.

Services (Section 9.2):

A full service lease.

Notice Address of Landlord (Section 23.1):

Bayview Plaza, LLC
22 Battery Street, Suite 503

San Francisco, CA 94111
Fax No.: (415) 979-0252

Key Contact for Landlord: Fred Karren or Leslie Karren

Landlord Contact Telephone No.: (415) 979-0406

Notice Address for Tenant (Section 23.1): Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: John Updike
Director of Property
Re: 3801 Third St., #200, etc.
Fax No.: (415) 552-9216

with a copy to: Human Services Agency
170 Otis Street
San Francisco, CA 94103
Attn: David Curto
Fax No.: (415) 252-3015

and a copy to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate/Finance Team
Re: 3801 Third St., #200, etc.
Fax No.: (415) 554-4755

Key Contact for Tenant: David Curto
170 Otis Street
San Francisco, CA 94103

Tenant Contact Telephone No.: (415) 557-5581

Brokers (Section 23.8): NONE

Other Noteworthy Provisions (Section 22): NONE

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 computed in accordance with the "Office Buildings: Standard Methods of Measurements" (ANSI/BOMA Z65.1-2010), adopted by the Building Owners and Managers Association (BOMA). 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 Disability Access

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

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

2.4 Energy Consumption

City acknowledges and agrees that Landlord delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises, copies of which are attached as Schedule 1 to this Lease, no less than 24 hours prior to City's execution of this Lease

2.5 Parking

At no additional cost, City shall have the right to park six (6) vehicles in the parking lot during normal business hours (8:00 a.m.-5:00 p.m., 7 days per week) for more than the 2-hour posted limit with additional parking allowed between 5:00 p.m.-8:00 a.m. as available. City shall provide Landlord with the license plate numbers of the six (6) vehicles in order to receive the required parking permits. All vehicles should park in one of the spaces furthest from the stores facing Third Street. Any additional vehicles parked between 5:00 p.m.-8:00 a.m. must be moved by 8:00 a.m.

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"), provided 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 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 Extension Option

City shall have the right to extend the Initial 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 except that the rent for the extended shall be adjusted as provided in Section 4.4 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 Term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within sixty (60) days after the date such notice of exercise is given.

4. RENT

4.1 Base Rent

Beginning on the Commencement Date, City shall pay to Landlord during the Term the Base Rent specified in the Basic Lease Information (the "Base Rent"). 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 Adjustments in Base Rent

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

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published in August preceding the Adjustment Date (the "Adjustment Index"), shall be compared with the Index published in August preceding the Commencement Date in the case of the first Adjustment Date or, in the case of any subsequent Adjustment Date, the Index published in August preceding the prior Adjustment Date (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. In no event shall the monthly Base Rent on or after the Adjustment Date be less than one hundred three percent (103%) nor more than one hundred five percent (105%) of the monthly Base Rent in effect for the last full month immediately prior to the Adjustment Date.

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

4.3 Additional Charges

All taxes, assessments, operating costs, and other charges are included in the Base Rent. City shall not be required to pay any additional charges for the use of the Premises or for the services provided by Landlord under the Lease except as expressly set forth herein to the contrary. Notwithstanding the foregoing, City (acting through the Director of Property) reserves the right to request that Landlord perform, at City's cost, lease related services or incur additional expenses not covered under this Lease. If City requests any such additional services, Landlord and City shall agree, in writing and in advance of any work, on the charges or amounts City shall reimburse Landlord for Landlord's performance of such work. If the parties do not agree upon such amount, then Landlord shall not be required to perform the requested work. If the parties do agree on the amount, then Landlord shall perform the requested work and City shall reimburse Landlord upon completion at the agreed upon costs.

4.4 Determination of Base Rent for the Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal ninety-five percent (95%) of 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 Bayview area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such 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 shall revoke the exercise of the Extension Option by City by written notice to Landlord.

(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 Bayview area. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

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

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other

portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to 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 impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this 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 sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Construction of Leasehold Improvements

Landlord shall construct the Leasehold Improvements, perform the work and make the installations in the Premises and the Common Areas pursuant to the Work Letter attached hereto as Exhibit H (the "Work Letter"). All work and installations performed pursuant to the Work Letter are referred to as "the Leasehold Improvement Work" and "Leasehold Improvements."

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 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. 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.

7.4 Alteration by Landlord

Landlord shall use its best efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any 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 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 or construction by City on the Premises.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall furnish or cause to be furnished to the Premises, at Landlord's cost, utilities and services in accordance with the Standards for Utilities and Services set forth in Exhibit D attached hereto.

9.2 Services

(a) Janitorial Service

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

(b) Security Service

Landlord shall provide at its cost security for the Building in accordance with the specifications contained in Exhibit F attached hereto.

