

**THIS PRINT COVERS CALENDAR ITEM NO. : 10.4**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Finance and Information Technology

**BRIEF DESCRIPTION:**

Authorizing the Director of Transportation to execute a Memorandum of Understanding with the Recreation and Park Department (RPD) and approving a lease, with substantially the same terms and conditions as presented here, between the City and a Master Tenant to facilitate the Phase I redevelopment of the Geneva Car Barn.

**SUMMARY:**



- The historic Geneva Car Barn, located at 2301 San Jose Avenue and formerly a Muni facility, has been vacant since 1989.
- In 2004, the SFMTA and RPD entered into a Memorandum of Understanding (2004 MOU), and the San Francisco Board of Supervisors approved a jurisdictional transfer of the Geneva Car Barn from the SFMTA to RPD for the future development of a youth recreation facility.
- RPD has recently identified a financing and development pathway to complete the Phase I renovation of the Geneva Car Barn (Project). The Project consists of renovating the Powerhouse and placing accessory, Powerhouse-related facilities, such as mechanical equipment and a modular restroom, on Cameron Beach Yard (SFMTA Areas). The Project requires a 55-year lease of the Powerhouse and SFMTA Areas.
- A new MOU between the SFMTA and RPD (2017 MOU) will establish terms and conditions governing the construction and operation of the Project.

**ENCLOSURES:**

1. SFMTAB Resolution
2. Memorandum of Understanding between the SFMTA and RPD
3. Master Lease

**APPROVALS:**

**DATE**

DIRECTOR	 _____	11/27/2017 _____
SECRETARY	 _____	11/27/2017 _____

**ASSIGNED SFMTAB CALENDAR DATE:** December 5, 2017

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### **PURPOSE**

Authorizing the Director of Transportation to execute a Memorandum of Understanding with the Recreation and Park Department (RPD) and approving a lease, with substantially the same terms and conditions as presented here, between the City and a Master Tenant to facilitate the Phase I redevelopment of the Geneva Car Barn.

### **STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES**

This item will meet the following goals and objectives of the SFMTA FY2013-18 Strategic Plan and Transit First Policy Principles:

#### Strategic Plan Goals/Objectives

Goal 1: Create a safer transportation experience for everyone  
Objective 1.2: Improve workplace safety and security.

Goal 3: Improve the environment and quality of life in San Francisco  
Objective 3.2: Increase the transportation system's positive impact to the economy.  
Objective 3.3: Allocate capital resources effectively.

Goal 4: Create a workplace that delivers outstanding service  
Objective 4.4: Improve relationships and partnerships with our stakeholders.

#### Transit First Policy Principles

1. To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.
3. Decisions regarding the use of limited public street and sidewalk space shall encourage the use of public rights of way by pedestrians, bicyclists, and public transit, and shall strive to reduce traffic and improve public health and safety.
5. Pedestrian areas shall be enhanced wherever possible to improve the safety and comfort of pedestrians and to encourage travel by foot.

### **DESCRIPTION**

The Geneva Car Barn, located at 2301 San Jose Avenue, was built in 1901 to house offices and electric generators for one of San Francisco's first streetcar lines, the San Francisco and San Mateo Electric Railway Company. The Car Barn later served as a Muni depot and was declared a City landmark in 1985. The Car Barn was heavily damaged in the 1989 Loma Prieta earthquake and has been unoccupied since.

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The Recreation and Park Department of the City and County of San Francisco (RPD) expressed an interest in transforming the vacant Car Barn into a youth recreation facility. In 2004, the SFMTA and RPD executed a Memorandum of Understanding (2004 MOU) that outlined each party's allowable uses on the Car Barn property and the adjacent Cameron Beach Yard, an SFMTA rail facility located on the east side of the Car Barn. The 2004 MOU also committed approximately \$865,000 of SFMTA funding toward the stabilization of the Car Barn. The stabilization work, consisting of structural improvements to make the Car Barn more seismically resilient, was completed in 2004. In January 2004, the SFMTA Board of Directors passed Resolution No. 04-014 declaring the Car Barn to be surplus property and requesting that it be transferred to RPD at no cost. The boundaries of the property included the Car Barn itself and a narrow buffer on the north, east, and south sides. In April 2004, by Resolution No. 193-04, the San Francisco Board of Supervisors transferred jurisdiction of the Car Barn from the SFMTA to RPD.

RPD recently assembled financing that will facilitate the Phase I rehabilitation of the Geneva Car Barn (Project). The Car Barn consists of two building wings. The southern wing, which housed large electric generators serving streetcar lines, is the focus of the Project. The southern wing is known as the Geneva Powerhouse. The northern wing, the Geneva Office Building, is not part of the Project. RPD intends to renovate the Office Building eventually, though RPD has not yet identified funding and a schedule for its renovation. The Project will convert the Powerhouse into a youth arts and recreation facility. Public access to the Powerhouse, including emergency access, will be from San Jose Avenue. There will be no public access to Cameron Beach Yard from the Powerhouse.

The dimensions of the Car Barn property do not provide enough room for accessory facilities serving the Project, such as a dumpster or electrical transformer. The Project locates these accessory facilities partially on the Car Barn property and partially on Cameron Beach Yard, as shown on Exhibit A of the proposed 2017 MOU (SFMTA Areas). These accessory facilities consist of an electrical transformer, a refuse enclosure, a modular restroom building, underground electrical conduit, and mechanical (HVAC) equipment. The modular restroom is a temporary building that will be removed when the Phase II renovation of the Car Barn is completed. The modular restroom building will be immediately adjacent to the Powerhouse, and there will be railing and signage to prevent restroom users from entering Cameron Beach Yard.

The accessory facilities located in the SFMTA Areas will cause minimal disruption to the operations of Cameron Beach Yard, both during their construction and once operations of the Project are underway. None of the facilities affect the trackway, with the exception of approximately 75 feet that will be decommissioned to accommodate the transformer pad and refuse enclosure. The SFMTA's Maintenance of Way staff have been involved in all phases of the Project design process.

SFMTA and RPD staff have been working on the 2017 MOU to address the design, programming, and schedule of the Project. The major terms of the 2017 MOU are as follows:

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1. Allows the SFMTA to reroute telephone infrastructure from the Car Barn that currently serves Cameron Beach Yard.
2. Documents the design of the Project including the location of the accessory facilities that will be placed in the SFMTA Areas.
3. Establishes procedures for SFMTA review of any construction occurring in Cameron Beach Yard. These procedures include SFMTA approval of the proposed construction schedule, staging plan, and access.
4. Establishes procedures for the use of the accessory facilities in the SFMTA Areas by RPD and its tenants.
5. Requires that RPD incorporate the 2017 MOU in any agreements between RPD and third parties that allow for their use of any portion of Cameron Beach Yard.
6. Indemnifies the SFMTA against any harm resulting from the renovation and operations of the Powerhouse.

In addition to the 2017 MOU, SFMTA staff are also presenting for Board review RPD's proposed 55-year lease for the Powerhouse and the SFMTA Areas (Master Lease) between the City and a third party entity (Master Tenant). Federal tax credits are a key component of the financing of the Project, and the tax credits require the creation of a Master Tenant. The purpose of the Master Lease is to establish the procedures for programming, managing, and maintaining the Powerhouse and the SFMTA Areas for a 55-year term. RPD will sign on behalf of the City, administer the Master Lease, and ensure compliance with the terms of the 2017 MOU.

The Master Lease will be presented to the San Francisco Board of Supervisors in December 2017. The Project is expected to begin in February 2018, and the estimated duration of construction is nine months.

#### **STAKEHOLDER ENGAGEMENT**

As the SFMTA's role in the Project is secondary to RPD's, RPD has directed all stakeholder engagement. RPD has held regular community meetings on the Powerhouse renovation since 2009, including meetings at Balboa High School, the Ingleside Presbyterian Church, and Lick Wilmerding High School. RPD also held informational meetings and design presentations at Sunnyside Conservatory, El Rey Theatre, Ingleside Terraces Anniversary events, the Excelsior Library, and the Muslim Community Center. At each of these events, RPD presented the status of the Project and gathered community feedback that has shaped its design.

RPD has also presented regularly at neighborhood association, District 11 Council, and Balboa Station Community Advisory Committee (CAC) meetings. RPD staff have attended Excelsior and Ocean View/Merced Heights/Ingleside (OMI) Community Convener meetings. RPD has met with youth service organizations, such as the Mission YMCA and Excelsior Boys and Girls Club; the OMI Excelsior Denman Beacon Center; cultural centers; faith-based organizations; and area high schools. RPD has also participated in SFMTA-sponsored open houses on transportation improvements in the vicinity of the Car Barn. RPD staff also attend Board meetings of the Friends of the Geneva Car Barn and Powerhouse to provide project updates on a bi-monthly basis.

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Lastly, in June 2017 at an RPD Operations Committee Commission meeting, representatives from the District 11 Council, the Friends of the Geneva Car Barn and Powerhouse, Ocean Avenue Association, and OMI Neighbors in Action spoke in support of RPD's commencing financing and leasing negotiations for the Project.

## **ALTERNATIVES CONSIDERED**

The SFMTA could keep the 2004 MOU and refrain from approving the 2017 MOU and Master Lease. The Powerhouse's accessory facilities must be located on the SFMTA Areas. Thus, the SFMTA should formally approve the location and use of those facilities. Without the oversight outlined in the 2017 MOU, there could be conflicts between the Project and the rail facilities at Cameron Beach Yard.

Another alternative that the SFMTA examined is to execute license agreements with the Master Tenant rather than including the SFMTA Areas in the Master Lease premises. However, the financial structure of the Project dictated that a 55-year lease, rather than license agreements, be the mechanism for the Master Tenant to access the accessory facilities and that the leased premises include the SFMTA Areas

Finally, the SFMTA could choose to not cooperate with RPD on the Project and could preclude any access to Cameron Beach Yard. However, to do so would run counter to the spirit of the 2004 MOU and jurisdictional transfer. The Project will return a valued, historic building to use and will provide important recreational services.

## **FUNDING IMPACT**

Under the terms of the 2017 MOU, there will be no cost to the SFMTA, other than the minor cost of re-routing telephone equipment from the Car Barn. All construction work outlined in the MOU will be the responsibility of RPD. Also, the 2017 MOU and Master Lease include broad indemnification language to minimize financial risk to the SFMTA.

The Master Lease establishes terms for lease payments from the Master Tenant to the City. The City will receive no lease revenue until at least the 15<sup>th</sup> year of the lease. The City will eventually receive lease payments based on the fair market value of the Project as a recreational facility. According to the 2017 MOU, the SFMTA will receive a proportional share of any lease revenue that the City receives, based on the square footage of the SFMTA Areas as a percentage of the overall Project site.

The SFMTA and RPD have discussed a potential cost share arrangement to improve a crosswalk that crosses Muni rail tracks on San Jose Avenue, immediately south of the Powerhouse. The Department of Building Inspection (DBI) requires that the crosswalk become ADA compliant prior to DBI's issuing a certificate of occupancy for the Project.

At this time, the terms of the cost share have not been finalized. The SFMTA and RPD are awaiting a final estimate of project costs before agreeing on the cost share and authorizing the work. The Public Works Department (PW) has completed an initial estimate of the construction

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cost alone, and the total estimated construction cost—not including ancillary costs such as traffic mitigation—is \$70,000.

**ENVIRONMENTAL REVIEW**

The Project, which would be furthered by the 2017 MOU and the Master Lease, does not require further review under the California Environmental Quality Act (CEQA). On December 4, 2008, the City’s Planning Commission certified the Balboa Park Station Area Plan Final Environmental Impact Report by Motion 17774, which was further approved by the City’s Board of Supervisors on April 7, 2009. On November 14, 2013, the Planning Department determined (Case Number 2012.0262E) that the Project is exempt from further CEQA review under Title 14 of the California Code of Regulations Section 15183.3.

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and may be found in the records of the Planning Department at 1650 Mission Street in San Francisco, and is incorporated herein by reference.

**OTHER APPROVALS RECEIVED OR STILL REQUIRED**

The City Attorney’s Office has reviewed this calendar item.

The Recreation and Park Commission must approve the 2017 MOU and Master Lease.

The Board of Supervisors must approve the Master Lease.

**RECOMMENDATION**

Authorizing the Director of Transportation to execute a Memorandum of Understanding with the Recreation and Park Department (RPD) and approving a lease, with substantially the same terms and conditions as presented here, between the City and a Master Tenant to facilitate the Phase I redevelopment of the Geneva Car Barn.

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. \_\_\_\_\_

WHEREAS, The Geneva Car Barn, located at 2301 San Jose Avenue in San Francisco, is a designated historic landmark that had been used as a rail facility for the San Francisco Municipal Railway; and,

WHEREAS, The Geneva Car Barn was substantially damaged in the 1989 Loma Prieta Earthquake and has remained unoccupied since; and,

WHEREAS, The Geneva Car Barn was placed under the jurisdiction of the SFMTA after the adoption of Proposition E in 1999, which created the SFMTA as an agency of the City and County of San Francisco and tasked the SFMTA with running the San Francisco Municipal Railway; and,

WHEREAS, The Recreation and Park Department of the City and County of San Francisco (RPD) expressed an interest in renovating the Geneva Car Barn and converting it into a recreation and arts facility for San Francisco's youth; and,

WHEREAS, On January 20, 2004, the SFMTA Board of Directors passed Resolution No. 04-014 declaring the Geneva Car Barn and a portion of surrounding property (GCB Property) to be surplus for the SFMTA's needs and requesting that GCB Property be transferred to the Recreation and Park Commission at no cost; and,

WHEREAS, On March 23, 2004, the Board of Supervisors of the City and County of San Francisco passed Resolution No. 193-04 effecting the jurisdictional transfer of the GCB Property from the SFMTA to the Recreation and Park Commission, subject to a reversion of jurisdiction to the SFMTA if it were no longer needed for a recreational purpose; and,

WHEREAS, In 2004, the SFMTA and the Recreation and Park Commission entered into a Memorandum of Understanding (2004 MOU) for continued cooperation for the SFMTA's use of the GCB Property as needed to use and develop the adjacent Cameron Beach Yard, and for RPD's use of the adjacent Cameron Beach Yard as needed to use and develop the GCB Property; and,

WHEREAS, RPD has assembled financing and completed design work for a Phase I renovation of a portion of the Geneva Car Barn known as the Powerhouse, and is now ready to proceed with the Phase I renovation; and,

WHEREAS, Cameron Beach Yard is an active railyard under the jurisdiction of the SFMTA and the Phase I renovation entails removing the telephone switching equipment serving Cameron Beach Yard from the GCB Property and placing facilities appurtenant to the Phase I

Geneva Car Barn renovation on portions of Cameron Beach Yard (SFMTA Areas); and,

WHEREAS, The removal of the telephone switching equipment from the GCB Property and the installation and use of Powerhouse facilities in the SFMTA Areas necessitate coordination between the SFMTA and RPD on various matters, including construction access, construction staging and scheduling, the location and use of appurtenant structures, and assignment of liability, which would all be addressed by replacing the 2004 MOU with a new Memorandum of Understanding (2017 MOU); and,

WHEREAS, RPD wishes to enter into a 55-year lease of the Powerhouse and the SFMTA Areas (Master Lease) to a party that will be responsible for programming, managing, and maintaining the Powerhouse, and the 2017 MOU would allow RPD to lease the SFMTA Areas to such a party if the SFMTA Board approves of the lease with substantially the same terms and conditions as presented here; and,

WHEREAS, On December 4, 2008, the San Francisco Planning Commission certified the Balboa Park Station Area Plan Final Environmental Impact Report by Motion 17774, which was further approved by the City's Board of Supervisors on April 7, 2009, and on November 14, 2013, the Planning Department determined (Case Number 2012.0262E) that the proposed Phase I project is exempt from further CEQA review under Title 14 of the California Code of Regulations Section 15183.3; and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and may be found in the records of the Planning Department at 1650 Mission Street in San Francisco, and is incorporated herein by reference; now, therefore be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute the 2017 Memorandum of Understanding with the Recreation and Park Commission to facilitate the Phase I renovation of the historic Geneva Car Barn; and be it

FURTHER RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors approves the Master Lease with respect to the SFMTA Areas to allow the Recreation and Park Commission to lease the Powerhouse as a recreation and arts facility for 55 years, and authorizes the Director of Transportation to approve any Master Lease modifications or amendments reasonably requested by the RPD General Manager as long as they comply with all applicable laws, including City's Charter.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of December 5, 2017.

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Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency



## MEMORANDUM OF UNDERSTANDING

**THIS MEMORANDUM OF UNDERSTANDING** (this "MOU") dated for reference purposes only as of \_\_\_\_\_, 2017, is entered into by and between the San Francisco Municipal Transportation Agency (the "SFMTA"), an agency of the City and County of San Francisco (the "City"), and the City's Recreation and Park Department ("RPD"). The SFMTA and RPD shall each be referred to from time to time in this MOU as a "Party" and together as the "Parties".

### RECITALS

A. In 2004, the SFMTA and the City's Recreation and Park Commission (the "Commission") agreed on the transfer of jurisdiction over two adjoining structures (together, the "Buildings") comprised of a two-story office building (the "Office Building") and a single-story powerhouse (the "Powerhouse"), along with the certain property immediately surrounding the Buildings (the "RPD Real Property"), from the SFMTA to the Commission for recreational uses. The Buildings and the RPD Real Property (together, the "Property") are adjacent to the SFMTA property commonly known as the Cameron Beach Yard (the "Yard").

B. By Resolution 193-04, City's Board of Supervisors transferred jurisdiction of the Property from the SFMTA to the Commission, subject to the condition subsequent that the Property will revert to the SFMTA if the Commission finds it no longer serves a recreational purpose and further subject to the SFMTA's ownership and use of a telephone system switch (the "SFMTA Telephone System Switch") and alarm system on the Property for the Yard.

C. Around the time of the jurisdictional transfer, RPD, the SFMTA, and Caltrans collectively funded and cooperated on a project to stabilize the Buildings and make them less likely to collapse in an earthquake. The stabilization work did not include the work required to make the Buildings seismically safe for occupancy, the necessary electrical, mechanical or plumbing upgrades or other refurbishment or renovations required for the use and occupancy of the Buildings for recreational purposes, or the removal of the SFMTA alarm system or the SFMTA Telephone System Switch.

D. A 2004 Memorandum of Understanding between the SFMTA and RPD (the "2004 MOU") provided for the funding and performance of such stabilization work, and granted the SFMTA limited access to the Property and RPD limited access to the Yard subject to certain terms and conditions.

E. RPD now plans to rehabilitate and improve the Powerhouse so it can be used for recreational purposes (the "Phase I Project"). Due to the narrow dimensions of the RPD Real Property, the Phase I Project includes installing the following improvements and performing the following work on the Yard (collectively, the "RPD Work"):

1) installing the Powerhouse transformer and garbage facilities (collectively, the "Facilities") in the "Facilities Area" depicted on the attached Exhibit A, together with a subsurface electrical conduit between the transformer and the Powerhouse (the "Subsurface Conduit") in the "Conduit Area" depicted on the attached Exhibit A;

- 2) installing a temporary modular restroom with related improvements, including a deck, fencing, and signage (collectively, the "Modular Restroom"), in the "Restroom Area" depicted on the attached Exhibit A.
- 3) relocating a train stop (the "Relocation Work"), as depicted in the attached Exhibit A; and
- 4) installing the equipment described in the attached Exhibit C (the "Mechanical Units") in the "Mechanical Unit Area" depicted on the attached Exhibit A.

F. RPD intends to enter into a construction contract for the Phase I Project, which is expected to take approximately one year. RPD also intends to lease all or portions of the Property to tenants (each, a "Master Tenant") that may further sublease portions of the Property to other parties (each, a "Subtenant"), all of whom will be required to use the Buildings primarily for recreational, educational and cultural purposes.

G. RPD is seeking the SFMTA's (i) commitment to deactivate the SFMTA Telephone System Switch, (ii) consent to the performance of the RPD Work on certain portions of the Yard, (iii) consent to the use of the installed Facilities, Modular Restroom, and Mechanical Units by RPD, the Master Tenant, any Subtenant, and their respective Agents and invitees, and (v) commitment to issue access licenses to any Master Tenant, Subtenant, and their respective Agents as needed to service, maintain, and repair the Buildings, the Facilities, the Modular Restroom, and the Mechanical Units.

H. The SFMTA agrees to such matters on the terms and conditions of this MOU.

**NOW, THEREFORE, IT IS AGREED AS FOLLOWS:**

**AGREEMENT**

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference.
2. **Term.** This MOU shall become effective either upon approval by the SFMTA's Board of Directors and the Commission, or the date it is fully executed, whichever is later (the "Effective Date"). This MOU shall continue from the Effective Date until terminated in writing by both Parties, unless otherwise terminated earlier pursuant to the terms and conditions below.
3. **Termination of 2004 MOU.** Effective as of the Effective Date, the terms and conditions of the 2004 MOU shall be of no further force and effect.
4. **SFMTA Work; Right of Entry.**
  - a. **SFMTA Alarm System and Telephone System Switch.** The SFMTA elects to abandon its alarm system at the Property, and RPD accepts ownership of such system as of the Effective Date. The SFMTA, at its sole cost and expense, shall deactivate the SFMTA Telephone System Switch pursuant to the requirements of this Section. To avoid interference with the Phase I Project, the SFMTA shall use good faith efforts to complete such deactivation and, at the SFMTA's sole election, any desired removal work (the "Removal and Deactivation Work") within ninety (90) days of RPD's written request. RPD shall not submit such a written request unless the Phase I Project construction work has commenced or will commence within the one hundred twenty (120) day period immediately following the date of such written request.

The SFMTA may, at its sole election, remove any SFMTA Telephone System Switch components at the time they are deactivated. If the SFMTA elects to abandon such components in place, they shall automatically be deemed RPD's property on the SFMTA's completion of the Removal and Deactivation Work and the SFMTA shall have no further responsibility therefor. The SFMTA warrants that, to the knowledge of its Senior Manager – Facilities and Strategic Real Estate, no third party has any lien on or interest in or to the SFMTA Telephone System Switch.

b. Access; Performance of Work; Repairs. RPD hereby grants to the SFMTA and its employees, agents, consultants, contractors, subcontractors, and authorized representatives (collectively, "Agents") the right to enter upon and use the Property as reasonably necessary for the Removal and Deactivation Work. The SFMTA shall cause the Removal and Deactivation Work to be performed (i) by City staff or duly licensed and bonded contractors or mechanics approved by RPD, (ii) in a good and professional manner that avoids excessive and unnecessary damage or harm to the Property, and (iii) in strict compliance with all laws, regulations and requirements of federal, state, county and municipal authorities, now in force or which may hereafter be in force, and all laws relating to hazardous materials, which impose any duty upon the SFMTA with respect to the Removal and Deactivation Work.

c. Approvals. The SFMTA shall be responsible, at its sole cost and expense, for obtaining all applicable approvals ("Approvals") of any regulatory agencies required for the performance of the Removal and Deactivation Work by or for the SFMTA. RPD shall cooperate in good faith with the SFMTA to submit any necessary consents or other documents reasonably required to enable the SFMTA or SFMTA's Agents to apply for and obtain such Approvals; provided, however, that the SFMTA shall obtain RPD's written consent, which shall not be unreasonably withheld, delayed or conditioned, to any Approvals that would place any restriction or obligations that encumber the Property and survive the completion of the Removal and Deactivation Work. If any portion of the Property is damaged by the performance of the Removal and Deactivation Work, the SFMTA shall repair such damage except to the extent RPD staff reasonably determines such repair is not required due to the nature and scope of the work on the Phase I Project. RPD shall notify the SFMTA of its determination on whether such repair is required within fifteen (15) days of the SFMTA's written request for such determination.

d. Third Party Insurance and Indemnity. The SFMTA shall require each contractor and subcontractor performing any Removal and Deactivation Work on the Property to obtain and maintain insurance as is recommended by the City Risk Manager and reasonably approved by RPD. If necessary to protect the interests of RPD, RPD shall be included as an additional insured in any such insurance. The SFMTA shall include RPD as an indemnified party in any indemnification provision between the SFMTA and any Agent it hires in connection with the Removal and Deactivation Work, to the extent the indemnification in such contract is not broad enough to cover RPD as a department of the City and County of San Francisco.

e. Schedule; Cooperation. At least fifteen (15) days prior to the date the SFMTA commences any Removal and Deactivation Work on the Property, the SFMTA shall notify the Phase I Project Manager of the date the SFMTA proposes to commence the Removal and Deactivation Work and the intended schedule. The Phase I Project Manager shall be Nicole Avril (nicole.avril@sfgov.org, telephone number 415-305-8468) or such other person designated by RPD's Director of Capital Projects and Planning in a written notice to the SFMTA. The SFMTA shall obtain the Phase I Project Manager's prior written approval of such schedule, which approval shall not be unreasonably withheld or delayed and may be provided by email. If the SFMTA does not complete the Removal and Deactivation Work before RPD commences the Phase I Project, the Parties will cause their Agents to coordinate with each other to ensure, to the extent reasonably practicable, that neither Party interferes with or damages the other Party's work.