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 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 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 two (2) or more consecutive business days if such failure is in the reasonable control of Landlord or for 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) subject to the provisions of the Work Letter for the construction of the Leasehold Improvements 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, or 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 as uniformly enforced. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

10.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of any Alterations to the Premises made by City pursuant to Section 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease. 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 two hundred ten (210) 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 such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

Within twenty (20) days after the date of such damage, 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 substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3, or 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, 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

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which 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 ten (10) 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 ten (10)-day period, such ten (10)-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 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 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. All insurance policies required to be maintained by Landlord hereunder shall be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord.

17.3 Waiver of Subrogation

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

19. ESTOPPEL CERTIFICATES

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

20. SURRENDER OF 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 desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this 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 been and is no Release of any Hazardous Material in the Building or in, on, under or about the Property; and (f) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, 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

None.

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, including but not limited to the exercise of any option granted to City, shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter.

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 therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Claims incurred by the indemnified party in

defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9 Severability

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

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 ten percent (110%) 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

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 full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. 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 Landlord's obligations hereunder.

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

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) HRC Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

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 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations required under the Planning Code.

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.

23.31 Sunshine Ordinance

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

23.32 Conflicts of Interest

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

23.33 Notification of Limitations on Contributions

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

23.34 Preservative-Treated Wood Containing Arsenic

As of July 1, 2003, Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing

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

23.35 Cooperative Drafting

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

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.

BALANCE OF PAGE LEFT INTENTIONALLY BLANK.

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

LANDLORD:

BAYVIEW PLAZA, LLC,
a California limited liability company

By: Fred L. Karwa

Its: Managing Member

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: John Updike
JOHN UPDIKE
Director of Property

RECOMMENDED:

[Signature]
Human Services Agency

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: Heidi J. Gewertz
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT A

DESCRIPTION OF PROPERTY

Attached.

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Lease Between BAYVIEW PLAZA, LLC (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as 3801 Third St., Suites 200, 205, 210, 230, 235, 240, + 220, San Francisco, CA 94124

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 _____, 2014.

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 B -2

NOTICE OF EXPIRATION DATE

[Date]

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

RE: Acknowledgement of the final Completion of the Leasehold Improvements and the Lease
Expiration Date Commencement Date, Lease Between BAYVIEW PLAZA, LLC
(Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises
known as 3801 Third St., Suites 200, 205, 210, 230, 235, 240, + 220, San Francisco, CA
94124

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Expiration Date (as defined
in Section 3.2 of the Lease) is _____, 2014.

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

Attached.

BUILDING RULES AND REGULATIONS

3801 THIRD STREET
BAYVIEW PLAZA

1. All loading and unloading of goods shall be done only at such times, in the areas, and through the entrances designated for such purposes by Landlord.
2. The delivery or shipping of merchandise, supplies and fixtures to and from the Premises shall be subject to such rules and regulations as in the judgment of Landlord are necessary for the proper operation of the Premises and/or the Plaza.
3. No aerial or other improvement shall be erected on the roof or exterior walls of the Premises or the grounds, nor shall any penetration be made in the roof or exterior walls of the Premises, without in each instance, the written consent of the Landlord. Any work or improvement so completed without such written consent shall be subject to removal without notice at any time at the sole cost of Tenant.
4. No loudspeakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of Landlord. Tenant shall conduct its business in a quiet and orderly manner so as not to create unreasonable noise.
5. The outside areas immediately adjoining the Premises shall be kept clear and free from obstruction by Tenant and Tenant shall not place or permit any merchandise or conduct any sales in such areas.
6. Tenant and Tenant's employees shall not park automobiles in the Plaza Common Area (including parking areas), unless Landlord designates a specific area for such parking. Unless such area is designated by Landlord, all parking areas in the Plaza are to be reserved for patrons. In the event Tenant or Tenant's employees park automobiles in the Plaza, in an area other than that designated by Landlord, then Landlord at its option may cause the vehicle to be towed from the Parking or Common Area at the vehicle owner's expense.
7. The plumbing facilities shall not be used for any other purpose than that for which they are constructed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant.
8. Tenant shall not cause or permit any obnoxious or foul odors that disturb the public or other tenants. Should such odors be evident, Tenant shall be required to take immediate steps to remedy the same upon written notice from Landlord.
9. Tenants shall not contract for any work or service which might involve the employment of labor incompatible with the Plaza employees or employees of contractors doing work or performing services by or on behalf of the Landlord.
10. The Premises shall not be used for lodging, and no cooking shall be done or permitted by Tenant on the Premises except as specifically permitted in the Lease to which these Rules and Regulations are attached.
11. No animal or bird of any kind shall be brought into or kept in or about the Premises or the Building.
12. Neither Tenant nor any of Tenant's agents, servants, employees, contractors, visitors or licensees shall at any time bring or keep upon the Premises any inflammable, combustible or explosive fluid, chemical or substance.
13. No additional locks, bolts or mail slots of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any change be made in existing locks or the mechanism thereof. Tenant shall,

EXHIBIT C

upon the termination of the tenancy, restore to Landlord all keys of stores, offices and toilet rooms, either furnished to, or otherwise procured by Tenant, and in the event of the loss of any keys so furnished, Tenant shall pay to Landlord the cost thereof.

14. Tenant's contractors shall, while in the Building or elsewhere in the Plaza, be subject to and under the control and direction of the Landlord (but not as agent or servant of Landlord).
15. If the Premises is or becomes infested with vermin as a result of the use or any misuse or neglect of the Premises by Tenant, its agents, servants, employees, contractors, visitors or licensees, Tenant shall forthwith at Tenant's expense cause the same to be exterminated from time to time to the satisfaction of Landlord and shall employ such licensed exterminators as shall be approved in writing in advance by Landlord.
16. The requirements of Tenant will be attended to only upon application to the manager of the Plaza. Plaza personnel shall not perform any work or do anything outside of their regular duties, unless under special instructions from Landlord.
17. Tenant shall install and maintain, at Tenant's sole cost and expense, an adequate visibly marked (at all times properly operational) fire extinguisher next to any duplicating or photocopying machine or similar heat producing equipment, which may or may not contain combustible material, in the Premises.
18. Tenant shall not use the name of the Plaza for any purpose other than as the address of the business to be conducted by Tenant in the Premises, nor shall Tenant use any picture of the Plaza in its advertising, stationery or any other manner without the prior written permission of the Landlord. Landlord expressly reserves the right at any time to change the name of the Plaza without in any manner being liable to Tenant therefor.
19. Landlord reserves the right from time to time to amend or supplement the foregoing rules and regulations, and to adopt additional rules and regulations applicable to the Premises. Tenant shall comply with all equitably enforced rules and regulations upon reasonable notice to Tenant from Landlord. Reasonable notice of such rules and regulations and amendments and supplements thereof, if any, shall be given to Tenant.

EXHIBIT D

STANDARDS FOR UTILITIES AND SERVICES

Attached

EXHIBIT D

STANDARDS FOR UTILITIES AND SERVICES

Landlord shall provide the following utilities and services, at Landlord's cost:

(a) Elevators. Unattended automatic passenger elevator facilities serving the floor(s) on which the Premises are located, on a 24-hours a day, 7-days a week basis.

(b) Ventilation; Heating and Air-Conditioning. Ventilation to the Premises, and air-conditioning and heating to the Premises in season, on a 5-day a week basis, Monday through Friday, except holidays generally recognized in the City of San Francisco, from 7:00 a.m. to 6:00 p.m., and at such temperatures and in such amounts as City deems reasonably necessary for the comfortable occupancy of the Premises, subject to applicable governmental laws, ordinances, rules and regulations. In addition to the hours set forth above, Landlord shall provide ventilation to the Premises, and air-conditioning and heating to the Premises in season, after hours or on weekends or during holidays, upon twenty-four (24) hour notice from City, provided that City shall reimburse Landlord for Landlord's actual cost for providing such additional ventilation to the Premises, and air-conditioning and heating to the Premises in season. City shall not alter, adjust or tamper with the installations or facilities supplying climate control to the Building or the Premises.

(c) Electricity. Electric current to the Premises on a 24-hours a day, 7-days a week basis, as required by the Building standard office lighting and for personal computers and other normal fractional horsepower office machines. If Tenant's electrical installation or electrical consumption is in excess of the quantity described above, City shall reimburse Landlord monthly for the additional consumption. Tenant shall not connect any apparatus or device with wires, conduits or pipes, or other means by which the services are supplied, for the purpose of using additional or extraordinary amounts of the services without the prior written consent of City. At all times, Tenant's use of electric current shall not exceed the capacity of feeders to the Building or the risers or wiring installation, except as provided in working drawings to City.

(d) Water. Water available at current points of supply in public areas for drinking and lavatory purposes only, and hot and cold water in the Premises for drinking and kitchen purposes, on a 24-hours a day, 7-days-a-week basis.

EXHIBIT E

STANDARDS FOR JANITORIAL SERVICE

Attached.

EXHIBIT E

STANDARDS FOR JANITORIAL SERVICE

3801 Third Street, Suite 400

L 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 Public Health
1380 Howard Street
San Francisco, CA 94103
Attn.: Tyrone Navarro

- 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 its offices in the Building. Tenant's recyclable material bins stored within the Premises shall be emptied by Landlord's Contractor into the appropriate dumpsters provided by Landlord.
- 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. Dust all desks and office furniture with treated dust cloths.
- e. Papers and folders on desks are not to be moved.
- f. Sanitize all telephone receivers.
- g. Empty all waste paper baskets and Tenant's recyclable material bins within the Premises and remove all trash from floors to the designated trash areas and place in the appropriate dumpsters provided by Landlord.
- h. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
- i. Return chairs and waste baskets to proper positions.
- j. Clean, sanitize and polish drinking fountains.
- k. Police any interior public planters.
- l. Dust and remove debris from all metal door thresholds.
- m. Wipe clean smudged brightwork.
- n. Spot clean resilient and composition floors as required.
- o. Service all walk-off mats as required.
- p. Close all window coverings.
- q. 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. 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. Wash and polish all mirrors, dispensers, faucets, flushometers and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
- c. Wash and sanitize all toilets, toilet seats, urinals and sinks with non-scratch disinfectant cleaner.
- d. Remove stains, scale toilets, urinals and sinks, as required.
- e. Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
- f. Remove all rest room trash.
- g. Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.