## 5. RPD Work; Right of Entry.

a. Consent; Removal. RPD agrees the RPD Work shall be performed in accordance with plans and specifications that are approved in advance and in writing by the SFMTA and include a sufficient barrier for the Modular Restroom that prevents people from entering the Yard from the Restroom Area (the "Approved Plans"). The "Installation Conditions" shall mean the completion of the RPD Work in accordance with the Approved Plans and the issuance of a temporary certificate of occupancy for the Powerhouse by the City's Department of Building Inspection. The written approval of the SFMTA's Director of Transportation (or his or her designee) that RPD has satisfied the Installation Conditions, which approval shall not be unreasonably withheld or delayed, shall constitute the SFMTA's agreement to (i) the temporary placement of the Modular Restroom in the Restroom Area for the period between the date of such SFMTA written approval and the earlier to occur of (A) RPD's election to discontinue recreational uses of the Powerhouse, and (B) functional Office Building restrooms become available to Powerhouse users (the "Restroom Use Period"), (ii) the placement of the Facilities in the Facilities Area as long as any portion of the Buildings are used for recreational purposes, (iii) the placement of the Mechanical Units in the Mechanical Unit Area as long as any portion of the Buildings are used for recreational purposes, and (iv) the placement of the Conduit in the Conduit Area. If necessary to address an emergency, the SFMTA shall have the right, at its sole cost and following consultation with RPD, to reconfigure the Facilities Area, the Restroom Area, the Mechanical Unit Area, or the Conduit Area as long it will not affect the functionality of the Facilities, the Modular Restroom, the Mechanical Units, or the Conduit, as applicable.

RPD agrees, prior to the end of the Restroom Use Period, to remove the Modular Restroom and restore the Restroom Area to the condition it was in immediately prior to the RPD Work and repair any damage to the Yard or to any vehicles, improvements, fixtures, tracks, and equipment on the Yard (collectively, the "Personal Property") that may result from such removal and restoration work. If RPD elects to discontinue recreational uses of the Buildings, RPD shall remove the Facilities and the Mechanical Units from the Yard and restore the affected portions of the Yard to the condition they were in immediately prior to the RPD Work and repair any damage to the Yard or to any Personal Property that may result from such removal and restoration work

b. Access; Performance of Work. The SFMTA hereby grants to RPD the right to enter on and use, and to allow its Agents to enter on and use, the Yard as reasonably necessary for the performance of the RPD Work subject to the conditions of this Section. RPD shall cause the RPD Work and any construction staging permitted pursuant to this Section to be performed (i) at RPD's sole cost and expense, (ii) by City staff or duly licensed and bonded contractors or mechanics approved in advance by the SFMTA, (iii) in a good and professional manner that avoids excessive and unnecessary damage or harm to the Yard or damage or harm to any Personal Property, (iv) in strict compliance with all present and future laws, regulations and requirements of federal, state, county and municipal authorities that impose any duty with respect to the RPD Work, and (v) pursuant to the work schedule approved by the SFMTA pursuant to Section 5.e below. RPD shall, and shall require its Agents, to use due care at all times to avoid any damage or harm to the Yard and Personal Property.

The work to install the Facilities shall only occur within the Facilities Area, the work to install the Modular Restroom shall only occur within the Restroom Area, the work to install the Mechanical Units shall only occur within the Mechanical Unit Area, and the Relocation Work shall only occur within the area depicted as the "Relocation Work Area" in Exhibit A. If any other portion of the Yard is needed for the RPD Work or to access the Facilities Area, the Restroom Area, the Mechanical Unit Area, Relocation Area, or the Conduit Area for the RPD Work, or any portion of the Yard is needed for RPD Work construction staging ("Construction Staging"), RPD shall obtain the SFMTA's prior written approval of the portion of the Yard to be

used, the proposed schedule for such use, and, if applicable, the construction staging plan pursuant to Section 5.e below. Except for the installation of the Facilities within the Facilities Area, the installation of the Modular Restroom within the Restroom Area, the installation of the Mechanical Units in the Mechanical Area, or the installation of the Conduit in the Conduit Area, RPD shall not permit any party to enter or use any portion of the Yard for the RPD Work or for Construction Staging until it obtains the SFMTA Site Operator's prior written approval of the portion of the Yard to be used, the proposed schedule, and the proposed construction staging plan, as applicable, which approval shall not be unreasonably withheld or delayed.

If any portion of the Yard or any Personal Property is damaged by the RPD Work or the Construction Staging, RPD shall promptly repair such damage. RPD shall ensure that its contracts for the RPD Work or any Construction Staging include the terms and conditions of this MOU regarding such entry and use, and shall deliver such contracts to the SFMTA for confirmation of RPD's performance of such obligation prior to RPD executing any such contracts.

c. Approvals. RPD shall be responsible, at its sole cost and expense, for obtaining all Approvals of any regulatory agencies required for the performance of the RPD Work and the Construction Staging. The SFMTA shall cooperate in good faith with RPD to submit any necessary consents or other documents reasonably required to enable RPD or its Agents to apply for and obtain such Approvals; provided, however, that RPD shall obtain the SFMTA's written consent, which shall not be unreasonably withheld, delayed or conditioned, to any Approvals that would place any restriction or obligations that encumber the Yard and survive the completion of the RPD Work.

d. Third Party Insurance and Indemnity. RPD shall require each non-City Agent performing any of the RPD Work or any Construction Staging permitted under this Section to obtain and maintain insurance as is recommended by the City Risk Manager and reasonably approved by the SFMTA. The SFMTA shall be included as an additional insured in any such insurance. RPD shall include the SFMTA as an indemnified party in any indemnification provision between RPD and any non-City Agent it hires in connection with the RPD Work, to the extent the indemnification in such contract is not broad enough to cover the SFMTA as an agency of the City.

e. Schedule; Cooperation. At least thirty (30) days prior to the date RPD or any of its Agents commences the RPD Work on the Yard, RPD shall notify Terrance Fahey or any other person designated by the SFMTA for such purposes in writing to RPD (the "SFMTA Site Operator") of the proposed schedule for the RPD Work in the Yard and the proposed areas of the Yard proposed to be used for work or access. RPD shall obtain the SFMTA Site Operator's prior written approval of the proposed schedule and work and access areas, which approval shall not be unreasonably withheld or delayed and may be provided by email. If the SFMTA Site Operator notifies RPD that the proposed schedule or work or access areas are not acceptable, RPD shall provide for the SFMTA's approval an alternative schedule or work or access area, as applicable. RPD shall, and shall cause its Agents, to provide the SFMTA Site Operator with an ongoing opportunity to monitor RPD Work construction activities within the Yard.

At least thirty (30) days prior to the date RPD or any of its Agents wishes to use any portion of the Yard for Construction Staging, RPD shall notify the SFMTA Site Operator of the proposed schedule, the areas of the Yard proposed to be used, and the construction staging plan. RPD shall obtain the SFMTA Site Operator's prior written approval of the proposed schedule, work areas, and construction staging plan, which approval shall not be unreasonably withheld or delayed and may be provided by email. RPD shall, and shall cause its Agents, to provide the SFMTA Site Operator with an ongoing opportunity to monitor Construction Staging activities within the Yard.

RPD acknowledges and agrees that the SFMTA may withhold its approval to any proposed schedule or areas in the Yard for the RPD Work or proposed Construction Staging area, schedule, or staging plan that would, in the SFMTA's sole determination, unduly interfere with access over, or the use of, the Yard by the SFMTA or its Agents or pose a health or safety risk. Notwithstanding the foregoing, the SFMTA acknowledges and agrees that some interference with parking will occur during construction.

f. Restoration. On the termination of any phase of RPD Work or any Construction Staging in the Yard, RPD shall restore the affected areas of the Yard to the condition they was in immediately prior to the commencement of such activities at no cost to the SFMTA.

## **6. Use and Maintenance.**

a. Use. Subject to the conditions of this MOU, if the Installation Conditions are fully satisfied, then (i) RPD, its Master Tenants, any Subtenants, and the Agents of the foregoing parties, shall have the right to use (A) the Restroom Area during the Restroom Use Period to access, use, maintain, and repair the Modular Restroom (the "Restroom Uses"), (B) the Facilities Area to access, use, maintain, and repair the Facilities (the "Facilities Uses"), and (C) the Mechanical Unit Area to access, use, maintain, and repair the Mechanical Units (the "Unit Uses"), and (ii) the invitees of RPD, its Master Tenants, and any Subtenants shall have the right to enter the Restroom Area during the Restroom Use Period to access and use the Modular Restroom.

If RPD enters into any lease (including, but not limited to, a Master Lease) or any other agreement for the use of any portion of the Property, such lease or agreement may include the Facilities Area for the Facilities Uses, the Restroom Area for the Restroom Uses (but only during the Restroom Period), and the Mechanical Area only for the Unit Uses as part of the premises during the term of such lease or agreement as long as such lease or agreement is in writing, incorporates the applicable requirements of this MOU, has this MOU at an exhibit, and is in a form reasonably acceptable to the SFMTA's Director of Transportation. In addition, if the proposed term of any such lease or agreement will be for ten (10) or more years, RPD's right to execute such lease or agreement shall be further conditioned on the approval of such lease or agreement by the SFMTA's Board of Directors and City's Board of Supervisors. RPD shall cause each tenant or other party to comply with all of its obligations under any lease or agreement issued by RPD to such party pursuant to this Section. RPD shall provide SFMTA with a proportionate share of any rent received by RPD under a lease or other use agreement for the Property and the Restroom Area, Conduit Area, Facilities Area, and Mechanical Unit Area. The SFMTA's proportionate share of rent share shall be based on the combined square footage of the Property, Restroom Area, Conduit Area, Facilities Area, and Mechanical Unit Area as the denominator and the square footage of the Restroom Area, Conduit Area, Facilities Area, and Mechanical Unit Area as the numerator.

b. Access. General public access to the Buildings shall be only via San Jose Avenue. If the Installation Conditions are fully satisfied, any access from the Yard to the Facilities Area, the Restroom Area, or the Mechanical Unit Area by any Master Tenant, any Subtenants, and any Agents of any of such parties shall only be pursuant to a license agreement with the SFMTA, which shall specify an access route and access procedures, and any such access by RPD shall be pursuant to a written agreement between RPD and the SFMTA.

RPD acknowledges and agrees that the Yard is a working rail yard and that the SFMTA, its Agents, and invitees will need to access and use the Yard at all times. Any access through the Yard by RPD, its Master Tenant, any Subtenants, and any Agents or invitees of any such party, cannot interfere with such access to or use of the Yard by the SFMTA, its Agents, and invitees (including but not limited to the access of the SFMTA's railcars or other transportation vehicles),

and must occur in a careful manner to avoid collisions between pedestrians and vehicles. RPD further acknowledges that the Yard and associated maintenance and operating facilities are in the SFMTA's Real Estate and Facilities Vision for the 21st Century Report, which will require significant capital improvements to upgrade the Yard and facilities to accommodate an expanding fleet. No access to the Yard by RPD, Master Tenant, any Subtenant, or any Agents of any such party, under any access license shall affect any future SFMTA capital projects requiring the demolition, relocation, rebuilding and or redevelopment of the Yard, including the eventual expansion and reconfiguration of storage tracks to accommodate future growth.

c. **Third Party Insurance and Indemnity.** Prior to RPD granting any non-City Agent, Master Tenant, or other party the right to engage in the Restroom Uses, Facilities Uses, or the Unit Uses, RPD shall require each of such Agent or Master Tenant to obtain and maintain insurance as is recommended by the City Risk Manager and reasonably approved by the SFMTA. The SFMTA shall be included as an additional insured in any such insurance. RPD shall include the SFMTA as an indemnified party in any indemnification provision between RPD and any Agent or any Master Tenant for such uses to the extent the indemnification in such contract is not broad enough to cover the SFMTA as an agency of the City.

d. **Maintenance.** RPD shall cause the Modular Restroom, the Facilities, and the Mechanical Units to be maintained in a good and clean operating condition at all times and the Conduit to be maintained in a good and safe condition at all times. If RPD fails to comply with this obligation and fails to cure such failure within fifteen (15) days of receiving written notice from the SFMTA, the SFMTA shall have the right to cure such matter at RPD's sole cost. RPD shall reimburse the SFMTA for its costs to cure such matter, including but not limited to its staff time, within thirty (30) days of receiving the SFMTA's invoice for, and reasonable documentation of, such costs.

7. **Reimbursement of Costs.** Within thirty (30) days of receiving the SFMTA's invoice, RPD shall reimburse the SFMTA for the staff and contractor costs incurred by the SFMTA in making any of the Yard available for the Phase I Project pursuant to this MOU, including manual labor and equipment costs necessary to prepare the site for construction, but not including staff time necessary to review and negotiate the RPD Work contractor's proposed use, construction plan, or construction schedule.
8. **Limitations on Use.** The SFMTA shall not use, or permit its Agents to use, the Property, or any part thereof, for any purposes or in any manner other than the purposes and manner expressly set forth in this MOU or otherwise approved in writing by the RPD General Manager. RPD shall not use, nor permit its Agents, Master Tenants, or any Subtenants to use, any portion of the Yard for any purposes or in any manner other than the purposes and manner expressly set forth in this MOU or otherwise approved in writing by the SFMTA's Director of Transportation.
9. **Indemnification.** Each Party shall be responsible for all costs associated with all claims, damages, liabilities or losses which arise as a result of the Party's uses permitted hereunder, or the uses of such Party's Agents, tenants, or, in limited circumstances, invitees. If any use of the Yard by RPD, its Master Tenant, any Subtenant, or any Agents or invitees of any such party, results in any damage to the Yard or any Personal Property or harm or death of any person on the Yard, RPD shall be responsible for such damage, harm, or death. If any use of the Property by the SFMTA or its Agents results in any damage to the Property or any personal property thereon or harm or death of any person in the Buildings, the SFMTA shall be responsible for such damage, harm, or death.
10. **Dimensions of the RPD Real Property.** The survey plan depicting the RPD Real Property, as described in Resolution 193-04 and attached as Exhibit A to the 2004 MOU, did not provide precise dimensions. To clarify the boundary between the Yard and the Property, the SFMTA

and RPD agree the RPD Real Property dimensions shall be as depicted in the attached Exhibit A.

- 11. Access to the Property for Yard Projects.** If the SFMTA needs access to the Property for any project in connection with the Yard, the SFMTA shall provide sixty (60) days advance notice to RPD, except in the case of an emergency requiring such access, in which case the SFMTA shall provide notice to RPD of its entry of the Property as soon as reasonably possible. The SFMTA shall provide sixty (60) days in advance any construction plans that could reasonably affect the ongoing programming at the Property, including, without limitation, plans requiring access to the Property, for RPD's review and approval, which shall not be unreasonably withheld.
- 12. Cooperation.** Subject to the terms and conditions of this MOU, the Parties agree to use reasonable efforts to do, or cause to be done, all things reasonably necessary or advisable to carry out the purposes of this MOU as expeditiously as practicable, including, without limitation, performance of further acts and the execution and delivery of any additional documents in form and content reasonably satisfactory to both Parties.
- 13. Notices.** All notices, demands, consents or approvals which are or may be required to be given by either Party to the other under this MOU shall be in writing and shall be deemed to have been fully given when delivered in person to such representatives of RPD and the SFMTA as shall from time to time be designated by the Parties for the receipt of notices, or when deposited in the United States mail, postage prepaid, and addressed,

If to the SFMTA to:

Municipal Transportation Agency  
1 South Van Ness Avenue, 8<sup>th</sup> Floor  
San Francisco, CA 94103  
Attn: Senior Manager – Facilities and Strategic Real Estate

if to RPD to:

Recreation and Park Department  
Philip Ginsburg, General Manager  
McLaren Lodge  
San Francisco, CA 94117

or such other address with respect to either Party as that Party may from time to time designate by notice to the other given pursuant to the provisions of this Section.

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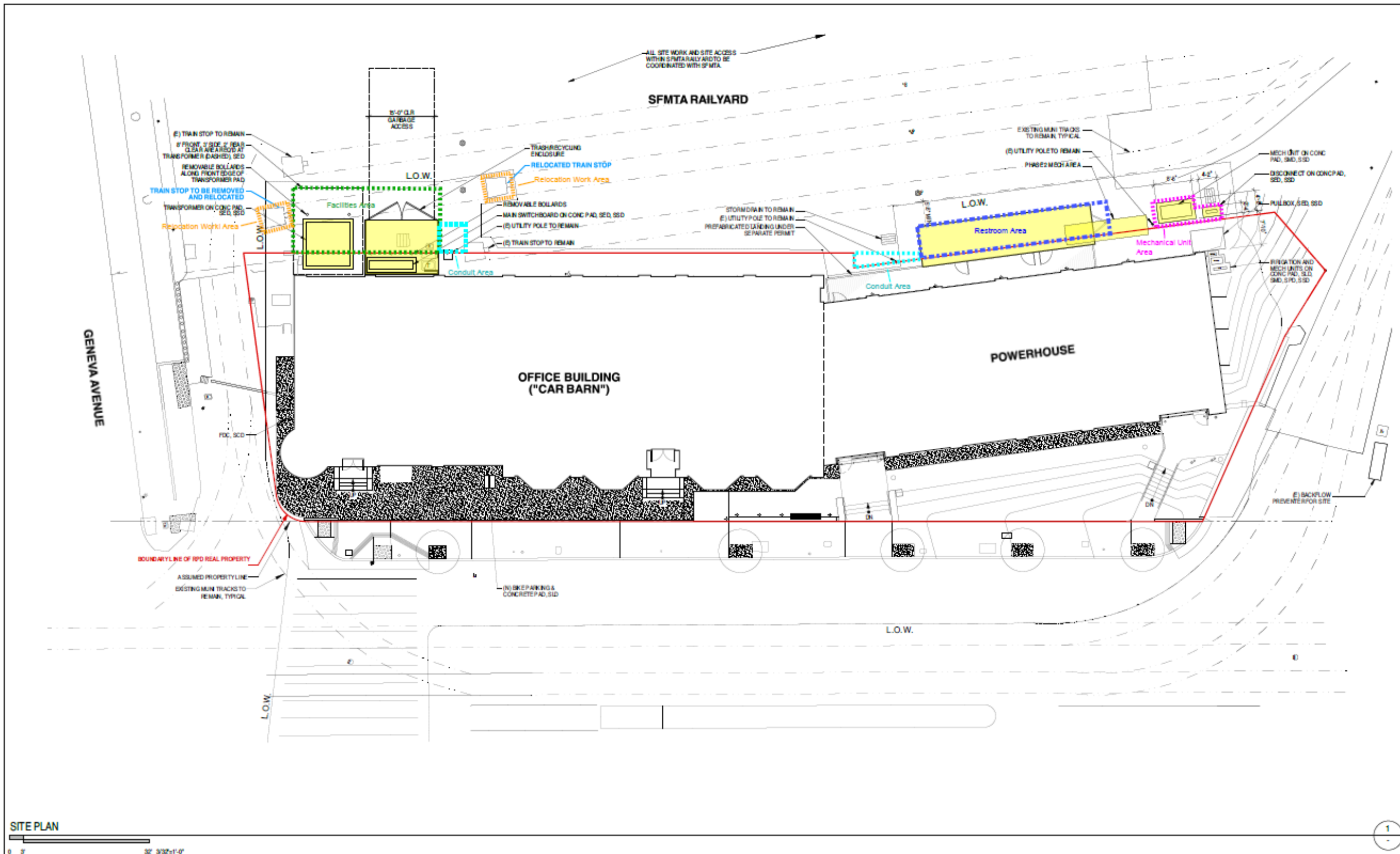
IN WITNESS WHEREOF, the Parties have caused this MOU to be executed as of the date first written above.

<p>SAN FRANCISCO RECREATION AND DEPARTMENT</p> <p>By: _____  <b>PHILIP GINSBURG</b>          General Manager</p> <p>Date: _____</p>	<p>SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY</p> <p>By: _____  <b>Edward D. Reiskin</b>          Director of Transportation</p> <p>Date: _____</p>
<p>APPROVED BY:</p> <p>RECREATION AND PARK COMMISSION          PURSUANT TO RESOLUTION NO.          _____ DATED: _____</p> <p>_____          Margaret McArthur, Commission Liaison</p>	<p>APPROVED BY:</p> <p>San Francisco Municipal Transportation Agency          Board of Directors          Resolution No: _____          Adopted: _____          Attest: _____          _____          Secretary, SFMTA Board of Directors</p>

**EXHIBIT A**

**Depiction of the Facilities Area, Conduit Area, Restroom Area,  
Mechanical Unit Area, and Relocation Work Area**

[see attached]



**GENEVA CAR BARN AND POWERHOUSE**

BLOCK 692  
LOT 006  
2301 SAN JOSE AVENUE  
SAN FRANCISCO, CA

DATE: 10.27.17

SITE PLAN  
0 5' 30' 3/32"=1'-0"

**EXHIBIT B**  
**Description of Mechanical Work**

**Mechanical Unit on Concrete Pad:** An air-cooled heat pump that will provide heating or chilled water for the Powerhouse radiant floors and AHU coils for Powerhouse space conditioning purposes.

**Disconnect on Concrete Pad:** An electrical rack for the Powerhouse mechanical unit disconnect.

**Irrigation and Backflow on Concrete Pad:** A pad holding two irrigation units and a mechanical back flow preventer. The mechanical back flow preventer reduces pressure for the Powerhouse mechanical unit make-up water. The irrigation back flow assembly protects the Powerhouse water supply from contamination or pollution. The irrigation controller is pedestal mounted and controls the Powerhouse irrigation system.

CITY AND COUNTY OF SAN FRANCISCO  
EDWIN M. LEE, MAYOR

**LEASE**

**GENEVA POWERHOUSE**

between the

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation, acting by and through its

RECREATION AND PARKS COMMISSION

and

\_\_\_\_\_,  
a California nonprofit corporation

for the lease of real property located at  
2301 San Jose Avenue, San Francisco, California

Dated as of \_\_\_\_\_, 20\_\_

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**EXHIBITS AND SCHEDULES TO LEASE**

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- EXHIBIT B – Form Assignment of Lease
- EXHIBIT C – Minimum Programming Standards
- EXHIBIT D – Management and Operation Plan
- EXHIBIT E – Memorandum of Lease
- EXHIBIT F – Sublease Conditions; Form of Indemnity
- EXHIBIT G – First Source Agreement
- SCHEDULE 1 – Community Benefits
- SCHEDULE 2 – Due Diligence Materials

## LEASE

THIS LEASE ("**Lease**"), dated for reference purposes as of \_\_\_\_\_, 20\_\_, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**" or "**Landlord**"), acting by and through its Recreation and Park Commission (the "**Commission**"), and the \_\_\_\_\_, a California \_\_\_\_\_ ("**Tenant**"), and is made with reference to the facts and circumstances described in the Recitals set forth below.

### RECITALS

A. City owns that certain real property located at 2301 San Jose Avenue in San Francisco, California, which is comprised of a portion of APN 6972-036 and more particularly depicted on *Exhibit A* attached hereto (the "**Property**").

B. The Property is improved with the Geneva Avenue Powerhouse (the "**Powerhouse**"), which is a single-story car shed that contains approximately 3,000 square feet of space and was designated as City Landmark No. 180 by the San Francisco Board of Supervisors on January 26, 1986.

C. The Commission has jurisdiction over the Property and is responsible, through City's Recreation and Park Department (the "**Department**"), for its operation and management. The Department identified the Powerhouse as a possible site for youth and teen arts, community center, and related uses consistent with the Department's mission.

D. Tenant is a \_\_\_\_\_ formed to operate and maintain the Powerhouse and to provide recreational, educational, and cultural programming in the Powerhouse, with an emphasis on such areas as literacy, visual, dance, musical, performing, digital, design and technical arts (collectively, the "**Primary Uses**"), and wishes to lease the Premises (as defined in Section 2.2) to further such purpose.

E. Tenant intends to obtain new market and historic rehabilitation tax credits to partially finance the costs to rehabilitate the Powerhouse and to sublease the Premises to \_\_\_\_\_, a \_\_\_\_\_ ("**Master Subtenant**"), which will then sublease the Premises to The Performing Arts Workshop, Inc., a California non-profit corporation ("**PAW**"), or to any other entity that is qualified to provide recreational, educational, and cultural programming in the Powerhouse and approved in advance and in writing by City.