- h. Check for burned out lights and replace from building stock (supplied by Landlord).
 - i. 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 glass shall be cleaned not less than once per year. The interior glass was cleaned in June, 2008, and the exterior glass was cleaned in August, 2008.
- 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 and correct said deficiency within a reasonable time of not more than two days unless there are special circumstances such as the shipment of specialty parts.

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 F

STANDARDS FOR SECURITY SERVICE

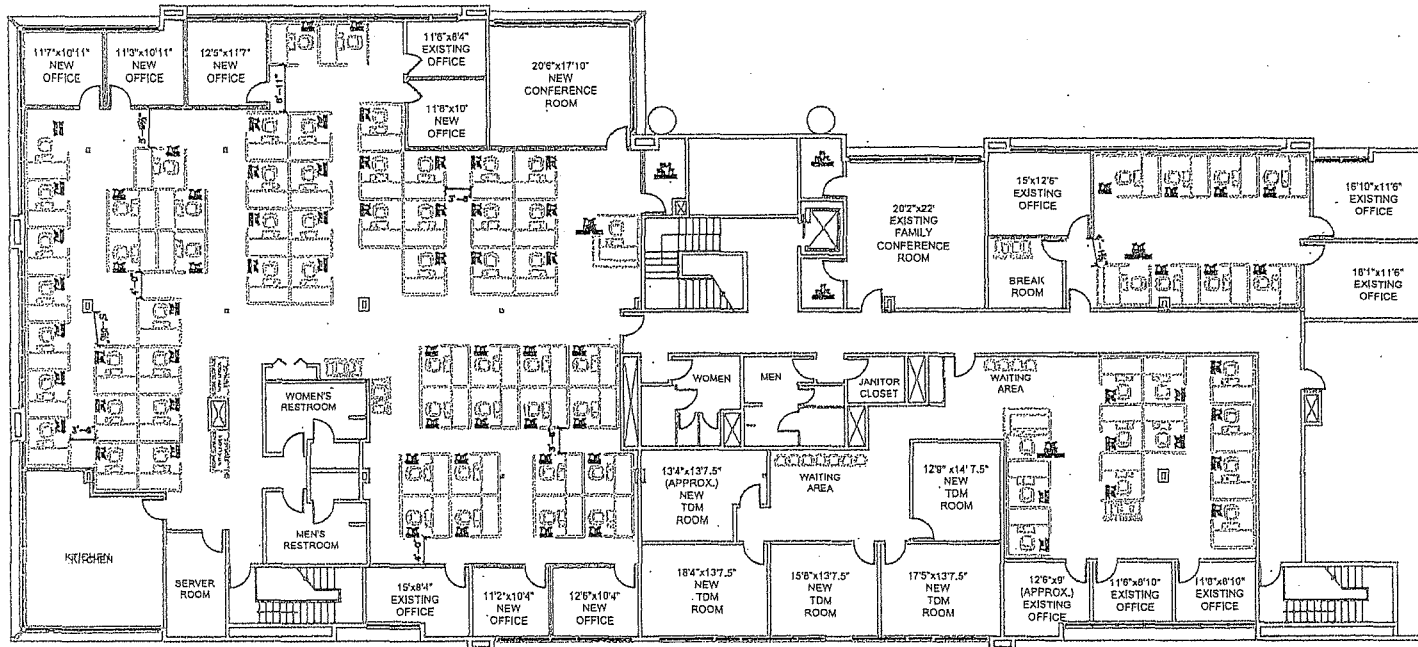
Landlord shall furnish security services as follows:

- Security Guards: One security guard on the Property from 12:00 noon to 8 p.m., seven days per week.
- Other Security Services: The Property shall be patrolled from 9:00 p.m. to 6:00 a.m., seven days per week.

EXHIBIT G

CITY'S SPECIFICATION DRAWING

Attached.



BAYVIEW PLAZA
3801 3rd Street
San Francisco CA

BUILDING A
SECOND FLOOR
SHEET TITLE:
PROPOSED NEW PLAN
VERSION ONE

DATE: 12/14/13

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

DRAWN BY: ALFIE IBARRA

EXHIBIT H

WORK LETTER

Attached

EXHIBIT H

WORK LETTER

(3801 Third Street, Suites 200, 205, 210, 230, 235, 240, 220
San Francisco, California)

This Work Letter is part of the Office Lease dated as of December 2, 2014 (the "Lease"), executed concurrently herewith, by and between Bayview Plaza, LLC, as Landlord, and the City and County of San Francisco, as Tenant, covering certain premises described in the Lease. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease.

Landlord, at its sole cost and expense (except as otherwise specifically set forth herein), and through its general contractor approved by City (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents finally approved by City pursuant to paragraph 1 below (the "Leasehold Improvements"), in accordance with the provisions of this letter.