F. City and Tenant now desire to enter into this Lease on all of the terms and conditions set forth in this Lease.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, City and Tenant agree as follows:

### **Section 1 BASIC LEASE INFORMATION; DEFINITIONS**

#### **1.1 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. If there

is 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: \_\_\_\_\_, 20\_\_\_\_

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

Tenant: \_\_\_\_\_, a \_\_\_\_\_

Premises (**Section Error! Reference source not found.**): The Powerhouse and the real property surrounding and near the Powerhouse, as generally delineated and fully described on the attached *Exhibit A*.

Term (**Error! Reference source not found.**): Fifty-five (55) years, commencing on the Effective Date (as defined in Section 3.1) and ending on the fifty-fifth (55<sup>th</sup>) anniversary of the Effective Date.

Rent (Section 4): The initial monthly base rent (“**Base Rent**”) shall be \$5,213.00, which shall be increased annually by any increase in the Index; provided, however, that Base Rent shall be abated during the period specified in Section 4.1.

Use (**Error! Reference source not found.**): The Primary Uses, the Supporting Uses, and the performance of Tenant’s obligations under and in compliance with this Lease.

Programming (Section 5): Tenant shall provide, or cause the provision of, recreational, educational, and cultural programming that meets the minimum standards set forth in Section 5.

Phase 1 Improvements (Section 11): City shall perform the Phase 1 Improvements prior to the Delivery Date (as defined in Section 3.1), subject to Tenant’s payments of certain Phase 1 Improvement costs pursuant to that certain \_\_\_\_\_ between City and Tenant dated \_\_\_\_\_.

Utilities and Services (**Section Error! Reference source not found.**): The Phase 1 Improvements will include the installation of separate meters to measure electricity and water service to Premises. City shall pay for, at its sole cost and expense, electricity and water services to the Premises up to \$600 per month. Tenant shall reimburse City for any electricity or water fees that exceed such monthly cap.

Tenant shall pay, at its sole cost, for garbage and recycling disposal, pest control, and all telephone, fax and internet connection charges, including the cost of bringing any such service(s) to locations in the Premises.

Maintenance (Section 10): Tenant shall be responsible for all maintenance and repair of the Premises, the Trash Facility Area, Restroom Area, and the Transformer Area; subject to City’s obligations for the initial ten (10) Lease Years.

Security Deposit: Not required.

Notice Address of City (Section 29.1): Recreation and Park Department  
McLaren Lodge Annex  
San Francisco, California 94117  
Attention: [\_\_\_\_\_]   
Facsimile: [\_\_\_\_\_]

with a copy to: Office of the City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94102-4682  
Attn: Real Estate/Finance Team  
Facsimile: (415) 554-4757

Address for Tenant  
(Section 29.1): \_\_\_\_\_  
c/o CAST  
70 Otis Street  
San Francisco, California  
Attn: Executive Director  
Facsimile: \_\_\_\_\_

with a copy to:

Definitions: For purposes of this Lease, initially capitalized terms not otherwise defined in this Lease shall have the meanings given to them in Section 1.2. If there is any conflict between a definition given in Section 1.2 and any more specific provision of this Lease, the more specific provision shall control.

Other Noteworthy Provisions:  
(Section 3.3) If the Dissolution Event (as defined in Section 1.2) has occurred at any time and CAST does not timely exercise its lease option under the Office Building Option Agreement, City shall have the right to require Tenant to assign all of its interest under this Lease and to the Premises to a City-designated party at no cost, as further described in Section 3.3.

## 1.2 Defined Terms.

If not defined elsewhere in this Lease, initially capitalized terms shall have the meanings ascribed to them in this Section:

Additional Rent means any and all sums that may become due or be payable by Tenant under this Lease other than Base Rent.

Adjustment Date means each anniversary of the Delivery Date.

Adjustment Index means the Index that is published most immediately preceding a particular Adjustment Date.

Agents means, when used with reference to either party to this Lease or any other person or party so designated, the members, officers, directors, commissioners, employees, agents, contractors and vendors of such party or other person, and their respective heirs, legal representatives, successors and assigns.

Approved Signage Program means, if and to the extent previously approved in writing by the General Manager in his or her reasonable discretion, the exterior signage program with respect to the Premises, as provided in Section 5.3.

Assignee means any person or entity leasing, occupying or having the right to occupy or use any portion of the Premises under and by virtue of an Assignment.

Assignments mean any assignment, encumbrance, pledge or otherwise transfer of any part of Tenant's interest in or rights with respect to the Premises or its leasehold estate hereunder.

Attorneys' Fees and Costs means reasonable attorneys' fees, costs, expenses and disbursements, including, but not limited to, expert witness fees and costs, travel time and associated costs, transcript preparation fees and costs, document copying, exhibit preparation, courier, postage, facsimile, long-distance and communications expenses, court costs and other reasonable costs and fees associated with any other legal, administrative or alternative dispute resolution proceeding, including such fees and costs associated with execution upon any judgment or order, and costs on appeal.

Base Rent is defined in Section 1.1.

Beginning Index means the Index published most immediately preceding the Delivery Date.

Bona Fide Institutional Lender means any one or more of the following, whether acting in its own interest and capacity or in a fiduciary capacity for another person: a savings bank, a savings and loan association, a commercial bank or trust company or branch thereof or its subsidiary entity, an insurance company, a governmental agency, a community development entity and any entity owned or controlled by such development entity that is certified by the Community Development Financial Institution Fund of the U.S. Department of the Treasury, a real estate investment trust, an employees' welfare, benefit, pension or retirement fund or system, an investment banking, merchant banking or brokerage firm, or any other person or persons which, at the time of a Mortgage is recorded, has (or is controlled by a person having) assets of at least \$500 million in the aggregate (or the equivalent in foreign currency), and is regularly engaged in the financial services business, including but not limited qualified low income community investments by one or more community development entities in accordance with Internal Revenue Code, 26 U.S. Code Section 45D.

Building Systems means the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical, communications systems of the Powerhouse.

CAST means the Community Arts Stabilization Trust, a California corporation, which is an affiliate of Manager.

Construction Documents is defined in Section 12.2.

Default Rate is defined in Section 4.5.

Department means City's Recreation and Park Department.

Department's Mission means the mission to serve City residents by providing appropriate recreational, cultural and educational programs.

Disabled Access Laws means 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.

Dissolution Event shall mean the later to occur of (i) Tax Credit Investor's exercise of its right to require Manager to acquire all of Tax Credit Investor's membership interests in the Tenant and Master Subtenant pursuant to that certain [Put Call Agreement] between Manager and the Tax Credit Investor dated as of \_\_\_\_\_], and (ii) the satisfaction of the QLICI Loan and the release of the leasehold interest created by this Lease from the lien of the Leasehold Deed of Trust.

Effective Date is defined in Section 3.2.

Encumber means create any Mortgage.

Event of Default is defined in Section 22.1.

Expiration Date is defined in Section 3.1.

General Manager means the General Manager of the San Francisco Recreation and Park Department.

Hazardous Material means any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a “hazardous substance,” or “pollutant” or “contaminant” under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”, also commonly known as the “Superfund” law), as amended, (42 U.S.C. Sections 9601 et seq.) or under Sections 25281 or 25316 of the California Health & Safety Code; any “hazardous waste” as defined in Section 25117 or listed under 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 any existing Improvements on the Premises, any Improvements to be constructed on the Premises by or on behalf of Tenant, or are naturally occurring substances on, in or about the Premises, and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids, and lead containing materials.

Hazardous Material Claims means any and all enforcement, Investigation, Remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed under any Hazardous Materials Laws, together with any and all Losses made or threatened by any third party against City, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release or discharge of any Hazardous Materials, including, without limitation, Losses based in common law. Hazardous Material Claims include, without limitation, Investigation and Remediation costs, fines, natural resource damages, damages for decrease in the value of the Premises or any Improvements, the loss or restriction of the use or any amenity of the Premises or any Improvements, and Attorneys’ Fees and Costs.

Hazardous Material Laws means any present or future federal, state or local Laws relating to Hazardous Material (including, without limitation, its Handling, transportation or Release) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises (including the Improvements), including, without limitation, soil, air, air quality, water, water quality and groundwater conditions. Hazardous Materials Laws include, but are not limited to, City’s Pesticide Ordinance (Chapter 39 of the San Francisco Administrative Code).

Impositions means all taxes, assessments, liens, levies, charges or expenses of every description levied, assessed, confirmed or imposed on the Premises, any of the improvements or personal property located on the Premises, Tenant’s leasehold estate, any subleasehold estate, or any use or occupancy of the Premises hereunder.

Improvements means all buildings, structures, fixtures and other improvements existing, erected, built, placed, installed or constructed upon or within the Premises, including, but not limited to, the Building and the Phase 1 Improvements.

Indemnified Parties means City, including, but not limited to, all of its boards, commissions, departments, agencies, employees and member and other subdivisions, including, without limitation, all of the Agents of City and all of their respective heirs, legal representatives, successors and assigns, and each of them.

Indemnify means indemnify, protect, reimburse, defend and hold harmless.

Index means 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. If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Delivery 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.



Indexed means the product of the number to be Indexed multiplied by the percentage increase, if any, in the Index from the first day of the month in which the Delivery Date occurred to the first day of the most recent month for which the Index is available at any given time.

Investigate or Investigation when used with reference to Hazardous Material means any activity undertaken to determine the nature and extent of Hazardous Material that may be located in, on, under or about the Premises, any Improvements or any portion of the site or the Improvements or which have been, are being, or threaten to be Released into the environment. Investigation shall include, without limitation, preparation of site history reports and sampling and analysis of environmental conditions in, on, under or about the Premises or any Improvements.

Invitees means the customers, patrons, invitees, guests, members, licensees, assignees and subtenants of Tenant or any Subtenant.

Law or Laws means any one or more present and future laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, to the extent applicable to the parties or to the Premises or any portion thereof, or to Tenant's use of the Premises, whether or not in the present contemplation of the parties.

Leasehold Deed of Trust means that certain \_\_\_\_\_, dated as of \_\_\_\_\_ and recorded in the Official Records of San Francisco County on \_\_\_\_\_.

Leasehold Deed of Trust Beneficiaries means \_\_\_\_\_.

Leasehold Improvements has the meaning set forth in Section 11.1.

Lease Year shall be determined as follows: the first "Lease Year" shall be the period commencing on the Delivery Date and ending on the last day of the twelfth (12<sup>th</sup>) full calendar month thereafter, and each twelve (12) calendar month period thereafter shall also constitute a "Lease Year," provided that the final Lease Year shall end on the expiration or termination date of this Lease.

Loss or Losses when used with reference to any Indemnity means any and all claims, demands, losses, liabilities, costs, damages (including consequential damages), liens, obligations, interest, injuries, penalties, fines, lawsuits, and other proceedings, judgments and awards and costs and expenses (including, without limitation, reasonable Attorneys' Fees and Costs, and consultants' fees and costs) of whatever kind or nature, known or unknown, contingent or otherwise.

Manager means \_\_\_\_\_, a \_\_\_\_\_, which is a member and the manager of Tenant and Master Subtenant.

Manager Affiliate means any of the following: (a) any person or entity owning, directly or indirectly, fifty percent (50%) or more of the ownership interests of Manager (a "Manager Owning Person"), (b) any entity, fifty percent (50%) or more of the ownership interests of which are owned, directly or indirectly, by any Manager Owning Person, (c) any entity, fifty percent (50%) or more of the ownership interests of which are owned, directly or indirectly, by Manager.

Master Sublease has the meaning set forth in Section 18.9.

Master Subtenant has the meaning set forth in Recital E.

Material Alteration has the meaning set forth in Section 12.1(a).

Minor Alteration has the meaning set forth in Section 12.1(a).

Mortgage means any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance.

Mortgagee means the holder or holders of a Mortgage and, if the Mortgage is held by or for the benefit of a trustee, agent or representative of one or more financial institutions, the financial institutions on whose behalf the Mortgage is being held. Multiple financial institutions participating in a single financing secured by a single Mortgage shall be deemed a single Mortgagee for purposes of this Lease.

Office Building Option Agreement means the Office Building Option Agreement between City and CAST dated as of \_\_\_\_\_.

PAW means The Performing Arts Workshop, a California non-profit corporation.

PAW Sublease has the meaning set forth in Recital E.

Permitted Uses means the Primary Uses, the Supporting Uses, and the performance of Tenant's obligations under and compliance with this Lease.

Personal Property means all fixtures, furniture, furnishings, equipment, machinery, supplies, software and other tangible and movable personal property, whether now or hereafter located in, upon or about the Premises, belonging to Tenant or any Subtenant and/or in which Tenant or any Subtenant has or may hereafter acquire an ownership interest, together with all present and future attachments, accessions, replacements, substitutions and additions thereto or therefore.

Phase 1 Improvements has the meaning set forth in Section 11.1.

Pre-Existing Hazardous Material as defined in Section 21.2.

Premises has the meaning set forth in Section 2.1.

Primary Mission has the meaning set forth in Section 1.

Primary Uses has the meaning set forth in Recital D.

Property has the meaning set forth in Recital A.

QLICI Loan means \_\_\_\_\_.

Release when used with respect to Hazardous Material means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing (i) into or inside any existing Improvements or Improvements constructed under this Lease by or on behalf of Tenant, or (ii) in, on, under or about any portion of the Premises.

Remediate or Remediation when used with reference to Hazardous Materials means any activities undertaken to clean up, remove, transport, dispose, contain, treat, stabilize, monitor or otherwise control Hazardous Materials located in, on, under or about the Premises or which have been, are being, or threaten to be Released into the environment. Remediation includes, without limitation, those actions included within the definition of "remedy" or "remedial action" in California Health and Safety Code Section 25322 and "remove" or "removal" in California Health and Safety Code Section 25323.

Rent means the sum of Base Rent and Additional Rent.

Rent Commencement Date is defined in Section 4.1.

Restore and Restoration mean the restoration, replacement, or rebuilding of the Improvements (or the relevant portion thereof) in accordance with all then applicable Laws (including code upgrades) to substantially the same condition they were in immediately before an event of damage or destruction, or in the case of a Taking, the restoration, replacement, or rebuilding of the Improvements to an architectural whole.

Secretary's Standards shall mean the requirements of the United States Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings (36 Code of Federal Regulations § 67.7).

SFMTA Property is defined in Section 2.2.

Sublease means any lease, sublease, license, concession or other agreement by which Tenant or a Subtenant leases, subleases, demises, licenses or otherwise grants to any person the right to occupy or use any portion of the Premises (whether in common with or to the exclusion of other persons), which right to occupy or use shall be in conformity with and subject to the provisions of this Lease.

Subtenant means any person or entity leasing, occupying or having the right to occupy or use any portion of the Premises under and by virtue of a Sublease.

Supporting Uses shall mean the following, to the extent such uses are reasonably necessary to provide the Primary Uses: (i) administrative/office use, subject to City's approval of the proposed portion of the Premises to be used for such purpose, (ii) arts rehearsals and performances, (iii) visual, performance, and design arts space, (iv) classrooms, (v) theater, and (vi) public and private special events and exhibitions.

Tax Credit Investor means U.S. Bancorp Community Development Corporation and its successors or assigns.

Term shall have the meaning set forth in Section 3.1.

Unmatured Event of Default means any event, action or inaction that, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Lease.

## **Section 2      PREMISES; CONDITION OF PREMISES**

### **2.1      Premises.**

hereby leases the Premises from City. **The Parties reserve the right, upon mutual agreement of the General Manager and Tenant, to enter into memoranda setting forth the legal description of the Property or technical corrections thereto to reflect any non-material changes occurring during or after the development of the Project, and upon full execution thereof, such memoranda shall be deemed to become a part of this Lease.**

### **2.2      SFMTA Property.**

The Premises includes certain property that is owned by City and under the control and jurisdiction of the San Francisco Municipal Transportation Agency ("**SFMTA**"), as further depicted and described in the attached *Exhibit A* (the "**SFMTA Property**"). Tenant requires access to the SFMTA Property for using, maintaining, repairing, and for ingress to and egress from, the garbage facilities to be located northeast of the Powerhouse (the "**Trash Facility Area**"), the modular restroom to be located southeast of the Powerhouse (the "**Restroom Area**"), and the transformer pad to be located southeast of the Powerhouse (the "**Transformer Area**"), all as further depicted in the attached *Exhibit A*. The SFMTA granted access to the SFMTA Property to the Department, its tenants and agents, and its tenants' agents, for such purposes pursuant to a memorandum of understanding between the Department and the SFMTA (the "**SFMTA-RPD MOU**"), dated for reference purposes only as of \_\_\_\_\_, 2017. Tenant shall not do or grant to others the right to do anything in, on, under or about the Premises or the

The Property a

SFMTA Property that would violate the SFMTA-RPD MOU and shall comply, and cause its Subtenants, Agents, and Invitees, to comply, with the terms of the SFMTA-RPD MOU. The General Manager shall reasonably cooperate with Tenant's efforts to enforce Tenant's rights under the SFMTA-RPD MOU during the Term, but City, as Landlord under this Lease, shall have no direct obligations under the SFMTA-RPD MOU. The Department shall not modify the SFMTA-RPD MOU in a manner that would materially impair Tenant's use of the SFMTA Property.

**2.3 Rights Reserved to City.**

(a) streams, and (ii) any and all groundwater and subterranean water rights, including, without limitation, the right to export percolating groundwater for use by City or its water customers;

(b) right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, but without entering upon or using the surface of the lands of the Premises and in such manner as not to damage the surface of the Premises or to interfere with the permitted use thereof by Tenant, without Tenant's prior written consent;

(c) limitation, sidewalks and street improvements, provided such activities shall not unreasonably interfere with the construction of the Phase 1 Improvements or the Permitted Uses;

(d) grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain hereunder as a result of the grantee's use of such easement or right of way;

(e) but not limited to the installation, operation, maintenance, and repair of equipment for cellular telephone, radio or other telecommunications services, provided such grant does not materially interfere with the Permitted Uses and the grantee assumes liability to Tenant for damage that Tenant may sustain to its property or the Premises as a result of the grantee's use of such easement, right of way, permit and/or license; and

(f)  
**2.4 Subject to Public and Municipal Uses and Rules.**

under this Lease shall be subject to such requirements, and Tenant shall comply, and cause its Subtenants to comply, with Section 4.113 of the City Charter and the San Francisco Park Code with respect to the Premises and any rules and regulations relating to property under the Commission's jurisdiction, as the same may change from time to time (the "Rules and Regulations").

**2.5 Condition of Premises.**

(a) Inspection of Premises. Tenant represents and warrants that Tenant has conducted a thorough and diligent inspection and investigation, either independently or through Agents of Tenant's own choosing, of the Premises and the suitability of the Premises for Tenant's intended use. Such inspection shall not release City from its obligations pursuant to Section 10.4 and Section 11.1 below. Tenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended

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uses, subject to City's completion of the Phase 1 Improvements in compliance with the requirements of Section 11.1.

(b) Accessibility Inspection Disclosure. California law 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. Tenant is hereby advised that the Premises have been inspected by a CASp. A CASp can inspect the Premises and determine if it complies with all the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the Premises, City may not prohibit Tenant from obtaining a CASp inspection of the Premises for the occupancy or potential occupancy of Tenant if requested by Tenant. City and Tenant must mutually agree on the arrangements for the time and manner of such CASp inspection, the payment of the CASp inspection fee, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

(c) "As-Is With All Faults". By taking possession of the Premises, Tenant agrees acknowledges and agrees that except for City's obligation to perform the Phase 1 Improvements in compliance with Section 11 below, the Premises are being leased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable Laws governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Lease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises or any portion thereof, whether or not of record. Tenant acknowledges and agrees that neither City, the Department, nor any of their Agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning: (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the present or future suitability of the Premises for Tenant's business and intended uses, (v) the feasibility, cost or legality of constructing any Improvements other than the Phase 1 Improvements on the Premises required for Tenant's use and permitted under this Lease, or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(d) Release. As part of its agreement to accept the Premises in its "As Is With All Faults" condition set forth above, effective on the Effective Date, Tenant, on behalf of itself and its successors and assigns, shall be deemed to waive any right to recover from, and forever release, acquit and discharge, City and its Agents of and from any and all Losses, whether direct or indirect, known or unknown, foreseen or unforeseen, that Tenant may now have or that may arise on account of or in any way be connected with (i) the physical, geotechnical or environmental condition of the Premises as of the Delivery Date, including, without limitation, any Hazardous Materials in, on, under, above or about the Premises, except to the extent that any Losses arise from City's failure to perform the Phase 1 Improvements in compliance with the requirements of Section 11 below, and (ii) the compliance of the Premises as of the Delivery Date with any Laws applicable to the Premises, including without limitation, Hazardous Materials Laws, except to the extent that any Losses arise from City's failure to perform the Phase 1 Improvements in compliance with the requirements of Section 11 below. In connection with the foregoing release, Tenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.

Tenant agrees that the release contemplated by this Section includes unknown claims for Losses pertaining to the subject matter of this release. Accordingly, Tenant hereby waives the benefits of Civil Code Section 1542, or under any other statute or common law principle of similar effect, in connection with the releases contained in this Section. Notwithstanding anything to the contrary in this Lease, the foregoing release shall survive any termination of this Lease. Notwithstanding the foregoing, City shall not be released under this Section 2.5(d) with respect to its performance of its obligations specifically set forth in the Lease, including, but not limited to, the construction of the Phase 1 Improvements.

Initials: \_\_\_\_\_

### **Section 3 TERM; EARLY TERMINATION RIGHT; CITY ASSIGNMENT RIGHT**

#### **3.1 Term.**

The Term shall commence on the Effective Date and shall expire on the fifty-fifth (55<sup>th</sup>) anniversary (the “**Expiration Date**”) of the Delivery Date (defined as follows), unless sooner terminated in accordance with the terms of this Lease. The “**Delivery Date**” shall be the date that City’s Public Works issues a Notice of Final Completion for the Phase 1 Improvements to the Phase 1 Contractor. City shall deliver the Premises to Tenant on the Delivery Date in its as is condition as of the Effective Date, except as modified by the Phase 1 Improvements, with no City obligation to make any repair, alterations, or other improvements in connection with such delivery other than enforcing all warranties and other rights of City for defects in design or construction of the Phase 1 Improvements against the design professionals and contractor(s) who or which designed or constructed the Phase 1 Improvements.

#### **3.2 Effective Date.**

This Lease shall become effective on the date (the “**Effective Date**”) which is the later of: (i) the date on which the Parties have executed and delivered this Lease, and (ii) the effective date of a resolution by the City’s Board of Supervisors approving this Lease and authorizing the City’s execution.

#### **3.3 Assignment of Lease.**

If (i) CAST or a CAST Affiliate (as defined in the Office Building Option Agreement) does not timely exercise its option to lease the Office Building (as defined in the Office Building Option Agreement) under the Office Building Option Agreement, and (ii) City has a written agreement with a third party for the rehabilitation of the Office Building and the use of the Office Building for recreational purposes, then at any time after the Dissolution Event, City shall have the right to require Tenant to assign all of its interest under this Lease and to the Premises to a City-designated party at no cost by delivering written notice of such City exercise to Tenant (the “**City Assignment Notice**”) at least one (1) year before the effective date of such assignment, together with an assignment of lease in the form attached to this Lease as **Exhibit B**. Notwithstanding anything to the contrary in the foregoing sentence, City shall not deliver the City Assignment Notice before the tenth (10<sup>th</sup>) anniversary of the Rent Commencement Date unless City reasonably determines it is necessary to assign this Lease to allow for the development of the Office Building. Tenant shall return such assignment of lease, duly executed by Tenant, to City within \_\_\_\_ days of receiving the City Assignment Notice. On the assignment of this Lease pursuant to this Section, Tenant shall be released from all liability under this Lease occurring or accruing from and after such assignment; provided, however, that Tenant shall not be released from any liability arising from Tenant’s acts or failure to perform its obligations under this Lease prior to such assignment or Tenant’s indemnity to City with respect to matters that occurred prior to such assignment.

If City elects to require the assignment of this Lease pursuant to the foregoing paragraph, City shall require the assignee, or any other party that leases the Premises, to only use the Premises for the Permitted Uses until the fifty-fifth (55<sup>th</sup>) anniversary of the Effective Date.

### **Section 4 RENT**

#### **4.1 Tenant's Covenant to Pay Rent.**

(a) Rent Commencement Date; Abatement. The "**Rent Commencement Date**" shall be the earlier date to occur of (i) the commencement of any of the Primary Uses or Supporting Uses at the Premises, and (ii) the \_\_\_\_ day immediately following the Delivery Date; provided, however, that the Rent Commencement Date shall not occur before the Delivery Date. Beginning on the Rent Commencement Date, Tenant shall pay to City monthly installments of Base Rent during the Term on or before the tenth (10<sup>th</sup>) day of each month in the manner provided in this Section 4; provided, however, that Base Rent shall be abated during the period between the Rent Commencement Date and the later to occur of (1) the effective date, if any, of the Dissolution Event, and (2) the fifteenth (15<sup>th</sup>) anniversary of the Rent Commencement Date.

(b) Fair Market Rent Adjustment. If the Dissolution Event occurs, City shall have the right to adjust Base Rent to Fair Market Rent (defined as follows) by delivering written notice of such adjustment and its determination of Fair Market Rent to Tenant (the "Rent Adjustment Notice") on or before the later to occur of (i) the first (1<sup>st</sup>) anniversary of the effective date of the Dissolution Event and (ii) the fourteenth (14<sup>th</sup>) anniversary of the Rent Commencement Date. "Fair Market Rent" shall mean the higher of 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 southern San Francisco ("Reference Area") taking into account any additional rental and all other payments and escalations payable hereunder, floor location and size of the premises covered by leases of such comparable space, the duration of the term of this Lease and the term of such comparable leases, free rent given under such comparable leases and any other tenant concessions, tenant improvement allowances and other allowances given under such comparable leases, and the restrictions and requirements of this Lease.

If Tenant disputes City's Fair Market Rent determination, Tenant shall so notify City in writing within fourteen (14) days following Tenant's receipt of the Rent Adjustment Notice and such dispute shall be resolved as follows:

(i) Within thirty (30) days following City's delivery of the Rent Adjustment Notice to Tenant, City and Tenant 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.

(ii) If within this thirty (30) day period City and Tenant cannot reach agreement as to the Fair Market Rent, they shall each select one appraiser or commercial real estate broker to determine the Fair Market Rent. Each such appraiser shall arrive at a determination of the Fair Market Rent and submit his or her conclusions to City and Tenant within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(iii) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the Fair Market Rent. 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 Fair Market Rent. 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 Fair Market Rent and submit such determination to City and Tenant. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Fair Market Rent.

(iv) 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 southern portion of San Francisco. City and Tenant 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.

#### **4.2 Adjustments in Base Rent.**

On each Adjustment Date, the Base Rent payable by Tenant shall be adjusted in the

following manner. The Adjustment Index shall be compared with the Beginning Index. If the Adjustment Index has increased over the Beginning Index, then the Base Rent payable on and after such Adjustment Date shall be set by multiplying Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Beginning Index. In no event shall the Base Rent on or after the Adjustment Date be less than the Base Rent in effect immediately prior to the Adjustment Date.

#### **4.3 Additional Rent.**

Except as otherwise provided in this Lease, all costs, fees, interest, charges, expenses, reimbursements and obligations of every kind and nature relating to the Premises that may arise or become due during the Term of, or in connection with, this Lease, whether foreseen or unforeseen, which are payable by Tenant to City pursuant to this Lease, shall be deemed Additional Rent. As used in this Lease, "**Rent**" means Base Rent and Additional Rent.

#### **4.4 Manner of Payment of Rent.**

Tenant shall pay all Rent to City in lawful money of the United States of America at the address for notices to City specified in this Lease, or to such other person or at such other place as City may from time to time designate by notice to Tenant. Rent shall be due and payable at the times provided in this Lease, provided that if no date for payment is otherwise specified, or if payment is stated to be due "on demand," "promptly following notice," "on receipt of invoice," or the like, then such Rent shall be due twenty (20) days following the giving by City of such written demand, notice, invoice or the like to Tenant specifying that such sum is presently due and payable.

#### **4.5 Limitations on Abatement or Setoff.**

Tenant shall pay all Rent at the times and in the manner in this Lease provided without any abatement, setoff, deduction, or counterclaim whatsoever (except as specifically set forth in this Lease).

#### **4.6 Interest on Delinquent Rent.**

If any Rent is not paid within twenty (20) days following written demand for payment of such Rent, such unpaid amount shall bear interest from the date due until paid at an annual interest rate (the "**Default Rate**") equal to the greater of (i) ten percent (10%) or (ii) five percent (5%) in excess of the rate the Federal Reserve Bank of San Francisco charges, as of the date payment is due, on advances to member banks and depository institutions under Sections 13 and 13a of the Federal Reserve Act; provided, in no event shall the Default Rate exceed any applicable usury or similar Law. Payment of interest shall not excuse or cure any default by Tenant.

#### **4.7 Late Charges; Collection Costs.**

Tenant acknowledges and agrees that late payment by Tenant to City of Rent will cause City increased costs not contemplated by this Lease. The exact amount of such costs is extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, without limiting any of City's rights or remedies hereunder, if any Rent is not paid within five (5) days following the due date, then Tenant shall immediately pay to City a late charge equal to five percent (5%) of such delinquent rent amount (the "**Late Charge**"). Tenant shall also pay reasonable attorney's fees incurred by City due to Tenant's failure to pay Rent by the due date. Late Charge shall accrue interest at the rate of ten percent (10%) per annum, compounded monthly, from the due date to the date of payment. Except as provided above, such late charge may be assessed without notice and, except as provided above, without cure periods, and regardless of whether such late payment results in an Event of Default. The Parties agree that the Late Charge and reimbursement for attorney's fees represents a fair and reasonable estimate of the cost City will incur due to a late payment by Tenant. Amounts due under this Section are in addition to, not in lieu of, amounts due under Section 4.6. Payment of Late Charge shall not excuse or cure any default by Tenant.

#### **4.8 Net Lease.**



It is the purpose of this Lease and intent of City and Tenant that, except as expressly stated to the contrary in this Lease, all Rent shall be net to City, so that this Lease shall yield to City the full amount of the Rent at all times during the Term, without deduction, abatement or offset. Except as otherwise expressly set forth in this Lease, under no circumstances, whether now existing or hereafter arising, and whether or not beyond the present contemplation of the Parties, shall City be expected or required to incur any expense or make any payment of any kind with respect to this Lease or Tenant's use or occupancy of the Premises, including any improvements, except as specifically set forth in Section 11. By taking possession of the Premises for operations pursuant to this Lease following satisfaction of the conditions set forth in Section 2.1 above, Tenant acknowledges that City has satisfied its obligations under Section 11 below.

## **Section 5 USES**

### **5.1 Permitted Uses.**

Tenant shall use the Premises for the Permitted Uses. Tenant shall obtain all permits as may be required under applicable Law in accordance with Tenant's use of the Premises. Tenant's use and operations on the Premises shall be commensurate in quality with other programming offered by the Department. Some or all of the Permitted Uses may be performed by Subtenants, in compliance with the provisions of Section 18 below.

### **5.2 Tenant Proposal to Change Use.**

If Tenant reasonably determines during the Term that the Primary Uses are no longer the best use of the Powerhouse with respect to the Department's Mission, Tenant may submit in writing proposed new Primary Uses and Supporting Uses that are consistent with the Department's Mission for City's consideration, together with a management plan for the operation of the Premises for the proposed new Primary Uses and Supporting Uses, supporting studies and analysis, and such other materials as Tenant would like City to consider regarding the proposed change of use ("**Tenant's Change in Use Proposal**").

If the General Manager, in his or her sole discretion, determines this Lease should be amended to allow Tenant to use the Premises as described in Tenant's Change in Use Proposal, then General Manager shall present such proposed change in use and negotiated lease amendment, if applicable, to the Commission for its review and consideration. The Board of Supervisors has delegated to the Commission the authority to approve amendments to this Lease documenting approved changes in use provided the uses so allowed are consistent with the Department's Mission.

### **5.3 Advertising and Signs; Approved Signage Program.**

Tenant shall have the right to install signs and advertising inside the Premises that are not visible from the exterior of the Powerhouse. The Powerhouse is included on the National Register of Historic Places. At any time and from time to time during the Term, Tenant shall have the right to submit for the General Manager's written approval (which may be granted or withheld in the General Manager's reasonable discretion) a proposed signage program (or a proposed replacement signage program) for the Property, and following approval by the General Manager and such signage program (or replacement signage program) shall be deemed to be the "Approved Signage Program" from and after the date of such approval. Each Approved Signage Program shall (i) establish limitations on the number of signs permitted to be erected on the exterior of the Property, (ii) establish limitations on the size of any sign erected on the exterior of the Property, (iii) address construction, design standards, maintenance and removal obligations, and (iii) be compliant with the Secretary's Standards. Tenant may not place any advertisements or signs, including but not limited to awnings, canopies and banners, on the exterior of the Powerhouse, or any signs or advertising on the interior of the Powerhouse that are visible from the outside, except (i) in compliance with the requirements of California State Historic Preservation Office and the National Park Service and (ii) either (A) in compliance with the Approved Signage Program or (B) following written approval by the General Manager, which approval can be given or withheld in the reasonable discretion of the General Manager. Prior to any such installation Tenant shall obtain at Tenant's expense any required permits for such signage and installation.

#### **5.4 Limitations on Uses by Tenant.**

Tenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any waste on or about the Premises. Tenant shall not do anything, or permit anything to be done, in or about the Premises that would be prohibited by a standard form fire insurance policy or subject City to potential premises liability, and Tenant shall take commercially reasonable precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Tenant shall not conduct any business, place any sales or promotional display, or advertise in any manner in on the exterior portions of the Premises, except as set forth in Section 5.3 or as approved by City in its regulatory capacity in accordance with City's standard permitting process for the use of streets and sidewalks. Without limiting the foregoing, Tenant shall not conduct or permit on or about the Premises any of the following activities (“**Prohibited Activities**”): (i) any activity that creates a public nuisance; (ii) any activity that is not within the Permitted Uses or otherwise approved by General Manager in writing; (iii) any activity or object that will overload or cause damage to the Premises or include more persons than is permitted by the City's Fire Marshall; (iv) use of the Premises for sleeping or personal living quarters; or (v) any use by a group or organization that violates the nondiscrimination provisions set forth in this Lease.

#### **5.5 Building Rules and Regulations.**

Prior to the Delivery Date, Tenant shall establish and maintain reasonable rules and regulations for the Powerhouse consistent with industry standards and the permitted and required uses of the Premises pursuant to this Lease. After any Dissolution Event, City shall have the right to make reasonable additions or modifications to the rules and regulations for the Powerhouse, which shall be binding upon Tenant's users or licensees, provided that such additions or modifications shall not reduce City's obligations hereunder nor materially adversely interfere with the Permitted Uses, and such additions or modifications are not in conflict with the provisions of this Lease and do not materially increase the burdens or obligations upon Tenant.

#### **5.6 Security Matters.**

Tenant at all times shall be responsible for on-site security in and about the Premises. Tenant shall have an affirmative obligation to use and operate the Premises in a safe and secure manner for all patrons and staff.

#### **5.7 Name of Powerhouse and Areas within Premises.**

Tenant acknowledges that any proposed change in the name of the Powerhouse shall be subject to the Commission's naming policy and the process and procedures established by the Commission in connection with such policy, and shall be subject to the approval of the Commission. In addition, Tenant acknowledges that if Tenant desires to name rooms or areas within the Premises to recognize major donors to the Project or to Tenant's programs conducted within the Premises, or to recognize other honorees approved by City, such naming shall be subject to the Commission's naming policy, gift policy, and donor recognition guidelines in effect at the time, and shall be subject to approval of the Commission. Any signage designating names of rooms, areas, or components of the Premises, and any plaques commemorating donations to Tenant, shall be removed by Tenant at Tenant's sole cost and expense at the expiration or termination of this Lease, except as otherwise specifically approved by the Commission in writing.

#### **5.8 Americans with Disabilities Act.**

Tenant acknowledges that the Americans with Disabilities Act (the “**ADA**”) requires that programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. Tenant further acknowledges its obligation to comply with the ADA and any other federal, state or local disability rights legislation.

Without limiting Tenant's obligations under this Lease to comply with applicable Laws, Tenant warrants that it will fulfill that obligation, and that it will not discriminate against disabled persons in the provision of services, benefits or activities pursuant to this Lease.

#### **5.9 Rates and Charges; Use of Profits.**

The rates and charges for classes and services offered and goods sold by Tenant, Master Subtenant, any Subtenant, or others at the Premises shall be reasonable and competitively priced with similar businesses in San Francisco. Notwithstanding the foregoing, after the Dissolution Event, if any, classes and programs offered at the Premises shall be offered for free or at reduced prices, with family and other programs to be at a sliding scale basis to the extent funding is available, all to be generally consistent with the policy adopted by the Department or the Commission from time to time for eligibility for the Department's scholarship program for recreation programs offered by the Department. After the Dissolution Event, if any, all net profits earned by Tenant, Master Subtenant, and any Subtenant with respect to the Premises shall only be used for conducting the Permitted Uses, the performance of any of Tenant's obligations under this Lease, the performance of the Master Subtenant's obligations under the Master Sublease, or the performance of a Subtenant's obligations under its Sublease.

#### **5.10 Prevailing Wages and Conditions for Specified Uses.**

**following activity on the Premises to the extent required by San Francisco Administrative Code Chapter 21C: a Public Off-Street Parking Lot, Garage or Storage Automobile Facility (as defined in Section 21C.3), a Show (as defined in Section 21C.4), a Special Event (as defined in Section 21C.8), and Broadcast Services (as defined in Section 21C.9).**

Tenant shall pa

**remedies set forth in this Lease. City may inspect and/or audit any workplace, job site, books and records pertaining to the applicable services and may interview any individual who provides, or has provided, such services. Tenant shall provide to City (and to require any Subtenant, contractor or subcontractor who maintains such records to provide to City) immediate access to all workers' time sheets, payroll records, and paychecks for inspection on request to the extent they relate to such services.**

If Tenant, or its

**effects, and motion picture services. The types of covered services related to a Special Event include, but are not limited to, individuals engaged in on-site installation, set-up, assembly, and dismantling of temporary exhibits, displays, booths, modular systems, signage, drapery, specialty furniture, floor coverings, and decorative materials in connection with trade shows, conventions, expositions, and other special events on City property. The types of covered services related to Broadcast Services include, but are not limited to, individuals engaged in the electronic capture and/or live transmission of on-site video, digital, and/or video content for commercial purposes through the use of a remote production or satellite trust on-site, including any technical director, video controller, assistant director, and stage manager, and individuals engaged in audio, camera, capture and playback, graphics and utility functions.**

The types of co

#### **5.11 Special Events.**

The Parties agree that an important component of the annual operating budget of Tenant and its Subtenants will derive from renting facilities within the Premises for short term one time uses ("**Events**"). Tenant shall comply with the requirements of Section 18.1(d) below with respect to all Events.

#### **5.12 Branded Products.**

Tenant may, at its expense and with Department's consent, develop and sell products including clothing that are "branded" with some form of artwork, logos, trademarks or service marks, related to the Powerhouse or similar/related logo, artwork and/or words (collectively "Logo"). Tenant shall not use the Logo until it has been approved in writing by the Department. The Logo and any other original works of authorship or designs commissioned by Tenant, including but not limited to any domain names or website designs, source code, and content) exclusively related to the Powerhouse or Tenant's services or operations in or for the Powerhouse (collectively, "Works"), shall be works for hire under Title 17 of the United States Code, and all copyrights in such Logo and other Works are the City's property and City gives Tenant an exclusive, irrevocable right to use such Works and any such Logo during the Term. If the use of a Logo or any Work by the Tenant or any of its Subtenants or Agents creates trademark, service mark or trade dress rights in connection with the Logo or Works, the City shall also have an irrevocable right in such trademark, service mark, or trade dress, which right shall be non-exclusive during the Term. If any Logo or Works created by Tenant or any of its Subtenants or Agents with respect to this Lease or the Premises are not works for hire under federal law, Tenant hereby assigns, and shall cause its Subtenants and Agents to assign, all copyrights to such Logo and Works to City and further agrees to provide any material and execute any documents necessary to effectuate such assignment. The Department shall have the right to pre-approve or disapprove all products that are to receive the Logo, including the use and placement of such Logo on the products.

### **5.13 Operating Covenants.**

(a) **Continuous Use.** Commencing no later than the date that is three (3) months after the Delivery Date, and subject to Permitted Programming Disruptions (defined below), Tenant shall continuously use, maintain and operate the entire Premises, or cause the entire Premises to be continuously used, maintained and operated, for the Primary Uses and the Supporting Uses, and shall not allow the Premises or major areas within the Premises to remain unoccupied or unused without City's prior written consent, which City may give or withhold in its sole discretion. Tenant shall use the Premises, and cause each Subtenant to use and operate its business in the Premises, in a professional manner, commensurate with the standard of use and operation of similar Department facilities. "Permitted Programming Disruptions" means: (A) reasonable and periodic gaps, not to exceed one (1) month each, in continuous use of portions of the Premises or in providing full programming that result from (i) changes in or modifications to programming or staffing, or (ii) customary vacancies in sublease space that may arise from time to time in connection with retenanting; or (B) vacancies or programming disruptions resulting from required repairs or construction of alterations or improvements; or (C) vacancies or programming disruptions resulting from a casualty or condemnation event or other events not under Tenant's reasonable control. Tenant shall use reasonable diligence to minimize disruptions in programming or resulting from Permitted Programming Disruptions, including, as applicable, shifting the location of classes to portions of the Premises not impacted by the alterations, improvements or casualty where feasible and providing interim staff to temporarily replace outside staff for scheduled classes where practicable. Tenant shall provide City with prompt written notice of Permitted Programming Disruptions exceeding ten (10) business days.

(b) **Programming Requirements.** Subject to Permitted Programming Disruptions, Tenant shall use diligent and good faith efforts to provide a full program of classes and other programs and services that serve youth and other members of the public and promote strong attendance at the Premises. Tenant shall, or cause its Subtenants to, actively program the Building with cultural, recreational and educational programming by offering classes throughout the year, and including (1) daily arts-focused programming for area youth during weekday after-school and summer hours; (2) cultural, recreational and educational programming for adults and families during the evening and weekend hours; (3) weekly cultural, recreational and educational early childhood development classes for preschool students and caregivers; (4) quarterly public student and professional performances and exhibitions; (4) summer work-force development opportunities for high-school students. The minimum level of programming shall be as set forth in *Exhibit C* to this Lease (the "Minimum Programming Standards"). Tenant shall have the right to modify the

Minimum Programming Standards to the extent approved in advance and in writing by the General Manager.

(c) **Public Rentals and Community Meetings.** Tenant shall cause the Premises to be available for use as a rehearsal space and community meetings at a City-approved rate and pursuant to a City-approved form of temporary use agreement. Such rates shall be on a sliding scale based on the finances of the using party, but shall not be less than Tenant's actual costs to open the Premises and monitor such rehearsal or community meeting if it occurs outside of the normal Building operating hours.

(d) **Management, Staffing and Funding.** Tenant shall provide appropriate management and development staff for the operation of the Premises with at least one full-time on-site program manager and an adequate team of program administrators and artists. Tenant shall adequately fund the use, maintenance and operation of the Premises consistent with Tenant's obligations under this Lease, including maintaining a reasonable annual repair and capital plan and budget and sufficient reserves to fund such plan in accordance with the budget and ensuring no less than sixty-five percent (65%) of the Powerhouse employees are from qualified low-income households (no more than eighty percent (80%) of San Francisco median income) as of the date of hire.

(e) **Community Benefits.** Tenant shall use good faith efforts to meet the service goals set forth in the attached Schedule 1.

(f) **Promotion, Publicity and Fundraising.** Tenant shall use reasonable efforts to promote and publicize the activities at the Premises and its availability for use as a rehearsal and community space, as well as to fundraise the funds needed for the Permitted Uses.

(g) **Management and Operational Plans.** Tenant has submitted to City PAW's management and operation plan describing its goals for staffing, operating, programming, promoting, and publicizing the Premises and for fundraising, which has been approved by City and is attached to this Lease as *Exhibit D*. At City's request, Tenant shall provide to City an updated management and operation plan for the Premises. If the General Manager has reasonable concerns that the then-existing management and operation plan is not consistent with the Department's Mission or will not realistically allow Tenant to comply with the maintenance and operational requirements of this Lease, City shall provide Tenant with written notice of such concerns, and Tenant will consult with and carefully consider the views of the General Manager or his or her designee regarding such concerns. In addition, on or before \_\_\_\_\_ of each year of the Term, Tenant shall submit to City a report detailing its management and operations during the prior year. Within sixty (60) days of such submittal (or such longer period of time as mutually agreed by the Parties), Tenant and the General Manager or his or her designee shall meet to discuss such report.

(h) **Failure to Meet Minimum Programming Standards.** Subject to Permitted Programming Disruptions, if Tenant fails to meet the Minimum Programming Standards, City may provide Tenant with written notice of such failure. Tenant shall attempt in good faith to correct such programming deficiency within ninety (90) calendar days of such notice (the "Programming Cure Period"). If the deficiency cannot be corrected within the Programming Cure Period, Tenant may at Tenant's election submit a written proposal for the correction along with a specific timeline for such cure (a "Programming Cure Proposal") no later than thirty (30) days after the date of the original notice from City. Tenant's Programming Cure Proposal shall be subject to approval by the General Manager. If Tenant timely submits a Programming Cure Proposal that is approved by the General Manager, the Programming Cure Period shall be extended as set forth in the approved Programming Cure Proposal.

If Tenant does not timely submit a Programming Cure Proposal and the deficiency is not corrected by the end of the Programming Cure Period, Tenant shall be in default of this Lease. If Tenant timely submits a Programming Cure Proposal and the General Manager

disapproves of Tenant's Programming Cure Proposal, the General Manager shall provide Tenant with written notice of such disapproval, together with the reasons for such disapproval. Within thirty (30) days of receipt by Tenant of such written disapproval notice, Department staff and Tenant shall meet in good faith to consider methods and timing for curing the programming deficiency, and Tenant may at Tenant's election submit a revised proposal for the correction along with a specific timeline for such cure (a "Revised Programming Cure Proposal") no later than thirty (30) days after the date of such meeting. If Tenant timely submits a Revised Programming Cure Proposal and the General Manager disapproves of Tenant's Revised Programming Cure Proposal, the General Manager shall provide Tenant with written notice of such disapproval, together with the reasons for such disapproval. If the General Manager disapproves the original Programming Cure Proposal and Tenant does not thereafter timely submit a Revised Programming Cure Proposal and the deficiency is not corrected by the end of the original 60-day period, Tenant shall be in default of this Lease. If Tenant timely submits a Programming Cure Proposal or does not timely submit a Revised Programming Cure Proposal that is approved by the General Manager, and thereafter fails to cure the deficiency within the period provided in such proposal, Tenant shall be in default under this Lease. The foregoing opportunity to correct deficiencies in Minimum Programming Standards shall not apply to failure to comply with any other specific obligation under this Lease.

## **Section 6 TAXES AND ASSESSMENTS**

### **6.1 Payment of Possessory Interest Taxes and Other Impositions.**

(i) **Payment of Possessory Interest Taxes; Reporting Requirements.** Subject to Tenant's rights under Section 7, Tenant shall pay or cause to be paid, prior to delinquency, all possessory interest and property taxes legally assessed, levied or imposed by applicable Laws on the Premises or any of the improvements or personal property located on the Premises or arising out of Tenant's leasehold estate created by this Lease, to the full extent of installments or amounts payable or arising during the Term. All such taxes shall be paid directly to City's Tax Collector or other charging authority prior to delinquency, provided that if applicable Law permits Tenant to pay such taxes in installments, Tenant may elect to do so in which event only those installments that are due and payable prior to the expiration or earlier termination of the Lease shall be payable by Tenant. In addition, Tenant shall pay any fine, penalty, interest or cost as may be charged or assessed for nonpayment or delinquent payment of such taxes. Tenant specifically recognizes and agrees this Lease creates a possessory interest which is subject to taxation, and that this Lease requires Tenant to pay any and all possessory interest taxes levied upon Tenant's interest pursuant to an assessment lawfully made by City's Assessor; provided, that Tenant shall have the right to contest the validity, applicability or amount of any such taxes in accordance with Section 7. San Francisco Administrative Code Sections 23.38 and 23.39 require that the City, as landlord under this Lease, report certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease to the County Assessor within sixty (60) days after any such transaction, and that Tenant report certain information relating to such matters to the County Assessor within thirty (30) days after the applicable transaction. Tenant agrees to comply with these requirements.

(j) **Other Impositions.** Subject to Tenant's rights under Section 7.1, Tenant shall pay or cause to be paid all Impositions to the full extent of installments or amounts payable or arising during the Term (subject to the provisions of Section 6.1(c)), which may be legally assessed, levied, confirmed or imposed on or in respect of or be a lien upon the Premises, any of the improvements or personal property now or hereafter located thereon, the leasehold estate created hereby, or any subleasehold estate permitted hereunder, including any taxable possessory interest which Tenant, or any Subtenant or any other person may have acquired pursuant to this Lease. Tenant shall pay all Impositions directly to the taxing authority, prior to delinquency, provided

that if any applicable Law permits Tenant to pay any such Imposition in installments, Tenant may elect to do so in which event only those installments that are due and payable prior to the expiration or earlier termination of the Lease shall be payable by Tenant. In addition, Tenant shall pay any fine, penalty, interest or cost as may be assessed for nonpayment or delinquent payment of any such Imposition. Impositions shall include all such taxes, assessments, fees and other charges whether general or special, ordinary or extraordinary, foreseen or unforeseen, or hereinafter levied or assessed in lieu of or in substitution of any of the foregoing of every character. The foregoing or subsequent provisions notwithstanding, Tenant shall not be responsible for any Impositions arising from or related to, City's interest as landlord under this Lease.