1. Plans and Specifications

a. Schematic Design Documents. City and Landlord hereby approve the schematic design plans for the Leasehold Improvement Work attached as Exhibit G (the "Schematic Design Documents").

b. LEED Gold Certification

Landlord acknowledges that the City's San Francisco Environment Code Sections 700 to 713 requires the Leasehold Improvements to obtain a LEED I, D & C Gold certification from the U.S. Green Building Council ("USGBC") and agrees to cooperate with such requirement for the Leasehold Improvements. All costs, including the contracting with a LEED AP consultant, shall be included in the Construction Costs and deducted from the Allowance as provided below. Such USGBC certification is one of City's program requirements.

c. Design Development Documents. Promptly following the Effective Date, based on the approved Schematic Design Documents, City's program requirements, and any adjustments approved by City, Landlord shall cause its architect or space planner reasonably approved by City (the "Architect") and its qualified and licensed engineer reasonably approved by City (the "Engineer") to prepare and submit to City for its approval plans and specifications expanding in greater detail the representations of the Schematic Design Documents and fixing and describing the size and character of the Leasehold Improvements, including, without limitation, architectural, LEED, mechanical, electrical, fire and life safety systems, materials and such other elements as may be appropriate, together with fully developed floor plans, interior elevations, reflected ceiling plans, wall and building sections (collectively, the "Design Development Documents"). The Design Development Documents shall be subject to approval by City in accordance with Paragraph 1.f below.

d. Construction Documents. Based on the approved Design Development Documents and any further adjustments approved by City, promptly following City's approval, Landlord shall cause its Architect and Engineer to prepare and submit to City for its approval final plans, specifications and working drawings for the Leasehold Improvements, setting forth in detail all aspects of the design, function and construction of the Leasehold Improvements, in form sufficient for bidding of all elements of construction, and in conformity with all of the

requirements of this Work Letter (collectively, the "Construction Documents"). Such Construction Documents shall be subject to approval by City in accordance with Paragraph 1.f below.

e. Design in Accordance with City's Requirements. Landlord's Architect shall consult and hold periodic meetings with City in the preparation of the Design Development Documents and Construction Documents.

f. City's Approval of Plans. The Design Development Documents and Construction Documents (and any Landlord Change Orders thereto, as described below) shall be subject to approval by City, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Design Development Documents, Construction Documents or proposed Change Order by Landlord to City, City shall have five (5) days to disapprove any element thereof. If City does so, then City shall notify Landlord within such period of its disapproval and of the revisions that City reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to City documents incorporating the required revisions. Such revisions shall be subject to approval by City, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by City if City fails to notify Landlord of any objection within five (5) days after receipt of the revision.

g. City Approval of Budgetary Costs. In addition to routine and customary exchanges of information, Landlord's Architect shall submit the Design Development Documents to City, Landlord, and Contractor for preliminary pricing. Within ten (10) business days of Contractor's receipt of the Design Development Documents, Contractor shall submit to City and Landlord for comment a Rough Order of Magnitude ("ROM") Budget based on the Design Development Documents. Such construction budget based on the Design Development Documents shall hereinafter be referred to as the "ROM Budget". The ROM Budget shall include an appropriate contingency for further detail of the drawings and unexpected conditions. In the event such ROM Budget exceeds \$750,000 (the "Maximum Construction Cost"), all parties shall cooperate in good faith to identify and implement changes to the Design Development Documents as required to satisfactorily reduce the cost of the work to below such Maximum Construction Cost. Then, within fifteen (15) business days of Contractor's receipt of the Construction Documents, Contractor shall submit to City and Landlord for review and comment an update of the ROM Budget (the "Estimated Construction Cost"). City shall have 10 days to review and approve the Estimated Construction Cost. In the event such Estimated Construction Cost exceeds the Maximum Construction Cost, all parties shall cooperate in good faith to identify and implement changes to the Construction Documents which are required to satisfactorily reduce the cost of the work to that of the Maximum Construction Cost, except as otherwise acceptable to City.

h. Changes to Approved Construction Documents.

i. City Change Orders. If following its approval of the Construction Documents, City requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("City Change Order"), Landlord shall cause it Contractor to provide a good faith Rough Order of Magnitude estimate of the cost and potential construction delay, if any. If City decides to pursue a City Change Order, it shall notify Landlord in writing and Landlord shall cause the Architect or Engineer, as applicable, to promptly prepare plans and specifications with respect to such change, addition or alteration. Within five (5) days of the later of City's written request and receipt of such plans in sufficient detail to provide pricing, Landlord shall notify City of the cost that would be incurred by reason of such proposed City Change Order and any delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the cost of the City

Change Order within five (5) days of receipt from Landlord, then Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. City shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any City Change Order, as evidenced by invoices or other substantiation reasonably required by City.

ii. Landlord Change Orders. If following City's approval of the Construction Documents, Landlord requests or is required to make any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide City with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to City's prior written approval, in accordance with Paragraph 1.e above. No approval by City of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, nor shall any such approval limit any of City's rights or remedies hereunder or under the Lease. Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto, and no such amount shall be paid or deducted from the Allowance.

iii. Appointment of Representatives. City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. The initial Representatives and Alternates shall be:

City:	Representative -- David Curto
	Alternate -- _____
Landlord:	Representative -- Fred Karren
	Alternate -- Leslie Karren

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

2. Mayor's Office of Disability Review; 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 shown on the approved Construction Plans.