(k) **Prorations.** All Impositions imposed for the tax year in which the Delivery Date occurs or during the tax year in which this Lease terminates shall be apportioned and prorated between Tenant and City on a daily basis.

(l) **Proof of Compliance.** Within a reasonable time (but in any event, not more than fifteen (15) days) following City's written request which City may give at any time and give from time to time, Tenant shall deliver to City copies of official receipts of the appropriate taxing authorities, or other proof reasonably satisfactory to City, evidencing the timely payment of such Impositions.

## **6.2 City's Right to Pay.**

Unless Tenant is exercising its right to contest under and in accordance with the provisions of Section 7, if Tenant fails to pay and discharge any Impositions (including without limitation, fines, penalties and interest) prior to delinquency and fails to pay same thereafter for more than ten (10) days after written demand from City that Tenant pay same, City, at its sole and absolute option, may (but is not obligated to) pay or discharge the same, and the amount so paid by City (including any interest and penalties thereon paid by City), together with interest at the Default Rate computed from the date City makes such payment, shall be deemed to be and shall be payable by Tenant as Additional Rent, and Tenant shall reimburse such sums to City within thirty (30) days following demand.

## **Section 7 CONTESTS**

Tenant shall have the right to contest the amount, validity or applicability, in whole or in part, of any possessory interest tax, property tax, or other Imposition or other lien, charge or encumbrance, against or attaching to the Premises or any portion of, or interest in, the Premises, including any lien, charge or encumbrance arising from work performed or materials provided to Tenant or other person to improve the Premises or any portion of the Premises, or the application of any Law to Tenant or the Premises, by appropriate proceedings conducted in good faith and with due diligence. Tenant shall give notice to City within a reasonable period of time of the commencement of any such contest and of the final determination of such contest. Nothing in this Lease shall require Tenant to pay any Imposition as long as it contests the validity, applicability or amount of such Imposition or Law in good faith, and so long as it does not allow the portion of the Premises affected by such Imposition or Law to be forfeited to the entity levying such Imposition as a result of its nonpayment. If any Law requires, as a condition to such contest, that the disputed amount be paid under protest, or that a bond or similar security be provided, Tenant shall be responsible for complying with such condition as a condition to its right to contest. Tenant shall be responsible for the payment of any interest, penalties or other charges that may accrue from any contest, and Tenant shall provide a statutory lien release bond or other security reasonably satisfactory to City in connection with any such contest. Without limiting Section 19, Tenant shall Indemnify City for any such fines, penalties, costs, expenses or fees, including Attorneys' Fees and Costs, resulting from Tenant's failure to pay any Imposition or Tenant's contest of an Imposition or Law.

## **Section 8 COMPLIANCE WITH LAWS**

### **8.1 Compliance with Laws and Other Requirements.**

Tenant shall promptly comply, at no cost to City, with all present or future Laws relating to the Premises or the use or occupancy thereof and with all recorded covenants, conditions and restrictions affecting any portion of the Property. Tenant understands and agrees that it is Tenant's obligation, at no cost to City, to

cause the Premises and Tenant's uses thereof to be conducted in compliance with all Disabled Access Laws. The parties acknowledge and agree that Tenant's obligation to comply with all Laws and recorded covenants, conditions and restrictions provided herein is a material part of the bargained for consideration under this Lease. Tenant's obligation under this Section shall include, without limitation, the responsibility of Tenant to make repairs and alterations to the Premises (subject to City's obligations under Section 10.4 below and Tenant's termination rights under Section 10.6 below). Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease, to receive any abatement, diminution, reduction or suspension of payment of Rent, or to compel City to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

## **8.2 Regulatory Approvals.**

(m) **Responsible Party.** Tenant understands and agrees that Tenant's use of the Premises hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Tenant shall be solely responsible for obtaining any and all such regulatory approvals. Tenant shall bear all costs associated with applying for and obtaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Tenant (subject to Tenant's right to contest pursuant to Section 7), and City shall have no liability, monetary or otherwise, for any such fines or penalties. Without limiting the other indemnification provisions of this Lease, Tenant shall Indemnify City and any Indemnified Party from and against any and all such fines and penalties, together with Attorneys' Fees and Costs, for which City may be liable in connection with Tenant's failure to obtain or comply with any Regulatory Approval or in connection with the litigation against or appeal or contest of, any Regulatory Approval or any conditions thereof.

(n) **City Acting as Owner of Real Property.** Tenant understands and agrees that City is entering into this Lease in its proprietary capacity, as the holder of fee title to the Premises, and not in its capacity as a regulatory agency of City. Tenant understands that City's entering into this Lease shall not be deemed to imply that Tenant will be able to obtain any required approvals from City departments, boards or commissions that have jurisdiction over the Premises, including City itself in its regulatory capacity. By entering into this Lease, City is in no way modifying Tenant's obligations to cause the Premises to be used and occupied in accordance with all Laws, as provided herein.

## **Section 9 TENANT'S MANAGEMENT AND OPERATING COVENANTS**

### **9.1 Operating Standards and Requirements; Management.**

(o) Following completion of the Phase 1 Improvements, Tenant shall cause the Premises to be operated in a commercially reasonable manner consistent with achieving the Primary Uses and the Minimum Programming Standards. Tenant shall be exclusively responsible, at no cost to City, for the management and operation of the Premises. In connection with managing and operating the Premises, Tenant shall provide (or require others, including, without limitation, Subtenants, to provide) such services as may be necessary or appropriate to achieve and maintain operating standards commensurate with that of facilities managed by the Department, including, but not limited to, (i) repair and maintenance of the Improvements, subject to City's obligations under Section 10.4 below (ii) those utility services that are Tenant's obligations hereunder, (iii) cleaning, janitorial, pest control, and trash and graffiti removal, (iv) landscaping and groundskeeping, (v) security services, (vi) marketing the Premises, selecting Subtenants, and negotiating Subleases and Event Permits (as defined in, and subject to the requirements of, Section 18.1(d) below), (vii) enforcing reasonable rules and regulations for the conduct of Subtenants and others present on the Premises, (viii) collecting rents and other receivables and preparing statements, (ix) using reasonable efforts to enforce, as fully as practicable, the compliance by Subtenants with the terms, covenants and conditions of their Subleases, (x) carrying



insurance, paying premiums, and securing certificates of insurance from Subtenants and parties working on the Premises, if applicable, (xi) preparing a budget that permits Tenant to pay operating expenses and meet debt service obligations, and (xii) establishing and maintaining books and records and systems of account covering operations of the Premises in accordance with sound accounting practices.

(p) Tenant shall cause the proper management and marketing of the Premises in a commercially reasonable manner consistent with sound facility management practices. If City determines in its reasonable judgment that the Premises are not being operated, managed or subleased in accordance with the requirements and standards of this Lease, City may provide Tenant with written notice of such defect in operation, management or subleasing. Within thirty (30) days of receipt by Tenant of such written notice, City staff and Tenant shall meet in good faith to consider methods for improving the operating, management or subleasing of the Premises, and Tenant shall cure the defects in performance, which cure must begin as soon as practicable (which shall be no more than forty-five (45) days after City's notice) and must be completed within seventy-five (75) days after the date of City's notice, provided that if the deficiency cannot be corrected within the 75-day period, Tenant shall submit a written proposal for the correction along with a specific timeline for such cure no later than thirty (30) days after the date of the meeting between Tenant and City. Tenant's proposal shall be subject to approval by the Department at Department's sole discretion. If the deficiency is not corrected by the end of the 75-day period, or if the Department has not accepted Tenant's plan for cure by such date, Tenant shall be in default of this Lease. No contract for the operation or management or leasing of the Premises entered into by Tenant shall be binding on City and no act or omission of a manager pursuant to any management agreement, or otherwise, shall in any manner excuse Tenant's failure to perform any of its obligations under this Lease.

#### **9.2 Books and Records; Annual Report; Audit Right.**

Tenant shall keep, and cause its Subtenants to keep, accurate books and records according to generally accepted accounting principles with respect to all expenditures and revenues with respect to the Premises. On or before the date which is ninety (90) days following the close of each Tenant fiscal year during the Term and ninety (90) days following the end of the Term, Tenant shall deliver to City an itemized statement of income and expenditures with respect to the Premises for such year, which statement shall set forth income and expenditures for the year just concluded broken down by category (such as rentals and fees, event rental, income from classes, and donations received) and a cash flow table that itemizes expenditures on staff and consultant salaries, utilities and maintenance, capital improvements, and the like (the "**Annual Statement**"). Each Annual Statement of Tenant shall be certified as correct by an officer of Tenant and in form delivered to Tenant's board of directors, or if no such form which such detail was delivered to Tenant's board of directors, in a form satisfactory to City. Tenant agrees to make its books and records with respect to the Premises available to City, or to any City auditor, or to any auditor or representative designated by City, for the purpose of examining such books and records to determine the accuracy of Tenant's reported earnings and expenses. Such books and records shall be kept for four (4) years and shall be maintained and/or made available in San Francisco to City's representative for the purpose of auditing or re-auditing. In addition, Tenant shall promptly provide its annual report and Form 990 tax form to City on request.

Tenant shall cause a Subtenant to deliver to City an itemized statement of such Subtenant's income and expenditures with respect to the Premises within thirty (30) days of City's written request for such statement, which statement shall set forth income and expenditures for the period of time specified in such City request, broken down by category (such as rentals and fees, event rental, income from classes, and donations received) and a cash flow table that itemizes expenditures on staff and consultant salaries, utilities and maintenance, capital improvements, and the like. Such Subtenant statements shall be certified as correct by an officer of such Subtenant and in a form satisfactory to City. Tenant shall require each Subtenant to make its books and records with respect to the Premises available to City, or to any City auditor, or to any auditor or representative designated by City, for the purpose of examining such books and records to determine the accuracy of Subtenant's reported earnings and expenses. Such books

and records shall be kept for four (4) years and shall be maintained and/or made available in San Francisco to City's representative for the purpose of auditing or re-auditing. In addition, Tenant shall cause each Subtenant to provide its annual report and Form 990 tax form to City on request.

## **Section 10 REPAIR AND MAINTENANCE**

### **10.1 Tenant's Duty to Maintain and Repair.**

Throughout the repair and working order and in a clean, secure, safe and sanitary condition. Such maintenance and repair shall include, to City's reasonable satisfaction, normal day-to-day maintenance such as light bulb replacement and maintaining kitchen sinks, faucets, windows, doors, and painting, keeping all furniture, fixtures and equipment at the Premises in a clean, neat, safe, sanitary and in good order, and routine janitorial service. Subject to Section 10.4, and Section 15 of this Lease, Tenant shall promptly make (or cause others to make) all necessary or appropriate non-structural, interior repairs, including repair of wear and tear. Tenant shall make such repairs with materials, apparatus and facilities with materials, apparatus and facilities at least equal in quality, appearance and durability to the materials, apparatus and facilities repaired or replaced. Without limiting the foregoing, Tenant shall promptly make all such repairs and replacements: (a) at no cost to City, (b) by licensed contractors or qualified mechanics, and (c) in accordance with any applicable Laws. In addition to the foregoing, subject to the provisions of Section 10.4 below, Tenant shall be responsible for regularly scheduled maintenance to the structural and exterior components of the improvements on the Premises, including but not limited to the exterior walls, windows, and roof of the Powerhouse (collectively, the "Structural Components"), as more particularly described in the Maintenance Budget, as defined below.

### **10.2 Capital Repair Budget; Replacement Reserve Account.**

Prior to the Delivery Date, Tenant shall engage or cause the Master Subtenant to engage a qualified professional to develop a forty-five (45) year asset reserve analysis for the Premises (the "Reserve Study"), which Reserve Study shall include a schedule for repair, replacement, major maintenance, and improvement of Structural Components, Building Systems, and other capital improvements, fixtures or equipment that are located on or used in connection with (i) the operation or use of the Premises or the improvements on the Premises, and (ii) subject to wearing out during the useful life of the Powerhouse ("Capital Repairs and Replacements"). Tenant shall deliver a copy of the Reserve Study and, in consultation with the Department, develop a schedule for periodic deposits into a separate depository account (the "Replacement Reserve Account") in the amount reasonably adequate for the payment of all reasonably anticipated costs of Capital Repairs and Replacements, which schedule shall be subject to the reasonable approval or disapproval of the General Manager (as so approved, the "Capital Repair Budget"). Tenant shall cause the Replacement Reserve Account to be funded, at a minimum, to the levels proposed in the Capital Repair Budget from time to time or recommended by City's Controller, as provided below, if applicable.

If any party withdraws funds from the Replacement Reserve Account such that the resulting balance is \$25,000 or less, as Indexed, Tenant shall cause the Replacement Reserve Account to be replenished to a minimum balance of \$50,000, as Indexed, within twenty-four (24) months of the withdrawal. If any withdrawal of funds from the Replacement Reserve Account results in a balance is less than \$50,000 as Indexed, but greater than \$25,000, as Indexed, Tenant shall cause Replacement Reserve Account to be replenished to a minimum balance of \$50,000, as Indexed, within twelve (12) months of the withdrawal. The funds in the Replacement Reserve

Account shall be used by Tenant or the Master Subtenant only for Capital Repairs and Replacements, and shall not be used to fund program costs or for any other purpose unless Tenant obtains the prior written consent of City, which consent may be withheld in City's sole discretion. Tenant shall fund, or cause the Master Subtenant to fund, the Replacement Reserve Account in the amount reasonably adequate to pay for all reasonably anticipated costs to be paid from such account, consistent with the practices of other prudently, well-managed facilities in the San Francisco Bay Area. City's Controller may review the adequacy of deposits to the Replacement Reserve Account periodically and if the Controller determines from time to time in his or her reasonable discretion that the amount in the Replacement Reserve Account is insufficient to fund the cost of the likely expenditures which will be required to be made from such account, City may require an increase in the amount of deposits into the Replacement Reserve Account upon one hundred eighty (180) days prior written notice to Tenant, and Tenant shall thereupon make or cause the Master Subtenant to make such adjustments, either by monthly payments or by capital campaign funds or otherwise, as reasonably agreed by City and Tenant. City's Controller shall include in its written notice to Tenant a written explanation of the reasons for requiring an increase in the monthly into the Replacement Reserve Account. Tenant shall deliver to City annually a statement from the depository institutions in which the Replacement Reserve Account is held, showing the then current balance in such account and any activity on such account which occurred during the immediately prior year. If any party has withdrawn funds from the Replacement Reserve Account within the immediately prior year, Tenant shall include with the delivery of such statement, an explanation of such withdrawal. In connection with any such expenditure, Tenant shall provide City with any other documentation related thereto, reasonably requested by City. The insufficiency of any balance in the Replacement Reserve Account shall not abrogate Tenant's obligation to fulfill all preservation and maintenance covenants in this Lease if either Tenant or Master Subtenant, as applicable, has failed to timely make the deposits it is scheduled to make under the Capital Repair Budget or as otherwise set forth in this Section.

Notwithstanding the foregoing, if Capital Repairs and Replacements are required during the final five (5) years of the Term, Tenant may propose that City and Tenant share the cost of such Capital Repairs and Replacements in a manner that takes into account the useful life of the repair or replacement and the remaining Term, such that Tenant is responsible only for that portion of the cost attributable to the time period prior to the expiration of the Term, and if City does not agree to fund the balance of the cost of the required Capital Repairs and Replacements, City shall so notify Tenant and Tenant may either terminate this Lease by providing written notice of termination to City, or Tenant may elect to make such Capital Repairs and Replacements at Tenant's cost.

### 10.3

### Inspection Rep

Not less frequently than once every seven (7) years, Tenant shall conduct an inspection and physical needs assessment for the Premises to identify replacements and repairs required to maintain the Premises and such improvements in good order and repair and to keep the Improvements and such improvements from deteriorating, and shall cause to be prepared a written report (the "Inspection Report") detailing the results of such inspection and assessment. The Inspection Report shall identify capital repairs and improvements that are reasonably required to preserve, repair or replace capital improvements, fixtures or equipment located on or used in connection with the operation of the Premises as well as routine maintenance and repairs. At City's request, Tenant shall cooperate with City to ensure maintenance and repair data is provided

**promptly to City's Capital Planning Committee staff for inclusion in the master City property database currently known as Facility Renewal and Replacement Model (FRRM).**

**10.4**

**Limited City D**

Notwithstanding the other provisions of this Section 10, City shall maintain and make any necessary repairs to the Structural Components for the period between the Delivery Date and the tenth (10<sup>th</sup>) anniversary of the Delivery Date (the "**City Structural Repair Period**"), except to the extent any such repairs are needed due to the negligence or willful misconduct to Tenant or any Subtenant or their respective Agents or Invitees. City shall have no obligation to maintain or repair the Improvements on the Premises other than City's obligation with respect to the Structural Components during the City Structural Repair Period. During the City Structural Repair Period, at Tenant's reasonable request from time to time, City shall either enforce its agreements with design professionals and contractors with respect to the correction of defects in the Phase 1 Improvements or pursue the recovery of damages related to such defects. City shall further have the right to enforce such agreements at its own election from time to time.

**10.5**

**Cooperation in**

**City and Tenant shall use reasonable efforts to identify funding for any unexpected repairs not identified in the Maintenance Budget and not otherwise the obligation of Tenant under this Lease, and if such funding is identified, Tenant shall perform such repairs. Notwithstanding anything to the contrary in the foregoing sentence, City shall have no obligation to commit any City funds for such unexpected repairs.**

**10.6**

**Right to Termini**

**If Structural Components require any repair after the termination of the City Structural Repair Period and there are not sufficient funds in the Capital Repair Budget for such repair, Tenant shall promptly notify City in writing of the needed Structural Component repair, the estimated cost of such repair, and the amount then available in the Capital Repair Budget. City shall have no obligation to fund the remaining funds needed for such repair, but if City elects to do so, City shall notify Tenant in writing of the amount of funds City will provide for such repair and City's requirements for such provision. If City does not agree to provide such funds, City shall notify Tenant in writing of such determination. If City offers to provide the needed balance of funds for a Structural Component repair and Tenant does not agree to City's requirements for providing such funds (which shall not be unreasonably withheld by Tenant) or City elects to not provide the additional funds needed for such repair, then Tenant shall so notify City if Tenant will use other funding to perform the needed repair at Tenant's sole cost. If Tenant does not elect to use such other funding, either City or Tenant may terminate this Lease by providing the other written notice of termination.**

**Tenant shall ob**

**reduce the number of such required quotes if it is commercially reasonable to do so. Any and all licenses and agreements entered into by Tenant for use of the Premises must acknowledge Tenant's and City's repair and termination rights as set forth in this Lease, and waive any rights against City in the event of any such repair or termination as permitted by this Lease. Tenant waives any and all claims for damages, injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss, if City exercises its right to repair the Premises or to terminate this Lease following damage or destruction or as otherwise permitted hereunder. In making any such repairs, City shall comply with the applicable**

requirements of the California State Historic Preservation Office and the National Park Service, and use commercially reasonable efforts to minimize disruption to Tenant's use of the Premises.

10.7

Tenant Waiver

Except as expressly set forth in Section 10.4 above, (i) City shall have no obligation to make repairs or replacements of any kind or maintain any portion of the Premises, and (ii) Tenant waives the benefit of any existing or future law that would permit Tenant to make repairs or replacements at City's expense, or abate or reduce any of Tenant's obligations under, or terminate, this Lease, on account of the need for any repairs or replacements. Without limiting the foregoing, Tenant hereby waives any right to make repairs at City's expense as may be provided by Sections 1932(1), 1941 and 1942 of the California Civil Code, as any such provisions may from time to time be amended, replaced, or restated.

10.8

Notice.

Tenant shall deliver to City, promptly after receipt, a copy of any notice which Tenant may receive from time to time: (i) from any governmental authority having responsibility for the enforcement of any applicable Laws, asserting that the Premises is in violation of such Laws; or (ii) from the insurance company issuing or responsible for administering one or more of the insurance policies required to be maintained by Tenant under this Lease, asserting that the requirements of such insurance policy or policies are not being met. City shall deliver to Tenant, promptly after receipt, a copy of any notice which City may receive from time to time from any governmental authority having responsibility for the enforcement of any applicable Laws, asserting that the Premises is in violation of such Laws.

**Section 11 LEASEHOLD IMPROVEMENTS**

**11.1 Construction and Payment of Phase 1 Improvements.**

Subject to Tenant's timely payment of Phase 1 construction costs pursuant to the Development Services Agreement between City and Tenant, dated as of \_\_\_\_\_ (the "**Development Services Agreement**"), City shall cause \_\_\_\_\_ [*name of City contractor*] or any other party selected by City (either, the "**Phase 1 Contractor**") to perform the work and make the installations in the Premises described in that certain \_\_\_\_\_ [*name of construction agreement*] between City and \_\_\_\_\_ [*name of City contractor*], dated \_\_\_\_\_ (the "**Construction Agreement**") prior to the Delivery Date in a good and professional manner in accordance with sound building practice. Such work and installations are referred to as the "**Phase 1 Improvement Work**" and "**Phase 1 Improvements**".

If Tenant fails to timely make each payment it is obligated to make to the Phase 1 Contractor or to City, if City is to be reimbursed for a payment it made to the Phase 1 Contractor, under the Development Services Agreement, City shall have the right to suspend the Phase 1 Improvement Work until Tenant cures such failure in the manner specified in the Development Services Agreement. If City elects to suspend the Phase 1 Improvement Work due to such Tenant failure, the Delivery Date shall be extended by the number of days of such suspension of the Phase 1 Improvement Work.

City shall notify Tenant of the approximate date on which the Phase 1 Improvement Work will be fully completed in accordance with the Construction Documents. When construction progress so permits, but not less than thirty (30) days in advance of anticipated completion, City shall notify Tenant of the approximate substantial completion date and immediately notify Tenant when City issues a Notice of Completion for the Phase 1 Improvement Work to the Phase 1 Contractor under the Construction Agreement. On such date or other mutually agreeable date as soon as practicable thereafter, Tenant and its authorized representatives shall have the right to accompany Landlord on an inspection of the

Premises.

## **11.2 Title to Leasehold Improvements.**

As used in this Lease, "**Leasehold Improvements**" means all Improvements erected, built, placed, installed or constructed upon or within the Premises after the Effective Date, including, but not limited to, the Phase 1 Improvements. Once installed, Tenant shall not remove any Leasehold Improvements from the Premises without the prior written consent of City, except to the extent Tenant removes any of its Personal Property pursuant to Section 12.19 above or Section 27.1 below. Until the expiration or earlier termination of this Lease, Tenant shall own all of the Leasehold Improvements, including all Material Alterations (as defined in Section 12 below) and all appurtenant fixtures, machinery and equipment installed therein (except for trade fixtures and the Personal Property of Subtenants). At the expiration or earlier termination of this Lease, title to the Leasehold Improvements, including appurtenant fixtures (but, except as otherwise set forth in this Lease, excluding Personal Property that Tenant is required to remove from the Premises under Section 27.1 below), will vest in City without further action of any Party, and without compensation or payment to Tenant. Tenant and its Subtenants shall have the right at any time, or from time to time, including, without limitation, at the expiration or upon the earlier termination of the Term, to remove the Personal Property that is not affixed or attached to the Building, and with City's prior written consent, any Personal Property affixed or attached to the Premises in the ordinary course of business; provided, however, that if the removal of any Personal Property damages any portion of the Premises, Tenant shall promptly cause the repair of such damage at no cost to City.

## **Section 12 ALTERATIONS**

### **12.1 City's Approval Required.**

**(q) Alterations. Except for improvements required by the United States Secretary of the Interior under the approved Historic Preservation Certification Application Part 2 – Description of Rehabilitation (a "Part 2 Alteration"), Tenant shall not make or permit any Material Alterations (defined as follows) without City's prior written consent in each instance, which consent shall not be unreasonably withheld; provided, however, that the SFMTA may withhold or condition its permission to any requested Material Alteration on the SFMTA Property in its sole discretion. A "Material Alteration" means any construction, alteration, installation, addition, or improvement in, to or about the Premises (including the Powerhouse), but shall exclude any construction, alteration, installation, addition or improvement to any portion of the Premises (each, a "Minor Alteration") that (i) does not require approval from the State Historical Preservation Office ("SHPO"), and (ii) consists of (A) installing, repairing or replacing furnishings, fixtures, equipment or decorative improvements that do not materially affect the structural integrity of the Improvements, (B) recarpeting or repainting the interior of the Premises, or similar alterations, (C) an alteration that does not require a building permit or regulatory approval from the Planning Department or any other City department, and costs less than One Hundred Thousand Dollars (\$100,000), as Indexed. At any time prior to a Dissolution Event, all Material Alterations and Minor Alterations shall be performed in a manner approved by SHPO and in compliance with the Secretary's Standards .**

**(r) Notice by Tenant; General Approval. At least thirty (30) days before commencing any Material Alteration that requires City's approval under Section 12.1(a) above, Tenant shall notify City of such planned Material Alteration. City shall have the right to object to any such Material Alteration, to the extent that it requires City's approval, by providing Tenant with written notice of such objection within thirty (30) days after receipt of such notice from Tenant. If City does not approve or object to the proposed Material Alteration within the thirty (30) day period described above, then Tenant may submit a second written notice to City that such objection was not received within the period provided by this Section 18.1(b) and requesting City's**

response. Tenant shall notify City of any planned Minor Alteration or Part 2 Alteration at least twenty (20) days before commencing such Minor Alteration or Part 2 Alteration, as applicable.

(s) **Plans and Specifications; Contractors and Mechanics.** All Material Alterations shall be done at Tenant's expense in accordance with plans and specifications approved by City (to the extent plans are reasonably required), only by duly licensed and bonded contractors or mechanics (which contractors or mechanics shall be subject to the prior approval of City if the proposed work exceeds One Hundred Thousand Dollars (\$100,000), as Indexed, and if City's approval was required, subject to any conditions that City may reasonably impose at the time of approval.

## 12.2 Construction Documents in Connection with Material Alterations.

With regard to any Material Alteration, Tenant shall prepare and submit to City, for review and written approval hereunder, reasonably detailed schematic drawings. City may waive the submittal requirement of schematic drawings if it determines in its reasonable discretion that the scope of the Material Alteration does not warrant such initial review. Schematic drawings, if required, shall generally include perspective drawings sufficient to illustrate the Improvements to be constructed, a site plan at appropriate scale, building plans, floor plans and elevations sufficient to describe the development proposal, and the general architectural character, and the location and size of uses, of the proposed work, and building sections showing height relationships of the areas noted above. Tenant shall prepare and submit to City, for review and written approval hereunder (following City's approval of schematic drawings, if required) preliminary and final construction documents (collectively "**Construction Documents**"), which are consistent with the approved schematic drawings, if applicable Construction Documents means plans, specifications and working drawings for Improvements, setting forth in detail all aspects of the design, function and construction of the proposed Material Alteration (including architectural, structural, mechanical, electrical, materials and such other elements as may be appropriate), in form sufficient for obtaining permits and bidding all elements of construction, and in otherwise in conformity with all of the requirements of this Lease. Construction Documents shall be prepared by a qualified architect or structural engineer duly licensed in California. City shall approve or disapprove schematic drawings and Construction Documents submitted to it for approval within thirty (30) days following receipt, and any disapproval shall state in writing the reasons for disapproval. If City deems the Construction Documents incomplete, City shall notify Tenant of such fact. If City disapproves Construction Documents, and Tenant revises or supplements, as the case may be, and resubmits such Construction Documents, City shall promptly review the revised or supplemented Construction Documents to determine whether the revisions satisfy the objections or deficiencies cited in City's previous notice of rejection. Upon receipt by Tenant of a disapproval of Construction Documents from City, Tenant (if it still desires to proceed) shall revise such disapproved portions of such Construction Documents in a manner that addresses City's written objections to the extent acceptable to Tenant. Tenant shall resubmit such revised portions to City as soon as possible after receipt of the notice of disapproval. City shall approve or disapprove such revised portions in the same manner as provided above for approval of Construction Documents (and any proposed changes therein) initially submitted to City.

## 12.3 Insurance in Connection with Material Alterations.

During any period of construction or installation of any Material Alteration, Tenant shall comply with the following requirements at no cost to City, which requirements can be reasonably modified by City's Risk Manager to reflect the particular circumstances of such Material Alteration:

(a) **Contractor Insurance.** Tenant shall require its contractor to maintain (i) commercial general liability insurance with limits of not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage (including personal injury and death), and contractor's protective liability; and products and completed operations coverage in an amount not less than Five Hundred Thousand Dollars (\$500,000) per incident, One Million Dollars (\$1,000,000) in the aggregate; (ii) comprehensive automobile liability insurance with a policy limit of not less than One Million Dollars (\$1,000,000) each accident for bodily injury and property damage, providing coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile

Liability, "any auto", and insuring against all loss in connection with the ownership, maintenance and operation of automotive equipment that is owned, hired or non-owned; and (iii) worker's compensation with statutory limits and employer's liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000) per accident, Five Hundred Thousand Dollars (\$500,000) aggregate disease coverage and One Hundred Thousand Dollars (\$100,000) disease coverage per employee. Tenant shall cause its Agents (other than Tenant's contractor) performing any Material Alteration to carry such insurance as shall be reasonably approved by City taking into account the nature and scope of the work and industry custom and practice.

(b) Builders Risk Insurance. Tenant shall carry "Builder's All Risk" insurance on a form reasonably approved by City, in the amount of one hundred percent (100%) of the completed value of all new construction, insuring all new construction, including all materials and equipment incorporated in, on or about the Premises, and in transit or storage off-site, that are or will be part of the Improvements, against "all risk" and "special form" hazards.

(c) Professional Services. Tenant shall require all providers of professional services, including but not limited to architectural, design, engineering, geotechnical, and environmental professionals under contract with Tenant for any Material Alterations, to maintain professional liability (errors or omissions) insurance, with limits not less than One Million Dollars (\$1,000,000.00) each claim and aggregate, with respect to all professional services provided to Tenant therefor.

(d) General Requirements.

(i) The insurance to be carried by Tenant or its contractors or Agents pursuant to this Section shall comply with the requirements of Section 20.1(b), and Tenant shall require that such policies name Tenant and City as additional insureds.

(ii) In addition to the requirements of this Section, Tenant shall require all contractors and sub-contractors performing work in, on, under, around, or about the Premises for any Material Alterations to carry the insurance coverages required by the respective construction contract, sublease, or other agreement governing such party's activities that was approved by City, if applicable.

(iii) Tenant shall furnish City certificates with respect to the policies required under this Section, together with copies of each such policy (if City so requests) and evidence of payment of premiums, within thirty (30) days after the Delivery Date and, with respect to renewal policies, at least ten (10) business days after the expiration date of each such policy. If at any time Tenant fails to maintain the insurance required pursuant this Section, or fails to deliver certificates or policies as required pursuant to this Section, then, upon five (5) days' written notice to Tenant, City may obtain and cause to be maintained in effect such insurance by taking out policies with companies satisfactory to City. Within ten (10) days following demand, Tenant shall reimburse City for all amounts so paid by City, together with all costs and expenses in connection therewith and interest thereon at the Default Rate.

#### 12.4 Construction.

(t) Conditions. **Tenant shall not commence any Material Alteration until the following conditions have been satisfied or waived by City: (i) except with respect to any Minor Alteration, City shall have approved the final Construction Documents; (ii) Tenant shall have obtained all permits and other regulatory approvals necessary to commence such construction; and (iii) Tenant shall have submitted to City in writing its good faith estimate of the anticipated total construction costs of the Material Alteration if such estimated cost exceeds Twenty Five Thousand Dollars (\$25,000), as Indexed. If such good faith estimate exceeds One Hundred Thousand Dollars (\$100,000), as Indexed, Tenant shall also submit, at City's request, evidence reasonably satisfactory to City, of Tenant's ability to pay such costs as and when due.**

(u) Reports. **During periods of construction, Tenant shall submit to City upon City's reasonable request (which shall not be made more than once a month), written progress reports, along with appropriate backup documentation.**

#### 12.5 Construction Standards.



All construction on the Premises shall be accomplished expeditiously, diligently and in accordance with good construction and engineering practices and applicable Laws. Tenant shall undertake commercially reasonable measures to minimize damage, disruption or inconvenience caused by such work and make adequate provision for the safety and convenience of all persons affected by such work. Dust, noise and other effects of such work shall be controlled using commercially-accepted methods customarily used to control deleterious effects associated with construction projects in populated or developed urban areas.

#### **12.6 General Conditions.**

All construction on the Premises shall be subject to the following terms and conditions:

**(v) All construction work shall be performed in compliance with all Laws, including but not limited to Disabled Access Laws and any historic preservation requirements.**

**(w) City shall have no responsibility for costs of any Material Alteration; Tenant shall pay (or cause to be paid) all such costs.**

**(x) Tenant shall be responsible for all required insurance.**

**(y) Tenant shall resolve all disputes arising out of the construction in a manner that allows work to proceed expeditiously.**

**(z) City and its Agents shall have the right to enter areas in which construction is being performed to inspect the progress of the work provided such inspections do not unreasonably interfere with the construction. City shall use reasonable efforts to provide prior written or telephonic notice of such entry. Such access shall be subject to Tenant's reasonable security and safety measures. Nothing in this Lease, however, shall be interpreted to impose an obligation upon City to conduct such inspections or any liability in connection therewith.**

#### **12.7 Construction Contracts.**

Except as otherwise agreed by City in writing, which agreement shall not be unreasonably withheld, any construction contract for a Material Alteration (a "**Construction Contract**") shall include terms and conditions: (A) requiring contractor to obtain performance and payment bonds guaranteeing in full the contractor's performance and payment of subcontractors under the Construction Contract; (B) naming City and its boards, commissions, directors, officers, agents, and employees as co-indemnities with respect to Tenant's contractor's obligation to indemnify and hold harmless Tenant and its directors, officers, agents, and employees from all Losses directly or indirectly arising out of, connected with, or resulting from the contractor's performance or nonperformance under the Construction Contract; (C) requiring Tenant and contractor (as applicable) to obtain and maintain insurance coverages reasonably acceptable to City, including general liability and builder's risk insurance coverage that names City and its directors, officers, agents, and employees as additional insureds under the terms of the policies, (D) identifying City as an intended third party beneficiary of the Construction Contract, with the right to enforce the terms and conditions of the Construction Contract and pursue all claims thereunder as if it were an original party thereto; (E) consenting to the assignment of the Construction Contract to the City, in whole or in part, including but not limited to the assignment of (i) all express and implied warranties and guarantees from the contractor, all subcontractors and suppliers, (ii) all contractual rights related to the correction of nonconforming work, and (iii) the right to pursue claim(s) for patent and latent defects in the work and the completed project; and (F) providing for the contractor's(s') obligation, for a period of at least one (1) year after the final completion of construction of the Improvements, to correct, repair, and replace any work that fails to conform to the Final Construction Documents (as the same may be revised during construction pursuant to properly approved change orders) and damage due to: (i) faulty materials or workmanship; or (ii) defective installation by such contractor(s) of materials or equipment manufactured by others.

#### **12.8 Tenant's Duty to Notify City.**

Tenant shall promptly notify City in writing of (i) any written communication that Tenant may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the

Property, Powerhouse or any completed 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; (iii) any known default by any contractor or subcontractor or material supplier; or (iv) any known material adverse change in the financial condition or business operations of any contractor or subcontractor or material supplier that is reasonably anticipated to interfere with the completion of the applicable construction.

### **12.9 Wages and Working Conditions.**

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

Any undefined,

**and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Tenant’s failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor’s or Subcontractor’s failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party. For the current Prevailing Rate of Wages, see [www.sfgov.org/olse/prevailingwages](http://www.sfgov.org/olse/prevailingwages) or call the City’s Office of Labor Standard Enforcement at 415-554-6235.**

In connection w

### **12.10 Prevailing Local Hiring Requirements for Improvements and Alterations.**

**Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the "Local Hiring Requirements"). Improvements and Alterations are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than Seven Hundred Fifty Thousand Dollars (\$750,000) per building permit or (ii) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Improvement or any Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("OEWD") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "Covered Project").**

Tenant shall include, and shall require its Subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including

the right to file charges and seek penalties. Tenant shall cooperate, and require its Subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

#### **12.11 Tropical Hardwood and Virgin Redwood Ban.**

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 product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant shall not provide any items to the construction of Improvements or the Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. If Tenant fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Tenant shall be liable for liquidated damages for each violation in any amount equal to Tenant's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

#### **12.12 Approvals.**

Tenant understands and agrees that City is entering into this Lease 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 any construction (including the schematic design documents or Construction Documents) 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 landlord hereunder may be made by the General Manager unless otherwise specified herein.

#### **12.13 Safety Matters.**

Tenant, while performing any construction or maintenance or repair of the Powerhouse, shall undertake commercially reasonable measures in accordance with good construction practices to minimize the risk of injury or damage to adjoining portions of the Premises and the surrounding property, or the risk of injury to members of the public, caused by or resulting from the performance of its work.

#### **12.14 Construction Improvements that Disturb or Remove Exterior Paint.**

Tenant, on behalf of itself and its Agents, employees, officers and contractors, shall comply with all requirements of the San Francisco Building Code Chapter 36 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Tenant, 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. Tenant acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 36 of the San Francisco Building Code does not constitute notification to City as Tenant under the Lease and similarly that notice under the Lease does not constitute notice under Chapter 36 of the San Francisco Building Code. Further, Tenant 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. Tenant 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. Paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint

unless a lead-based paint test, as defined by Chapter 36 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. 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.

#### **12.15 Preservative-Treated Wood Containing Arsenic.**

Tenant 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. Tenant 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 Tenant 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.

#### **12.16 Resource Efficient City Buildings.**

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

#### **12.17 As-Built Plans and Specifications.**

Tenant shall furnish to City one copy of as-built plans and specifications for Material Alteration (reproducible transparencies and CAD files) within one hundred twenty (120) days following completion; provided, however, Tenant shall continue to own the rights to such as built plans and specifications until the expiration or earlier termination of the Lease. If Tenant fails to provide such as-built plans and specifications to City within the time period specified herein, and such failure continues for an additional thirty (30) days following written request from City, City will thereafter have the right to cause an architect or surveyor selected by City to prepare as-built plans and specifications showing such Material Alteration, and the reasonable cost of preparing such plans and specifications shall be reimbursed by Tenant to City as Additional Rent. Nothing in this Section shall limit Tenant's obligations, if any, to provide plans and specifications in connection with Material Alteration under applicable regulations adopted by City in its regulatory capacity.

#### **12.18 Title to Improvements.**

Tenant shall have the right to remove and safely store City’s personal property on the Premises at any time during the Term, provided Tenant shall return the same to the Premises upon the expiration or earlier termination of the Lease. Notwithstanding anything to the contrary in the Lease, Tenant shall not remove any equipment, additions and other property attached or affixed to or installed in the Premises without City’s prior written consent; provided, however, that Tenant shall remove such items from the Premises on the expiration or termination of this Lease if City requires such removal in writing within thirty (30) days of such expiration or termination. If Tenant removes any such items from the Premises, Tenant shall repair any damage to the Premises caused by such removal. Tenant shall not have the right to remove the Phase 1 Improvements, all of which shall be delivered to City upon Lease termination or expiration.

#### **12.19 Removal of Personal Property.**

All Personal Property that is not affixed or attached to the Building shall be and remain the property of Tenant or the Subtenants, as applicable. Tenant shall not remove or allow the removal of any Personal Property that is affixed or attached to the Building without the prior written consent of the General Manager; provided, however, that Tenant shall remove such affixed or attached Personal Property on the

expiration or earlier termination of this Lease at City's request. Tenant and the Subtenants shall have the right to remove their respective unaffixed and unattached Personal Property at any time during the Term.

#### **12.20 City Cooperation.**

Upon Tenant's request, City, acting in its proprietary capacity as a landlord but not in any regulatory capacity, shall reasonably cooperate with Tenant, in accordance with industry custom for landlords, in connection with Tenant's applications for permits and other governmental approvals in connection with the operation of the Premises or construction of any improvements under this Lease. Nothing in the foregoing shall limit or alter City's discretion as landlord for approvals or consents as described elsewhere in this Lease.

#### **12.21 Annual Report of Alterations.**

Tenant shall submit an annual report to City detailing any Material Alteration (including any Minor Alterations) made to the Premises during the immediately preceding year.

### **Section 13 UTILITY AND OTHER SERVICES**

#### **13.1 Utilities and Services.**

**(a) City shall provide, up to a cost of Six Hundred Dollars (\$600) per month, as Indexed, which amount shall be Indexed, electricity and water services to the Premises. Tenant shall be responsible, at its sole cost and expense, for any electricity, water, and sewer fees in excess of such monthly cap. Tenant shall reimburse City for any such excess fees within thirty (30) days of receiving City's invoice for such excess fees.**

**(b) Tenant shall pay for garbage and recycling disposal and all telephone, fax and internet connection charges for the entire Premises, including the cost of bringing any such service(s) to locations in the Premises.**

#### **13.2 Excess Use.**

If Tenant requires any utilities or services not provided by City hereunder, Tenant shall pay all costs of such utilities and services. Without limiting the foregoing, Tenant shall not: (a) connect or use any apparatus, device or equipment that will impair the proper functioning or capacity of the Building Systems, (b) connect any apparatus, device or equipment through electrical outlets or facilities except in the manner for which such outlets or facilities are designed, or (c) maintain at any time an electrical demand load in excess of the amount the Powerhouse's electrical systems were designed to support.

#### **13.3 Interruption of Services.**

City's obligation to provide utilities and services for the Premises is subject to applicable Laws and shutdowns for maintenance and repairs, for security purposes, or due to strikes, lockouts, labor disputes, fire or other casualty, acts of God, or other causes beyond the control of City. If there is an interruption in, or failure or inability to provide any service or utility for the Premises for any reason, such interruption, failure or inability shall not constitute an eviction of Tenant, constructive or otherwise, or impose upon City any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant, however City shall use reasonable and diligent efforts to restore or to cause the restoration of the interrupted service if the cause of the interruption or failure is within City's reasonable control in its capacity as owner of the Premises. Further, Tenant agrees, with respect to any public utility services provided to the Premises by City's utility company (if applicable), that no act or omission of City in its capacity as a provider of public utility services shall abrogate, diminish, or otherwise affect the respective rights, obligations and liabilities of Tenant and City under this Lease, or entitle Tenant to terminate this Lease or to claim any abatement or diminution of Rent, except as expressly set forth herein to the contrary. Further, Tenant covenants not to raise as a defense to its obligations under this Lease, or assert as a counterclaim or cross-claim in any litigation or arbitration between Tenant and City relating to this Lease, any losses arising from or in connection with City's provision (or failure to provide) public utility services. Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future Legal Requirement permitting the

termination of this Lease due to such interruption, failure or inability. The foregoing shall not constitute a waiver by Tenant of any claim it may or may not in the future have (or claim to have) against any such utility provider including City's utility company.

#### **13.4 Water and Energy Conservation; Mandatory or Voluntary Restrictions.**

If any law, ordinance, code or governmental or regulatory guideline imposes mandatory or voluntary controls on City or any portion of the Premises relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions, or the provision of any other utility or service provided with respect to this Lease, or if City is required or elects to make alterations to any part of the Powerhouse in order to comply with such mandatory or voluntary controls or guidelines or to save power, water or other utility charges, such compliance and the making of such alterations shall not entitle Tenant to any damages, relieve Tenant of the obligation to pay the full Rent hereunder or to perform each of its other covenants hereunder or constitute or be construed as a constructive or other eviction of Tenant, provided that City shall consult with Tenant prior to the construction of any such alterations in order to minimize the effect of any such improvement on the operations of Tenant under this Lease. Without limiting the foregoing, Tenant acknowledges that City shall have the right to install, at City's cost, solar panels, wind turbines and other energy-generating equipment on the roof of the Powerhouse so long as: (i) the same shall not interfere with equipment installed by Tenant on the roof in accordance with the terms of this Lease; (ii) the same shall not adversely affect the stability of the roof or materially interfere with Tenant's operations at the Premises; (iii) the same shall be permitted by Law (including those relating to historic preservation); and (iv) the same shall not have an adverse effect on any tax credits that have been or will be issued with respect to the Premises.

#### **13.5 Floor Load.**

Without City's prior written consent, which City shall not unreasonably withhold, condition or delay, Tenant shall not place or install in the Premises any equipment that weighs in excess of the normal load-bearing capacity of the floors of the Powerhouse; provided that it shall not be unreasonable for City to withhold consent to any such placement or installation if City's engineers are not satisfied that the improvements suggested by Tenant are sufficient to support such placement or installation and not cause damage to the Powerhouse. If City consents to the placement or installation of any such machine or equipment in the Premises, Tenant, at no cost to City, shall reinforce the floor of the Premises, pursuant to plans and specifications approved by City and otherwise in compliance with the constructions provisions of this Lease, as necessary to assure that no damage to the Premises or the Powerhouse or weakening of any structural supports will be occasioned thereby.

#### **13.6 Antennae and Telecommunications Dishes.**

No antennae or telecommunications dish or other similar facilities may be installed on the roof or exterior of the Premises without the prior written approval of the General Manager, which approval shall not be unreasonably withheld, conditioned or delayed. Any wireless telecommunications systems shall be subject to City's approval pursuant to City's policies on the siting and requirements for wireless telecommunications, as the same may be amended or modified from time to time. No such antennae shall interfere with City's plans for solar panels or wind turbines on the roof of the Powerhouse or City's emergency communications and transmission facilities (if any) and, to the extent existing at the time approval to the same was requested, City's non-emergency communications and transmission facilities of City (if any).

### **Section 14 DAMAGE OR DESTRUCTION**

#### **14.1 General; Notice; Waiver.**

(c) **General.** If at any time during the Term any damage or destruction occurs to any portion of the Premises, including the Improvements thereon, and including, but not limited to, any Major Damage and Destruction, the rights and obligations of the Parties shall be as set forth in this Section.

(d) **Notice.** If there is any damage to or destruction of any portion of the Premises or the Improvements thereon, that could materially impair use or operation of the Improvements for their intended purposes for a period of thirty (30) days or longer, Tenant shall promptly, but not more than ten (10) days after the occurrence of any such damage or destruction, give written notice thereof to City describing with as much specificity as is reasonable the nature and extent of such damage or destruction. Base Rent shall be abated to the extent such damage or destruction reduces the area of the Premises that is suitable for the Permitted Use.

(e) **Waiver.** The Parties intend that this Lease fully govern all of their rights and obligations if there is any damage or destruction of the Premises. Accordingly, City and Tenant each hereby waive the provisions of Sections 1932(2) and 1933(4) of the California Civil Code, as such sections may be amended, replaced, or restated from time to time.

#### 14.2 Certain Defined Terms.

(a) **Major Damage or Destruction** means damage to or destruction of any portion of the Improvements on the Premises (a) to the extent that the hard costs of Restoration will exceed Five Hundred Thousand Dollars (\$500,000) or (b) that cannot reasonably be repaired within one hundred eighty (180) days after the date of the damage or (c) during the last five (5) years of the Term.

(b) **Restore** and **Restoration** have the meanings set forth in Section 1.

(c) **Tenant Force Majeure** means events which result in delays in Tenant's performance of its obligations hereunder due to causes beyond Tenant's control and not caused by the acts or omissions of the Tenant, such as acts of nature or of the public enemy, fires, floods, earthquakes, strikes, freight embargoes, and unusually severe weather; delays of contractors or subcontractors due to any of these causes; the presence of Hazardous Materials or other concealed conditions on the Premises that would substantially delay or materially and adversely impair the Tenant's ability to construct on the Premises; substantial interruption of work because of other construction by third parties in the immediate vicinity of the Premises; archeological finds on the Premises; strikes, delay in the granting of permits and other governmental approvals beyond reasonable time periods and substantial interruption of work because of labor disputes; inability to obtain materials or reasonably acceptable substitute materials (provided that Tenant has ordered such materials on a timely basis and Tenant is not otherwise at fault for such inability to obtain materials). Force Majeure does not include failure to obtain financing or have adequate funds, or any event that could have been avoided by exercising that standard of foresight and due diligence that any ordinary, prudent and competent person would exercise under the circumstances. If there is any such delay, the time or times for performance of the obligations will be extended for the period of the delay; provided, however, (i) within thirty (30) days after the beginning of any such delay, Tenant shall have first notified City in writing of the cause or causes of such delay and claimed an extension for the reasonably estimated period of the delay, and (ii) Tenant cannot, through commercially reasonable and diligent efforts (not including the incurring of overtime premiums or the like), make up for the delay. Under no circumstances shall an event of Tenant Force Majeure exceed twelve months without City's consent.