Landlord acknowledges that City requires that the Construction Plans 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 the Architect to submit the Construction Plans to the MOD for review promptly following execution and delivery of this Lease. If MOD requires revisions to the Construction Plans or modifications or additional improvements to the Premises or the Building, Landlord shall cause Architect to

revise the Construction Plans 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 Plans." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to notify Landlord and City that the Construction Plans 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 Plans 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 Plans 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.

3. Construction

a. Construction of Leasehold Improvements. Following City's approval of the Construction Documents, receipt of permits and City's vacating that portion of the Premises as provided below, Landlord shall cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. City shall not have any obligation with respect to any such work other than as provided herein.

b. Vacating the Portions of the Premises for Construction. Landlord and City acknowledge that City currently occupies the Premises and shall work cooperatively so that Construction can begin promptly after receipt of permits. City, at its sole cost, shall vacate the Premises and remove the furniture so that Landlord can complete the Leasehold Improvements in phases (as shown on Exhibit H-2). Landlord shall have no obligation to construct the Leasehold Improvements until such time as City delivers the Premises in such condition.

c. Construction Schedule. Landlord shall commence construction of the Leasehold Improvements within ___ days after approval of all required permits for construction in accordance with the approved Construction Documents, and shall diligently pursue construction to completion, all in accordance with the construction schedule attached hereto as Exhibit (the "Construction Schedule").

d. Status Reports; Inspections. Landlord shall keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall furnish City with **biweekly** reports on construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its Representative may accompany City during any such inspection.

e. General Conditions. The performance of all Leasehold Improvement Work by Landlord shall be subject to the following terms and conditions:

i. All of the Leasehold Improvement Work shall be performed in compliance with all laws, codes, regulations and building requirements (collectively, "Laws") bearing on construction of the Leasehold Improvements;

ii. Without limiting the foregoing, the construction of the Leasehold Improvements shall comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state;

local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabled Access Laws"),

iii. Landlord and its Contractor shall be responsible for all required insurance; and

iv. At City's request, Landlord shall require at least three (3) competitive bids from subcontractors in each trade in connection with all work performed by Landlord or its Contractor hereunder.

f. Cooperation. Landlord shall cooperate at all times with City in bringing about the timely completion of the Leasehold Improvements. Landlord shall resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner which shall allow work to proceed expeditiously.

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

h. Installation of Furniture Workstations to be Performed by City. City, or its consultants and vendors, shall, at City's cost, develop plans and specifications for the installation of furniture workstations for City's occupancy of the Premises. Landlord shall cause the Contractor to reasonably cooperate with City's installation work and coordinate such work with the Leasehold Improvement Work. As part of the Leasehold Improvements, Landlord shall be responsible for providing electrical connections (wire whip installation) to such workstations. Beyond that point, City shall be responsible for installing such workstations at its expense. Landlord agrees to cause Contractor to cooperate reasonably with City and its consultants, contractors and subcontractors during all work. The foregoing obligation shall include, without limitation, an obligation to give City and its consultants, contractors and subcontractors access and entry to the Premises and sufficient opportunity and time during each work day without separate charge therefor, to enable City to install such workstations, provided however, such installation shall not unreasonably impede Landlord's completion of the Leasehold Improvements. Such access shall include reasonable access to the elevator in the Building designated for freight use (i) on a non-exclusive basis during normal business hours and (ii) on an exclusive basis after hours as reasonably needed from time to time.

i. Asbestos Related Work. In the event that City, its consultants, contractors or subcontractors encounter any asbestos containing materials (ACM) in the Building in connection with the installation of City's telecommunications, data and computer cabling,

Landlord agrees to be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof. In no event shall any such costs be deducted from the Tenant Improvement Allowance or otherwise be City's responsibility. Any delay due to the presence of unknown ACM in the Building shall be considered a Landlord Delay.

j. Construction Improvements that Disturb or Remove Exterior Paint. Landlord, on behalf of itself and its agents, employees, officers and contractors, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord, its agents, employees, officers and contractors shall give to City three (3) business days prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under the Lease and similarly that notice under the Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its agents, employees, officers and contractors, 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 Paragraph, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.]

4. Payment for Work; Allowance

a. Accessibility Improvements. Landlord shall through its approved Contractor furnish and install all improvements that are required to bring the Premises and the Common Areas serving the Premises, including, without limitation, the lobbies, corridors, telephone banks, drinking fountains, elevators, elevator vestibules, stairs, stair vestibules and restrooms, and signage in all such areas, into full compliance with all Disabled Access Laws as determined by the City's Mayor's Office of Disability in accordance with Paragraph 2 above. All costs of such work shall be performed by Landlord and such costs shall be deducted from the Allowance (as defined in paragraph 4.c below).

b. Payment for Plans, Permits and other fees. The costs of (i) preparing the Schematic Design Documents, Design Development Documents and the Construction Documents (ii) cost associated with LEED certification, and (iii) any necessary fees or permits required by the Leasehold Improvement Work shall be paid by Landlord and shall be deducted from the Allowance (as defined in paragraph 4.c below), subject to City's prior approval of such costs as provided in paragraph 4.c below. Landlord shall evidence such costs by invoices and other substantiation as City may reasonably require.

c. Other Leasehold Improvement Work. In addition to paragraph 4.a and 4.b above, Landlord shall pay for the cost of constructing and installing the Leasehold Improvements up to a total sum of Two Hundred Thirty Two Thousand One Hundred Ninety Three Dollars (\$232,193), approximately \$15.39 per rentable square foot, (the "Allowance"). In the event that the actual costs to construct and install the Leasehold Improvement Work incurred by Landlord exceed the amount of the Allowance, City shall pay such excess costs upon receipt of required documentation in accordance with subparagraph d below. City's share of the Leasehold Improvement costs in excess of the Allowance hereunder shall in no event exceed one million dollars (\$1,000,000). City shall not be responsible for, and the Allowance shall exclude, 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, and any charges for parking or use of hoists or freight elevators except for property management fees necessary to facilitate the Leasehold Improvement construction. City shall be solely responsible for the costs of the workstations, furniture, telecommunications, data and computer cabling work described above, except as provided hereinabove.

d. City's Approval of Costs. Prior to the start of any Leasehold Improvement Work, Landlord shall provide City with a detailed Final Construction Cost for its approval. The Final Construction Cost shall include (i) all hard and soft costs and (ii) a reasonable contingency amount ("the Construction Contingency"). If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved Final Construction Cost, 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 and with City's reasonable approval such costs shall be deducted from the Construction Contingency. If further changes are required, Landlord shall seek City's approval, following the same procedures. City shall have the right to approve or disapprove any construction cost or revisions in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed. The most recently approved construction cost shall supersede all previously approved costs.

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, and (iii) such additional supporting data substantiating the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

5. Substantial Completion

a. Construction Schedule. City and Landlord acknowledge that the work shall be done in phases as shown on the attached Exhibit H -2. Landlord and City agree to use best efforts to complete the Leasehold Improvement Work pursuant to a mutually agreeable schedule for relocation, construction and occupancy after Substantial Completion. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify City when the Leasehold Improvement Work is in fact Substantially Completed and the Premises are ready for occupancy by City, and City or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

b. Substantial Completion. The Leasehold Improvements shall be deemed to be "Substantially Completed" for purposes hereof when the Leasehold Improvements are sufficiently complete in accordance with the Construction Documents and the terms of this Work Letter so that City can occupy the Premises and conduct its business and (i) all necessary

inspections required for occupancy of the Premises have been completed and signed off as approved by the appropriate governmental authority(ies), (ii) a temporary certificate of occupancy with respect to City's occupancy of the Premises has been issued by the appropriate governmental authority, and (iii) the Architect reasonably determines and certifies in writing to City that the Leasehold Improvements have been Substantially Completed in accordance with the Construction Documents to the extent necessary to enable City to occupy the Premises and to conduct its normal business operations therein without unreasonable impairment or interference, but subject to "punchlist" items, the completion of which will not unreasonably interfere with City's normal business operations therein. City may, at its option, approve the Leasehold Improvements even though there 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 and the terms of this Work Letter. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and in any event within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the Construction Documents and the provisions hereof, nor constitute a waiver of any latent defects.

6. Delays in Construction

a. Unavoidable Delays. For purposes hereof, "Unavoidable Delays" shall mean any delays by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, protests, riots, demonstrations, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance, and thereafter shall keep the other party regularly informed of the status of such Unavoidable Delay. Under no circumstances shall the number of days of Unavoidable Delays exceed a total of one hundred sixty (160) days without City's consent.

b. Tenant Delays. Subject to any Unavoidable Delay, City shall be responsible for any delay in the construction of the Leasehold Improvements due solely and directly to any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of plans and specifications (beyond the period granted therefor), (ii) a delay in vacating the Premises after Landlord written notice given ninety (90) days prior to expected commencement of construction, (iii) City Change Orders to the Construction Documents, provided such delay shall be limited to the number of days consented to by City, and (iv) City's delay in granting its reasonable approval of any costs to be included in the Allowance (beyond the period granted therefor). Such Tenant Delays in the completion of construction of the Leasehold Improvement Work shall extend the date for Substantial Completion hereunder. Notwithstanding the foregoing, City shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

General Provisions.