(d) **Uninsured Casualty** means any of the following: (1) an event of damage or destruction occurring at any time during the Term for which the costs of Restoration (including the cost of any required code upgrades) are not insured under the policies of insurance that Tenant is required to carry under Section 20 hereof, or (2) an event of damage or destruction occurring at any time during the Term, which is covered under Tenant's policies of insurance that Tenant is required to carry under Section 20 hereof, but where the cost of Restoration (including the cost of any required code upgrades) will exceed the net proceeds of any insurance payable (or which would have been payable but for Tenant's default in its obligation to maintain insurance required to be maintained hereunder) plus the amount of any applicable policy deductible. Damage or destruction due to flood or earthquake shall be deemed an Uninsured Casualty notwithstanding that there may be insurance coverage.

#### **14.3 Tenant's Restoration Obligations.**

If any portion of the Improvements is damaged or destroyed by an event not constituting an Uninsured Casualty or Major Damage or Destruction for which Tenant elects to terminate this Lease under Section 14.4, then Tenant shall, subject to Section 14.4 hereof, within a reasonable period of time, commence and diligently, subject to Tenant Force Majeure, Restore the damaged or destroyed Premises, as applicable, to substantially the condition it was in immediately before such damage or destruction, to the extent possible in accordance with then applicable Laws. Except as set forth below, all insurance proceeds received by Tenant for the repair or rebuilding of the Premises shall be used by Tenant for such repair or rebuilding. All restoration performed by Tenant shall be in accordance with the procedures set forth in Section 12 relating to Material Alteration and shall be at Tenant's sole expense. Such destruction, in and of itself, shall not terminate this Lease.

#### **14.4 Major Damage and Destruction or Uninsured Casualty.**

(aa) Tenant's Election to Restore or Terminate. If an event of Major Damage or Destruction or Uninsured Casualty occurs at any time during the Term, then Tenant shall provide City with a written notice (the "Casualty Notice") either (1) electing to commence and complete Restoration of the Premises to substantially the condition it was in immediately before such Major Damage or Destruction or Uninsured Casualty to the extent possible in accordance with then applicable Law and in accordance with any restoration work to be performed by City in accordance with the terms of this Lease; or (2) electing to terminate this Lease (subject to Section 14.4(b)). Tenant shall provide City with the Casualty Notice no later than ninety (90) days following the occurrence of such Major Damage or Destruction or Uninsured Casualty. If Tenant elects to Restore the Improvements, all of the provisions of Section 12 that are applicable to Material Alteration of the Improvements shall apply to such Restoration of the Improvements to substantially the condition they were in prior to such Major Damage or Destruction as if such Restoration were Material Alteration.

(bb) Condition to Termination; Payment of Insurance Proceeds. As a condition precedent to Tenant's right to terminate the Lease upon the occurrence of either of the events set forth in Section 14.4(a) above, Tenant, in its election to terminate described in Section 14.4(a), shall state the estimated cost of Restoration of the Premises and the amount by which the estimated cost of Restoration exceeds insurance proceeds payable. Upon receipt by Tenant of any insurance proceeds paid on account of such casualty for the repair or rebuilding of the Premises, Tenant shall promptly pay or cause to be paid to City such insurance proceeds recoverable by Tenant after first reimbursing any Mortgagee for the outstanding balance of any loan secured by Tenant's interest in this Lease and reimbursing Tenant for the reasonable costs it incurs to obtain the insurance proceeds. Upon such event, Tenant shall provide to City a statement of such costs and the remaining debt, certified as true and correct, together with appropriate backup documentation.

#### **14.5 Effect of Termination.**

If Tenant elects to terminate the Lease under Section 14.4 above, then this Lease shall terminate on the date that Tenant shall have fully complied with all provisions of the first sentence of Section 14.4(b). On such termination, the Parties shall be released thereby without further obligations to the other party as of the effective date of such termination subject to payment to City of accrued and unpaid Rent, up to the effective date of such termination; provided, however, that the indemnification provisions hereof shall survive any such termination with respect to matters arising before the date of any such termination and City's right to receive insurance proceeds under this Lease shall survive the termination or expiration of the Lease.

#### **14.6 Distribution on Lease Termination.**

If Tenant is obligated to restore the Premises as provided herein and the Lease is terminated as a result of



an Event of Default by Tenant, then at the time of termination Tenant shall transfer to City all remaining insurance proceeds for the repair or rebuilding of the Premises, or the right to such proceeds if not yet received, in order to allow City to complete the restoration of the Premises.

#### 14.7 Subject to Leasehold Deed of Trust.

The City's and the Tenant's rights under this Section shall be subject and subordinate to the rights of the Leasehold Deed of Trust Beneficiaries with respect to damage and destruction under the Leasehold Deed of Trust so long as it remains in effect.

### **Section 15 CONDEMNATION**

#### **15.1 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 Premises 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.**

(d) **“Improvements Pertaining to the Realty” means machinery or equipment installed for use on the Premises that cannot be removed without a substantial economic loss or without substantial damage to the property on which it is installed, regardless of the method of installation, but excluding all of Personal Property. In determining whether particular property can be removed “without a substantial economic loss,” the value of the property in place considered as part of the realty should be compared with its value if it were removed and sold.**

#### **15.2 General.**

If during the Term or during the period between the execution of this Lease and the Effective 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 under this Lease shall be determined pursuant to this Section. City and Tenant intend that the provisions hereof govern fully if there is 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.

#### **15.3 Total Taking; Automatic Termination.**

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

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

**If there is a Taking of any portion (but less than all) of the Premises, Tenant shall have the right to terminate this Lease if (i) the partial Taking renders the remaining portion of the Premises untenable or unsuitable for continued use by Tenant, or (ii) the Taking is of areas that are necessary for Tenant to derive sufficient income to perform its obligations hereunder. If there is a partial Taking of a substantial portion of the Premises, either City or Tenant shall have the right to terminate this Lease. Either party electing to terminate under the provisions of this Section shall do so by giving the other party written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30<sup>th</sup>) day after such written notice is given or the Date of Taking.**

#### **15.5 Rent; Award.**

On termination of this Lease pursuant to an election under Section 15.4 above, City shall be entitled to the

entire Award in connection therewith (including, but not limited to, any portion of the Award made for the value of the leasehold estate created by this Lease and any Improvements Pertaining to the Realty), and Tenant shall have no claim against City for the value of any unexpired term of this Lease, provided that Tenant shall receive any Award made specifically to Tenant for Tenant's relocation expenses, the interruption of or damage to Tenant's business, or damage to Tenant's Personal Property.

#### **15.6 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 15.4 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) any Award shall be payable first to City to be applied to the restoration or repair of the balance of the Premises not taken, to the extent required to render such portion of the Premises tenantable, and (b) City shall be entitled to that portion of the balance of the Award attributable to the Premises (including, but not limited to, any portion of the Award made for the value of the leasehold estate created by this Lease), and Tenant shall have no claim against City for the value of any unexpired term of this Lease, provided that Tenant may make a separate claim for compensation, and Tenant shall receive any Award made specifically to Tenant, for Tenant's relocation expenses, the interruption of or damage to Tenant's business, or damage to Tenant's Personal Property.

#### **15.7 Temporary Takings.**

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to all or any part of the Premises for a limited period of time not in excess of one hundred eighty (180) consecutive days, this Lease shall remain unaffected by such temporary Taking and the entire Award for the temporary Taking shall be paid to Tenant.

### **Section 16 LIENS AND LEASEHOLD MORTGAGES**

#### **16.1 Liens.**

Tenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Tenant. If Tenant does not, within thirty (30) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, City shall have, in addition to all other remedies, the right, but not the obligation, to cause the lien to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by City and all expenses incurred by it in connection therewith (including, without limitation, Attorneys' Fees and Costs) shall be payable to City by Tenant upon written demand, accompanied by supporting invoices. City shall have the right to post on the Premises any notices that City may deem proper for the protection of City, the Premises, and the Powerhouse, from mechanics' and materialmen's liens. Tenant agrees to indemnify, defend and hold City and its Agents harmless from and against any claims for mechanic's, materialmen's or other liens in connection with any repairs or construction on the Premises, or materials furnished or obligations incurred by or for Tenant.

City shall not Encumber its interest in any portion of the Premises, the Powerhouse, the Improvements, or this Lease prior to any Dissolution Event unless the Mortgagees of any Tenant Encumbrances (including but not limited to the Leasehold Deed of Trust Beneficiaries to the extent the Leasehold Deed of Trust remains in effect at such time) agree in writing to be subject to and bound by the terms of such City Encumbrance.

#### **16.2 Leasehold Encumbrances.**

(cc) **Tenant's Right to Mortgage Leasehold.** Except for the Leasehold Deed of Trust, an assignment of leases and rents, and a perfected security interest in Tenant's personal property, and as expressly otherwise permitted in this Section 16.2, Tenant shall not Encumber Tenant's leasehold interest in any portion of the Premises, the Powerhouse, the Improvements, or this Lease. Any Mortgage that is not permitted hereunder shall be deemed to be a violation of this Lease on the date of its execution or filing of record regardless of whether or when it is foreclosed

or otherwise enforced. Pursuant to the terms and to the extent permitted by this Section 16.2, Tenant shall have the right to Encumber Tenant's leasehold estate created by this Lease by way of a leasehold Mortgage if Tenant obtains City's prior written consent to such leasehold Mortgage; provided that, notwithstanding any foreclosure thereof, Tenant shall remain liable for the payment of Rent and for the performance of all other obligations under this Lease. Tenant shall promptly notify City of any lien or encumbrance of which Tenant has knowledge and which has been recorded against or attached to the Improvements or Tenant's leasehold estate hereunder whether by act of Tenant or otherwise.

(dd) Leasehold Mortgage Subject to this Lease. With the exception of the rights expressly granted to Mortgagees in this Lease, the execution and delivery of a Mortgage shall not give or be deemed to give a Mortgagee any greater rights than those granted to Tenant hereunder. Notwithstanding anything to the contrary set forth herein, any rights given hereunder to Mortgagees shall not apply to more than one Mortgagee at any one time. If at any time there is more than one Mortgage constituting a lien on any portion of the Premises, the lien of the Mortgage prior in time to all others shall be vested with the rights under this Section 16 to the exclusion of the holder of any junior Mortgage.

(i) No Invalidation of Mortgage by Tenant Default. No failure by Tenant or any other party to comply with the terms of any Mortgage, including, without limitation, the use of any proceeds of any debt, the repayment of which is secured by the Mortgage, shall be deemed to invalidate, defeat or subordinate the lien of the Mortgage. Notwithstanding anything to the contrary in this Lease, neither the occurrence of any default under a Mortgage, nor any foreclosure action or conveyance in-lieu-of foreclosure, nor any action taken by a Mortgagee as permitted under the terms of the Mortgage or to cure any default of Tenant under this Lease, shall, by itself, constitute an Event of Default under this Lease, however such matters may be evidence of Tenant's failure to operate the Premises in accordance with the operating standards set forth herein.

(ii) Purpose of Mortgage; Protections Limited to Permitted Mortgagees. A Mortgage may be given only to a Bona Fide Institutional Lender, or to any other lender approved by City in its sole discretion (it being agreed that such other lender may include a philanthropic organization that engages in philanthropic lending, if such organization is otherwise acceptable to City). A Mortgage shall be made only to finance any Material Alteration or to refinance a permitted Mortgage, and shall not be cross-collateralized or cross defaulted with any other debt of Tenant or any other party. Tenant shall not be permitted to refinance a permitted Mortgage in order to take out cash for application to property other than the Premises or for application to the obligations of Tenant other than those created under this Lease.

(iii) Rights Subject to Lease; Restoration Obligations. All rights acquired by the Mortgagee under a Mortgage shall be subject to each and all of the covenants, conditions and restrictions set forth in this Lease, and to all rights of the City hereunder. None of such covenants, conditions and restrictions is or shall be waived by City by reason of the giving of the Mortgage, except as expressly provided in this Lease or otherwise specifically waived by City in writing. Except as set forth below, no Mortgagee shall be obligated to restore any damage to the Premises; provided, however, (i) that nothing in this Section shall be deemed or construed to permit or authorize any such holder to devote the Premises or any part thereof to any uses, or to construct any improvements thereon, other than those uses or improvements permitted under this Lease, and (ii) if the Mortgagee obtains title to the leasehold and chooses not to complete or restore the improvements where Tenant otherwise has the obligation to so restore, it shall so notify City in writing of its election within forty-five (45) days following its acquisition of the tenancy interest in this Lease and shall sell its tenancy interest with reasonable diligence to a purchaser that shall be obligated to restore the improvements as required under this Lease, but in any event the Mortgagee shall cause such sale to occur within six (6) months following the Mortgagee's written notice to City of its election not to restore. If Mortgagee fails to sell its tenancy interest using good faith efforts within such six (6) month period, it shall not constitute a default hereunder, but the Mortgagee

shall be obligated by the provisions of this Lease to restore the improvements to the extent Tenant is required under this Lease to so restore, and all such work shall be performed in accordance with all the requirements set forth in this Lease.

(iv) **Required Notice Provision in Mortgage.** Tenant agrees to have any Mortgage provide: (a) that the Mortgagee shall by registered or certified mail give written notice to City of the occurrence of any event of default under the Mortgage; (b) that City shall be given notice at the time any Mortgagee initiates any foreclosure action; and (c) that the disposition and application of insurance and condemnation awards shall be in accordance with the provisions of this Lease.

### 16.3 Notices to Mortgagee and Tax Credit Investor.

(a) **Copies of Notices.** Subject to subsection (b) below, City shall give a copy of each default notice City gives to Tenant from time to time of the occurrence of a default or an Event of Default, to a Mortgagee or Tax Credit Investor that has given to City written notice substantially in the form provided in subsection (b). Copies of such notices shall be given to the Mortgagee and Tax Credit Investor at the same time as notices are given to Tenant by City, addressed to the Mortgagee and Tax Credit Investor at the address last furnished to City. City's delay or failure to give such notice to the Mortgagee or Tax Credit Investor shall not be deemed to constitute a default by City under this Lease, but such delay or failure shall extend for the number of days until such notice is given, the time allowed to the Mortgagee to cure any default by Tenant. Any such notices to Mortgagee shall be given in the same manner as provided in Section 29 below.

(b) **Notice From Mortgagee or Tax Credit Investor to City.** The Mortgagee and Tax Credit Investor shall be entitled to receive notices from time to time given to Tenant by City under this Lease in accordance with subsection (a) above, provided such Mortgagee or Tax Credit Investor shall have delivered a notice to City in substantially the following form:

"The undersigned does hereby certify that it is the [Mortgagee][ Tax Credit Investor], as such term is defined in that certain Lease entered into by and between the City and County of San Francisco, as landlord, and \_\_\_\_\_, as tenant, dated as of \_\_\_\_\_ (the "Master Lease"), of Tenant's interest in the lease of the premises known as the Geneva Power House, a legal description of which is attached hereto as Exhibit A. The undersigned hereby requests that copies of any and all default notices from time to time given under the Master Lease by City to Tenant be sent to the undersigned at the following address:  
\_\_\_\_\_."

### 16.4 Mortgagee's and Tax Credit Investor's Right to Cure.

The following provisions shall apply (i) if Tenant enters into a Mortgage in compliance with the provisions of this Lease and such Mortgage remains unsatisfied of record, and (ii) with respect to the Tax Credit Investor:

(c) **Cure Periods.** In the case of any notice of default given by City to Tenant (a copy of which shall have been delivered to any Mortgagee and Tax Credit Investor pursuant to Section 16.3(a)), the Mortgagee and Tax Credit Investor shall each have the same concurrent cure periods as are given Tenant under this Lease for remedying a default or causing it to be remedied plus an additional fifteen (15) days thereafter for a monetary default or an additional thirty (30) days thereafter for a nonmonetary default, and City shall accept such performance by or at the instance of the Mortgagee or Tax Credit Investor as if the same had been made by Tenant within the applicable cure periods under the Lease.

(d) **Foreclosure.** Notwithstanding anything contained in this Lease to the contrary, upon the occurrence of an Event of Default, other than an Event of Default due to a default in the payment of money or other default reasonably susceptible of being cured prior to Mortgagee obtaining possession, City shall take no action to effect a termination of this Lease if, within thirty (30) days after notice of such Event of Default is given to Mortgagee, a Mortgagee

shall have (x) obtained possession of the Premises (including possession by a receiver), or (y) notified City of its intention to institute foreclosure proceedings or otherwise acquire Tenant's interest under the Lease or have a receiver take possession of the Premises, and thereafter promptly commences and prosecutes such proceedings with diligence and dispatch and completes such proceedings no later than six (6) months thereafter. If the Dissolution Event has occurred, a Mortgagee, upon acquiring Tenant's interest under this Lease, shall be required promptly to cure all monetary defaults and all other defaults then reasonably susceptible of being cured by such Mortgagee. The foregoing provisions of this subsection (b) are subject to the following: (i) no Mortgagee shall be obligated to continue possession or to foreclosure proceedings after the defaults or Events of Default hereunder referred to are cured; (ii) nothing herein contained shall preclude City, subject to the provisions of this Section, from exercising any rights or remedies under this Lease (other than a termination of this Lease to the extent otherwise permitted hereunder) with respect to any other Event of Default by Tenant during the pendency of such foreclosure proceedings; and (iii) the Mortgagee shall agree with City in writing to comply during the period City forebears from terminating this Lease with the terms, conditions and covenants of this Lease that are reasonably susceptible of being complied with by the Mortgagee. Notwithstanding anything to the contrary, the Mortgagee shall have the right at any time to notify City that it has relinquished possession of the Premises to Tenant, or that it will not institute foreclosure proceedings or, if such foreclosure proceedings have commenced, that it has discontinued them, and, in such event, the Mortgagee shall have no further liability from and after the date it delivers such notice to City, and, thereupon, City shall be entitled to seek the termination of this Lease and/or any other available remedy as provided in this Lease. If Mortgagee is prohibited by any process or injunction issued by any court having jurisdiction of any bankruptcy or insolvency proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition, provided that Mortgagee shall (i) have fully cured any Event of Default due to a default in the payment of money, (ii) continue to pay currently such monetary obligations as and when the same become due, and (iii) perform all other obligations of Tenant under this Lease to the extent that they are reasonably susceptible of being performed by the Mortgagee. Notwithstanding anything herein to the contrary, to the extent the Mortgagee is not reasonable capable of performing an obligation under this Lease, such obligations shall apply to and remain effective on a prospective basis to any assignee or transferee of the Mortgagee notwithstanding Mortgagee's inability to perform. Notwithstanding anything to the contrary above, if the Premises are not used by Tenant, a Subtenant, a Mortgagee, or a designee of Mortgagee as required in Section 5 above and such non-use continues for a period of twelve (12) months, then City shall have the right to terminate this Lease by providing thirty (30) days' notice of termination, subject to Tenant's and/or Mortgagee's right to cure by commencing operations during the thirty (30) day period and continuing thereafter in accordance with Section 5.

(e) Construction. Subject to subsection (b) above, if an Event of Default occurs following any damage but prior to restoration of the improvements, the Mortgagee, either before or after foreclosure or action in lieu thereof, shall not be obligated to restore the improvements beyond the extent necessary to preserve or protect the improvements or construction already made, unless the Mortgagee expressly assumes Tenant's obligations to City by written agreement reasonably satisfactory to City, to restore, in the manner provided in this Lease, the improvements. Upon assuming Tenant's obligations to restore, the Mortgagee or any transferee of Mortgagee shall not be required to adhere to the existing construction schedule, but instead all dates set forth in this Lease for such restoration or otherwise agreed to shall be extended for the period of delay from the date that Tenant stopped work on the restoration to the date of such assumption.

(f) New Lease. If there is any the termination of this Lease before the expiration of the Term, except as a result of damage or destruction to the Premises as in Section 14 or a Taking as set forth in Section 15, City shall deliver written notice of such termination to the Mortgagee, together with a statement of any and all sums that would be due under this Lease at

that time but for such termination, and of all other defaults, if any, under this Lease then known to City. The Mortgagee shall thereupon have the option to obtain a New Lease (a "New Lease") in accordance with and upon the following terms and conditions:

(i) Upon the written request of the Mortgagee, within thirty (30) days after service of such notice that this Lease has been terminated, City shall enter into a New Lease of the Premises with the Mortgagee within such period or its designee, subject to the provisions set forth in this Section and provided that the Mortgagee assumes all of Tenant's obligations under any subleases or contracts affecting the Premises then in effect; and

(ii) Such New Lease shall be entered into at the sole cost of the Mortgagee, shall be effective as of the date of termination of this Lease, and shall be for the remainder of the Term and at the Rent and upon all the agreements, terms, covenants and conditions hereof, in substantially the same form as this Lease (provided however, that Mortgagee shall not be required to comply with any Laws or ordinances adopted by the City after the Effective Date hereof to the extent that such Laws or ordinances would not have been applicable to Tenant under this Lease). Such New Lease shall require the Mortgagee to perform any unfulfilled obligation of Tenant under this Lease. Upon the execution of such New Lease, the Mortgagee shall pay any and all sums which would at the time of the execution thereof be due under this Lease but for such termination, and shall pay all expenses, including Attorneys' Fees and Costs incurred by City in connection with such defaults and termination, the recovery of possession of the Premises, and the preparation, execution and delivery of the New Lease. Effective upon the commencement of the term of any New Lease, any sublease or contract then in effect shall be assigned and transferred to Mortgagee.

(g) Nominee. Any rights of a Mortgagee under this Section 16 may be exercised by or through its nominee or designee (other than Tenant) which is an affiliate of the Mortgagee; provided, however, no Mortgagee shall acquire title to the Lease through a nominee or designee which is not a person otherwise permitted to become Tenant hereunder; provided, further that the Mortgagee may acquire title to the Lease through a wholly owned (directly or indirectly) subsidiary of the Mortgagee.

(h) Limited to Permitted Mortgagees. Notwithstanding anything herein to the contrary, the provisions of this Section 16 shall inure only to the benefit of the holder of a Mortgage that is permitted hereunder.

(i) Consent of Mortgagee. No material modification, termination or cancellation of this Lease (herein, a "change") shall be effective as against a permitted Mortgagee unless a copy of the proposed change shall have been delivered to the Mortgagee and such Mortgagee shall have approved the change in writing, which approval shall not be unreasonably withheld, conditioned or delayed. Any Mortgagee shall either approve or disapprove the proposed modification, termination, cancellation or surrender, as applicable, with specified reasons for any disapproval together with reasonable requirements that if satisfied would obtain Mortgagee's approval, in writing within thirty (30) days after delivery of a copy thereof. Mortgagee's failure to deliver an approval or disapproval notice within such thirty (30) day period shall be deemed approval.

(j) Limitation on Liability of Mortgagee. Notwithstanding anything herein to the contrary, no Mortgagee shall be liable to perform Tenant's obligations under this Lease unless and until the Mortgagee acquires Tenant's rights under this Lease.

#### **16.5 Assignment by Mortgagee.**

The foreclosure of any Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of City or constitute a breach of any provision of or a default under this Lease, and upon such foreclosure, sale or conveyance City shall recognize the Mortgagee or

other transferee in connection therewith as the tenant under this Lease. Such Mortgagee's or transferee's right thereafter to transfer, assign or sublet this Lease or a New Lease shall be subject to the restrictions of Section 18.

#### **16.6 Transfer of Mortgage.**

City hereby consents to the transfer of a Mortgage, provided such transfer is to a Bona Fide Institutional Lender and otherwise satisfies the requirements of this Lease, and if there is any such transfer, the new holder of the Mortgage shall have all the rights of its predecessor Mortgagee hereunder until such time as the Mortgage is further transferred or released from the leasehold estate.

#### **16.7 Bankruptcy of City.**

**If the City becomes subject to any bankruptcy or insolvency proceeding during the term of this Lease, any rights, elections, or actions available to the Tenant therein shall be subject to the rights of the Leasehold Deed of Trust Beneficiaries under the Leasehold Deed of Trust to consent to, or to exercise on behalf of the Tenant, such rights, elections, or actions. Without limiting the foregoing, no consent or acquiescence by the Tenant to any rejection of this Lease by the City or any successor or trustee in such proceeding shall be binding or effective without the prior, written consent thereto by each Leasehold Deed of Trust Beneficiary, and the rights, liens, and claims of Leasehold Deed of Trust Beneficiaries shall extend to, encumber, and include all rights to damages for any such rejection and all rights to continued possession of the Premises pursuant to this Lease. This Section shall automatically terminate on the effective date of any Dissolution Event.**

#### **16.8 Termination of Tax Credit Investor Rights.**

City's obligation to provide any notice and cure periods to the Tax Credit Investor, and the Tax Credit Investor's rights under this Articles 16, shall automatically terminate on the effective date of the Dissolution Event.