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

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

With a copy to: Human Services Agency
170 Otis Street
San Francisco, CA 94103
Attn: David Curto

Landlord: Bayview Plaza, LLC
22 Battery Street, Suite 503
San Francisco, CA 94111
Attn: Fred Karren

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of this paragraph. 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 overnight courier, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

d. Landlord's Duty to Notify City. Landlord shall promptly notify City in writing of (i) any written communication that Landlord may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property, Building or Leasehold Improvements fail in any respect to comply with applicable laws, rules and regulations; (ii) any known material adverse change in the physical condition of the Property, including, without limitation, any damage suffered as a result of earthquakes; and (iii) any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

e. Prevailing Wages for Construction Work. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements which Landlord is obligated to provide under this Work Letter shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in any contract for construction of the Leasehold Improvements, 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 further agrees that, as to the construction of the Leasehold Improvements under this Work Letter, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Section 6.22(E) of the San Francisco Administrative Code.

f. Tropical Hardwood and Virgin Redwood Ban.

Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors 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.

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

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 any amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is 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.

g. Days. Unless otherwise provided herein, all periods specified by a number of days shall refer to business days. Saturdays, Sundays and recognized City holidays shall not constitute business days.

h. Approvals. Landlord understands and agrees that City is entering into this Work Letter in its proprietary capacity and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary herein, no approval by City of the plans for the Leasehold Improvements (including the Design Development Documents or Construction Documents), completion of the Leasehold Improvement Work nor any other approvals by City hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of City as tenant hereunder may be made by City's Director of Property unless otherwise specified herein.

7. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

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

LANDLORD: BAYVIEW PLAZA, LLC
a California limited liability company

By: Fred L. Karren

Its: Managing Member

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: John Updike

JOHN UPDIKE
Director of Property

RECOMMENDED:

[Signature]
Human Services Agency

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

By: Heidi J. Gewertz

Heidi J. Gewertz
Deputy City Attorney

City and County of San Francisco



London Breed, Mayor

Human Services Agency

Department of Human Services
Department of Aging and Adult Services
Office of Early Care and Education

2019 OCT 10 PM 1:52
Trent Rhorer, Executive Director

October 22, 2019

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

RE: Human Services Agency– Lease Renewal – 3801 Third Street

Dear Board members:

Attached for your consideration is a resolution authorizing a lease extension on behalf of the Human Services Agency ("HSA") for the operation of its Family and Children's Services (Child Welfare) program. The program provides a wide range of services such as foster care, counseling, parent education, child visitation, case management and other activities that strengthen families and prevent child abuse and neglect. The existing lease (previously approved by this Board in 2014) is between the City (as tenant) and Bayview Plaza, LLC (as "Landlord") for 15,083 rentable square feet within Suites 200, 205, 210, 220, 230, 235, and 240 at 3801 Third Street in San Francisco.

Upon approval of this Resolution, the term of the lease will be extended from December 1, 2019 through November 30, 2024. Base rent in the initial year will remain unchanged from what it is currently at \$45,355.13 per month, or \$543,901.56 per year (\$36.12/sq. ft./yr.). Pursuant to the terms of the lease, each year thereafter, base rent will increase by Consumers Price Index (min. 3%, max. 5%). The Landlord is responsible for all other operating expenses and common area expenses. The negotiated rent is below the threshold required for an independent appraisal.

If you have any programmatic questions, please contact Robert Walsh at 415-557-5644. If you have any questions regarding the lease itself or deal terms, please contact Claudia Gorham of the Real Estate Division office by phone at 415-554-9871 or email at claudia.gorham@sfgov.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Trent Rhorer", followed by a horizontal line.

Trent Rhorer
Executive Director



San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

ethics.commission@sfgov.org . www.sfetethics.org

Received On:

File #:

191050

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

1. FILING INFORMATION	
TYPE OF FILING	DATE OF ORIGINAL FILING (for amendment only)
original	
AMENDMENT DESCRIPTION – Explain reason for amendment	

2. CITY ELECTIVE OFFICE OR BOARD	
OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

3. FILER'S CONTACT	
NAME OF FILER'S CONTACT	TELEPHONE NUMBER
Angela calvillo	415-554-5184
FULL DEPARTMENT NAME	EMAIL
Office of the Clerk of the Board	Board.of.Supervisors@sfgov.org

4. CONTRACTING DEPARTMENT CONTACT	
NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Rachel Gosiengfiao	554-9880
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
RED GSA- Real Estate	rachel.gosiengfiao@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Bayview Plaza LLC	TELEPHONE NUMBER 415.979.0406
STREET ADDRESS (including City, State and Zip Code) 22 Battery St, Ste 503, SF, CA 94111	EMAIL karrenco@aol.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 191050
DESCRIPTION OF AMOUNT OF CONTRACT Total annual base rent of \$543,901.56		
NATURE OF THE CONTRACT (Please describe) Five-year extension of existing lease for real property located at 3801 Third Street.		

7. COMMENTS

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Karren	Fred E	other Principal officer
2	Karren	Beth D	other Principal officer
3	Beren	Arthur	other Principal officer
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9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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☐ Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.

10. VERIFICATION

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK

DATE SIGNED

BOS Clerk of the Board