#### **16.9 Memorandum of Lease.**

Tenant shall have the right to at its sole cost to record a memorandum of this Lease (a "**Memorandum of Lease**") confirming the existence of this Lease, and commencement and expiration dates and option dates, and referencing the actual Lease for all other provisions in the form attached as *Exhibit E*. On or before the Effective Date, City shall execute and acknowledge such Memorandum of Lease in recordable form and deliver the Memorandum of Lease to Tenant for Tenant's execution and recordation at Tenant's cost. If such a Memorandum of Lease is recorded, then upon expiration or earlier termination of this Lease, Tenant agrees promptly to execute, acknowledge and deliver to City, upon written request by City, a termination of such Memorandum of Lease in such form as City may reasonably request, for the purpose of terminating any continuing effect of the previously recorded Memorandum of Lease as a cloud upon title to the Premises, and Tenant shall indemnify, defend and hold harmless City from and against any and all claims, demands, liabilities, actions, losses, costs and expenses, including (but not limited to) reasonable attorneys' fees, arising out of or in connection with Tenant's failure to so promptly execute such termination of Memorandum of Lease.

### **Section 17 ASSIGNMENT OF RENTS**

Tenant hereby assigns to City, as security for Tenant's performance of its obligations under this Lease, all of Tenant's right, title and interest in and to all rents and fees due or to become due from any present or future Subtenant, concessionaire, or other person occupying or providing services or goods on or to the Premises (collectively, "Assigned Rents"), but such assignment shall be subject to the right of Tenant to collect such rents until the date of any default hereunder and subordinate to the Tax Credit Investor's security interest pursuant to the Leasehold Deed of Trust. City shall apply any amount collected hereunder to the Rent due under this Lease. The foregoing assignment shall be subject and subordinate to any assignment made to a Mortgagee under Section 16.2 of which City has been made aware in writing until such time as City has terminated this Lease, at which time the rights of City in all rents and other payments assigned pursuant to this Section 17.1 shall become prior and superior in right. Such subordination shall be self-operative. However, in confirmation thereof, City shall, upon the request of a Mortgagee, execute a subordination agreement reflecting the subordination described in this Section in

form and substance reasonably satisfactory to such Mortgagee and to City. Notwithstanding the foregoing, if this Lease terminates by reason of an Event of Default, any Mortgagee which actually collected any rents from any Subtenants pursuant to any assignment of rents or subleases made in its favor shall promptly remit to City the rents so collected (less the actual and reasonable cost of collection) to the extent necessary to pay City any Rent, through the date of termination of this Lease.

## **Section 18 ASSIGNMENT AND SUBLETTING**

### **18.1 Assignments and Subleases.**

(ee) **Generally; Consent of City.** Except as otherwise specifically permitted under subsection (d) and Section 18.9 below, Tenant shall not directly or indirectly (including, without limitation, by merger, acquisition, sale or other transfer of any controlling interest in Tenant), voluntarily or by operation of Law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Improvements or its leasehold estate hereunder (“Assign” or an “Assignment”), or permit any portion of the Premises or any Improvements to be occupied by anyone other than itself, or sublet any portion of the Premises or any permitted Improvements thereon (“Sublet” or a “Sublease”), any time after the Dissolution Event without the prior written consent of the General Manager or the Commission, as applicable, in each instance.

(ff) **Assignment.** Tenant may not Assign any portion of its rights under the Lease any time after the Dissolution Event other than pursuant to Section 3.4 or to a Mortgagee in accordance with Section 16 without the prior written consent of the Commission, which it may withhold in its sole and absolute discretion. If City rejects a proposed assignment, City shall provide Tenant with written notice of its reasons for doing so. If City fails to respond to a request for consent to a proposed Assignment within sixty (60) days, City shall be deemed to have refused to give its consent.

(gg) **Sublease.** The Parties agree that an important component of Tenant’s annual operating budget will derive from Tenant subletting facilities within the Premises. Except to the extent Tenant is required to sublease the Premises pursuant to Section 18.9 below, Tenant shall have the right to sublet all or a portion of the Premises at any time, provided, however, (i) Tenant shall have provided prior written notice to City of a proposed Sublease of one year or more, and (ii) the proposed use of the sublet space shall be consistent with the Primary Uses. In addition to the foregoing conditions, if there has been a Dissolution Event, City shall have the right to reasonably object to such Sublease within forty-five (45) days of receipt of notice. The rent charged to each Subtenant shall be determined by Tenant, in its sole and absolute discretion, and shall accrue solely to Tenant, except as otherwise specifically provided herein. If City fails or declines to respond to Tenant within the applicable forty-five (45) day period described above, then Tenant may at Tenant's election provide written notice to City that no disapproval was received, and provided that such notice displays prominently on the envelope enclosing such notice and the first page of such notice, substantially the following words: "SUBLEASE APPROVAL REQUEST FOR GENEVA CAR BARN. IMMEDIATE ATTENTION REQUIRED; FAILURE TO RESPOND COULD RESULT IN THE REQUEST BEING DEEMED APPROVED," the Sublease shall be deemed approved if City does not disapprove the Sublease within ten (10) days of such notice.

(hh) **Event Permits.** Tenant shall have the right to rent any facility within the Premises for an Event or consecutive Events without obtaining City’s consent, provided such Event complies with the City’s then-current event permitting requirements, which include obtaining all necessary approvals, if any, from the San Francisco Fire, Police, and Alcoholic Beverage Control Departments as well as any specialized licenses, and is at a commercially reasonable rate (which rate shall be adjusted if the user is a non-profit party benefitting the public through such Event). Tenant shall also obtain a Dance Hall Keeper Permit from the San Francisco Police Department, if applicable. Tenant shall develop a template for the written agreement to be used by Tenant for such Events (the “Event Permit”), and shall submit such template to the City for the approval or reasonable disapproval of the General Manager or his or her designee prior to entering into any



**Event Permits.** The provisions of Section 18.2 below shall apply to such rentals as if they were subleases.

**18.2 Conditions to Assignment or Sublet.**

If there has been a Dissolution event, any Assignment of this Lease or Sublease or Event Permit is further subject to the satisfaction of the following conditions precedent (or written waiver thereof by the General Manager, which waiver may be withheld in the sole discretion of the General Manager), each of which is hereby agreed to be reasonable as of the date hereof:

(ii) any assignee, by instrument in writing reasonably approved by the General Manager (in consultation with the City Attorney), for itself and its successors and assigns, and expressly for the benefit of City, must agree to be subject to all of the conditions and restrictions to which Tenant is subject and must expressly assume all of the obligations of Tenant under this Lease, and any Subtenant, by instrument in writing reasonably approved by the General Manager (in consultation with the City Attorney) must agree to be subject to all of the applicable conditions and restrictions of this Lease as they relate to the subtenancy. It is the intent of this Lease, to the fullest extent permitted by Law and excepting only in the manner and to the extent specifically provided otherwise in this Lease, that no transfer of this Lease, or any interest therein, however consummated or occurring, and whether voluntary or involuntary, may operate, legally or practically, to deprive or limit City of or with respect to any rights or remedies or controls provided in or resulting from this Lease with respect to the Premises and the construction of the Improvements that City would have had, had there been no such transfer or change;

(jj) other than with respect to a Minor Event Permit, all instruments and other legal documents involved in effecting the transfer shall have been submitted to City for review, including the agreement of sale, transfer, Sublease, Event Permit or equivalent, and City shall have approved such documents, and with respect to an Event Permit for use of part of the Premises for a period of two (2) weeks or less (a "Minor Event Permit"), the form of the permit and other legal document shall have been approved by City and Tenant shall have the right to make commercially reasonable modifications to such form in the course of negotiations with the applicable assignee so long as such modification does not materially adversely affect City's rights;

(kk) there shall be no Event of Default or Unmatured Event of Default on the part of Tenant under this Lease;

(ll) if there is an Assignment, the proposed transferee has the qualifications and has demonstrated to City's reasonable satisfaction that it is capable, financially and otherwise, of performing each of Tenant's obligations under this Lease and any other documents to be assigned;

(mm) any assignee, Subtenant or permittee is subject to the jurisdiction of the courts of the State of California;

(nn) the proposed Assignment is not in connection with any transaction for the purposes of syndicating the Lease, such as a security, bond or certificates of participation financing as determined by City in its sole discretion;

(oo) the permitted uses are consistent with this Lease, including without limitation, the Permitted Uses;

(pp) the Subtenant and the Sublease or the permittee and the Event Permit (including a Minor Event Permit), as applicable, are expressly subject to all applicable terms and provisions of this Lease;

(qq) the term of any Sublease not requiring City's approval hereunder, including any extension options, shall not exceed one (1) year and does not extend beyond the Term;

(rr) the Subtenant or permittee under an Event Permit (including a Minor Event Permit) indemnifies City for any loss or damage arising in connection with the Sublease in form set forth in *Exhibit F*;

(ss) the Subtenant or permittee under an Event Permit (including a Minor Event Permit) provides liability and other insurance reasonably requested by City, naming City as an additional insured, in form and amounts reasonably approved by City; and

(tt) the Sublease includes the general sublease provisions set forth in *Exhibit F*.

### **18.3 Pre-Execution Deliveries to City.**

Prior to executing a Sublease that requires City's consent, Tenant shall submit a summary of the key terms of the proposed Sublease (i.e., location, proposed use, square footage of the demised premises, length of term, rental rate, tenant improvement allowances and leasing concessions) to City for review by the City for conformance with Permitted Uses and the sublease requirements attached hereto as *Exhibit F*.

### **18.4 Effect of Sublease or Assignment.**

No Sublease or Assignment by Tenant nor any consent by City thereto shall relieve Tenant of any obligation to be performed by Tenant under this Lease, unless City expressly agrees to a release in writing in connection with a City consent to an Assignment and then only to the extent set forth in such release. Any Sublease or Assignment not in compliance with this Section shall be void and, at City's option, shall constitute a material default by Tenant under this Lease. The acceptance of any Rent or other payments by City from a proposed transferee shall not constitute consent to such Sublease or Assignment by City or a recognition of any transferee, or a waiver by City of any failure of Tenant or other transferor to comply with this Section. If there is an Assignment or Sublet, whether in violation of or in compliance with this Section, on the occurrence and during the continuance of an Event of Default if there is any default by any transferee or successor of Tenant in the performance or observance of any of the terms of this Lease, City may proceed directly against Tenant without the necessity of exhausting remedies against such transferee or successor except to the extent City has released Tenant in writing at the time of City's consent to such transferee or successor.

### **18.5 Assumption by Assignee.**

Each Assignee shall assume all obligations of Tenant under this Lease and, except as provided in Section 18.4, shall be liable jointly and severally with Tenant for the payment of the Rent, and for the performance of all the terms, covenants and conditions to be performed on Tenant's part hereunder. No Assignment shall be binding on City unless Tenant or Transferee has delivered to City a counterpart of the Assignment and an instrument that contains a covenant of assumption by such Assignee reasonably satisfactory in form and substance to City. However, the failure or refusal of such Assignee to execute such instrument of assumption shall not release such Transferee from its liability as set forth above.

### **18.6 Indemnity for Relocation Benefits.**

Without limiting Section 18.5 above, Tenant shall cause every Assignee and Subtenant to expressly waive entitlement to all relocation assistance and benefits in connection with this Lease. Tenant shall Indemnify City and the Indemnified Parties for all Losses arising out of any relocation assistance or benefits payable to any Assignee or Subtenant.

### **18.7 Reasonable Grounds for Withholding Consent.**

If an Assignment or Sublease requires City's reasonable consent, it shall be reasonable (1) for City to withhold its consent if Tenant has not supplied sufficient information (including supplemental materials reasonably requested by City) to enable City to make a reasonable determination whether any applicable condition has been satisfied, and (2) if Tenant is then in default of any of its obligations under this Lease, for City to condition its consent on the cure of such defaults as City may specify in its notice conditionally approving such Assignment or Sublease.

### **18.8 Nondisturbance.**

From time to time upon the request of Tenant, City shall enter into agreements with Subtenants providing generally, with regard to a given Sublease, that if there is any termination of this Lease, City will not

terminate or otherwise disturb the rights of the Subtenant under such Sublease, but will instead honor such Sublease as if such agreement had been entered into directly between City and such Subtenant (“**Non-Disturbance Agreements**”). City shall provide a Non-Disturbance Agreement to a Subtenant only if all of the following conditions are satisfied: (i) the performance by Tenant of its obligations under such Sublease will not cause an Event of Default to occur under this Lease; (ii) the term of the Sublease, including options, does not extend beyond the scheduled Term; (iii) the Sublease contains provisions whereby the Subtenant agrees to comply with applicable provisions of this Lease; (iv) if Tenant is then in default of any of its obligations under this Lease, City may condition its agreement to provide a Non-Disturbance Agreement on the cure of such defaults as City may specify either in a notice of default given under this Lease or in a notice conditionally approving Tenant’s request for such Non Disturbance Agreement (and if an Event of Default on the part of Tenant then exists, then City may withhold or condition the giving of a Non-Disturbance Agreement); and (v) the Subtenant shall have delivered to City an executed estoppel certificate certifying such matters as may be reasonably required by City. In addition, City may condition its agreement to provide a Non-Disturbance Agreement on its reasonable approval of the form and material business terms of the Sublease in light of market conditions existing at the time such Sublease is executed. Each Non-Disturbance Agreement shall be substantially in form and substance agreed upon by Tenant and City, not to be unreasonably withheld by either Party, provided that form shall, at a minimum, provide that (i) the Subtenant agrees that if this Lease expires, terminates or is canceled during the term of the Sublease, the Subtenant shall attorn to City (provided City agrees not to disturb the occupancy or other rights of the Subtenant and to be bound by the terms of the Sublease), and (ii) the Sublease shall be deemed a direct lease agreement between the Subtenant and City, provided, however that (a) at the time of the termination of this Lease no uncured default shall exist under the Sublease which at such time would then permit the termination of the Sublease or the exercise of any dispossession remedy provided for therein, and (b) City shall not be liable to the Subtenant for any security deposit or prepaid rent previously paid by such Subtenant to Tenant unless such deposits are transferred to City and except for rent for the current month, if previously paid, shall not be responsible for any prior act or omission of Tenant, and shall not be subject to any offsets or defenses that the Subtenant may have against Tenant.

#### 18.9 Waiver of Claims; Subrogation.

Notwithstanding anything to the contrary set forth in Section, each of the City and the Tenant releases the other, and its employees, agents, and representatives, from liability, and waives its entire right of recovery against the other for loss or damage occurring in or about the Premises to the extent such loss or damages is covered under fire, casualty and all risk insurance policies, including extended coverage endorsements, carried by such party. Each party agrees that each such insurance policy obtained by it with respect to the Premises or any Personal Property shall include a waiver by the insurer of its subrogation rights for such losses and damages. The foregoing mutual waivers shall be effective only so long as such waivers are available in the State of California and do not invalidate the insurance coverage required under Section 19.

### **Section 19 INDEMNIFICATION OF CITY**

#### **19.1 Indemnification of City.**

Tenant agrees to and shall Indemnify the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any such Indemnified Party, the Premises or City’s interest therein in connection with the occurrence or existence of any of the following: (i) any accident, injury to or death of persons or loss of or damage to property occurring in or on the Premises or any part thereof, except to the extent caused by City or its Agents; (ii) any accident, injury to or death of persons or loss or damage to property occurring in or on the Premises which is caused directly or indirectly by Tenant or any of its Assignees, Subtenants, Agents or Invitees; (iii) any use, possession, occupation, operation, maintenance, or management of the Premises or any part thereof by Tenant or any of its Assignees, Subtenants, Agents or Invitees, (iv) any matter relating to the condition of the Premises caused by Tenant or any of its Assignees, Subtenants, Agents or Invitees; (v) any failure on the part of Tenant or its Agents, Assignees or Subtenants, as applicable, to perform or comply with any of the terms of this

Lease or with applicable Laws, rules or regulations, or permits as required under this Lease (subject to any express written release by City in connection with an Assignment, as set forth above); (vi) performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof by Tenant or any of its Assignees, Subtenants, Agents or Invitees; and (vii) any legal actions or suits initiated by any user or occupant of the Premises to the extent it relates to such use and occupancy of the Premises or Tenant's operations at the Premises; except in each case to the extent caused by the negligence or willful misconduct of City, City or any of its Agents or a breach of City's obligations under this Lease and except to the extent City is required to Indemnify Tenant for the same under this Lease.

### **19.2 Immediate Obligation to Defend.**

Tenant specifically acknowledges that it has an immediate and independent obligation to defend the Indemnified Parties from any claim which is actually or potentially within the scope of the indemnity provision of Section 19.1 or any other indemnity provision under this Lease, even if such allegation is or may be groundless, fraudulent or false, and such obligation arises at the time such claim is tendered to Tenant by an Indemnified Party and continues at all times thereafter. If any action, suit or proceeding is brought against any Indemnified Party by reason of any occurrence for which Tenant is obliged to Indemnify such Indemnified Party, such Indemnified Party will notify Tenant of such action, suit or proceeding within a reasonable time of such Indemnified Party obtaining notice of such claim, or obtaining facts sufficient to constitute inquiry notice for a reasonable person, and thereafter shall cooperate in good faith with Tenant in the defense of such claim at no cost to City or such Indemnified Party. Tenant may, and upon the request of such Indemnified Party will, at Tenant's sole expense, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by Tenant and reasonably approved by such Indemnified Party in writing. If Tenant incurs costs defending the Indemnified Parties and it is later adjudicated that the Losses resulted from the actions or negligent omission of an Indemnified Party, then such Indemnified Party shall be obligated to reimburse Tenant for all costs of such defense and shall pay such reimbursement within thirty (30) days following Tenant's written demand for such reimbursement.

### **19.3 Not Limited by Insurance.**

The insurance requirements and other provisions of this Lease shall not limit Tenant's indemnification obligations under this Lease.

### **19.4 Survival.**

Tenant's obligations under this Section and any other Indemnification in this Lease shall survive the expiration or sooner termination of this Lease for a period of four (4) years. All such Indemnifications are in addition to, and in no way shall be construed to limit or replace, any other obligations or liabilities which Tenant may have to City in this Lease, at common law or otherwise.

### **19.5 Defense.**

Tenant shall, at its option but subject to the reasonable consent and approval of City, be entitled to control the defense, compromise, or settlement of any indemnified matter through counsel of the Tenant's own choice (so long as such counsel is reasonably satisfactory to City); provided, however, in all cases City shall be entitled to participate in such defense, compromise, or settlement at its own expense. If the Tenant shall fail, however, in City's reasonable judgment, within a reasonable time following notice from City alleging and describing in reasonable detail the nature of such failure, to take reasonable and appropriate action to defend such suit or claim, City shall have the right promptly to use City Attorney or to hire outside counsel to carry out such defense, at Tenant's sole expense, which expense shall be due and payable to City within thirty (30) days after receipt by the Tenant of an invoice therefore.

### **19.6 Release of Claims and Losses Against City.**

Tenant, as a material part of the consideration of this Lease, hereby waives and releases any and all claims against City from any Losses including damages to or loss of goods, wares, goodwill, merchandise, business opportunities, and equipment and by persons in, upon or about the Premises for any cause

arising at any time including, without limitation, all claims arising from any joint or concurrent negligence of City, but excluding any gross negligence or willful misconduct of City or other Indemnified Parties or breach of the City's obligations under the Lease or claims for which City has otherwise agreed to indemnify Tenant hereunder, and further excluding any claims, demands, or causes of action Tenant may now or hereafter have against City for rights of contribution or equitable indemnity under applicable Laws.

## **Section 20 INSURANCE**

### **20.1 Premises and Liability Coverage.**

(uu) **Required Types and Amounts of Insurance.** Tenant shall, at no cost to City, obtain, maintain and cause to be in effect at all times (except as provided below) from the Delivery Date to the later of (i) the last day of the Term, or (ii) the last day Tenant (A) is in possession of the Premises, or (B) has the right of possession of the Premises, the following types and amounts of insurance:

(i) **Premises Insurance.** Tenant shall maintain property insurance policies with coverage at least as broad as Insurance Services Office (“ISO”) form CP 10 30 06 07 (“Causes of Loss -Special Form”, or its replacement) in an amount not less than 100% of the then-current full replacement cost of the Powerhouse and other Improvements and other property being insured pursuant thereto (including building code upgrade coverage), with any deductible (other than earthquake or flood, which may not be covered by such insurance) not to exceed Ten Thousand Dollars (\$10,000.00).

(ii) **Commercial General Liability Insurance.** Tenant shall maintain “Commercial General Liability” insurance policies with coverage at least as broad as ISO form CG 00 01 12 07, insuring against claims for bodily injury (including death), property damage, personal injury, advertising liability, contractual liability and products and completed operations, occurring upon the Premises (including the Improvements), and operations incidental or necessary thereto, such insurance to afford protection in the following amounts: (A) during construction in an amount not less than Five Million Dollars (\$5,000,000) each occurrence covering bodily injury and broad form property damage including contractual liability (which includes coverage of the indemnity in Section 23.1 and any other indemnity of City by Tenant) independent contractors, explosion, collapse, underground (XCU), and products and completed operations coverage, with an umbrella policy of Ten Million Dollars (\$10,000,000); (B) from and after completion of construction in an amount not less than One Million Dollars (\$1,000,000) each occurrence and Two Million Dollars (\$2,000,000) in the aggregate, with an umbrella policy of Two Million Dollars (\$2,000,000) (the "Umbrella Policy"); (C) if Tenant has (or is required under Laws to have) a liquor license and is selling or distributing alcoholic beverages on the Premises, or is selling or distributing food products on the Premises, then liquor liability coverage with limits not less than One Million Dollars (\$1,000,000) each occurrence, with excess coverage provided by the Umbrella Policy, and food products liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence, with excess coverage provided by the Umbrella Policy, as applicable, and (D) Tenant shall require any Subtenant who has (or is required under Laws to have) a liquor license and who is selling or distributing alcoholic beverages and food products on the Premises, to maintain coverage in amounts at least comparable to Tenant's base policies.

(iii) **Workers' Compensation Insurance.** During any period in which Tenant has employees as defined in the California Labor Code, Tenant shall maintain policies of workers' compensation insurance, including employer's liability coverage with limits not less than the greater of those limits required under applicable Law, and One Million Dollars (\$1,000,000) each accident (except that such insurance in excess of One Million Dollars (\$1,000,000) each accident may be covered by a so-called "umbrella" or "excess coverage" policy, covering all persons employed by Tenant in connection with the use, operation and maintenance of the Premises and the Improvements.

(iv) **Boiler and Machinery Insurance.** Tenant shall maintain boiler and machinery insurance covering damage to or loss or destruction of machinery and equipment located on the Premises or in the Improvements that is used by Tenant for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment.

(v) **Business Automobile Insurance.** If Tenant owns or uses automobiles in connection with its operations in the Premises, it shall maintain policies of business automobile liability insurance covering all owned, non-owned or hired motor vehicles to be used in connection with Tenant's use and occupancy of the Premises, affording protection for bodily injury (including death) and property damage in the form of Combined Single Limit Bodily Injury and Property Damage policy with limits of not less than One Million Dollars (\$1,000,000) per occurrence.

(vi) **Professional Liability.** Tenant shall require all architectural, design, engineering, geotechnical, environmental, and accounting professionals under contract with Tenant with respect to the Premises or this Lease to maintain professional liability (errors and omissions) insurance on an occurrence basis, with limits not less than One Million And No/100 Dollars (\$1,000,000.00) each claim and aggregate, with respect to all professional services provided to Tenant therefore and a deductible of not more than Ten Thousand Dollars (\$10,000) per claim, during any period for which such professional services are engaged.

(vii) **Environmental Liability Insurance.** During the course of any Hazardous Materials Remediation activities, Tenant shall maintain, or cause its contractor or consultant to maintain, environmental pollution or contamination liability insurance, on an occurrence form, with limits of not less than Two Million Dollars (\$2,000,000) each occurrence combined single liability for Bodily Injury, Property Damage and clean-up costs, with the prior written approval of City (such approval not to be unreasonably withheld, conditioned or delayed).

(viii) **Other Insurance.** Tenant shall obtain such other insurance as reasonably requested by City's Risk Manager and reasonably customary for similar premises and uses in the San Francisco Bay Area.

(vv) **Periods of Material Alterations.** During any period of construction of Tenant's construction of Material Alterations subject to Section 12, Tenant shall also comply with the following requirements at no cost to the City:

(i) Tenant shall require its contractor to maintain (a) commercial general liability insurance with limits of not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage (including personal injury and death), and contractor's protective liability; and products and completed operations coverage in an amount not less than Five Hundred Thousand Dollars (\$500,000) per incident, One Million Dollars (\$1,000,000) in the aggregate; (b) comprehensive automobile liability insurance with a policy limit of not less than One Million Dollars (\$1,000,000) each accident for bodily injury and property damage, providing coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, "any auto", and insuring against all loss in connection with the ownership, maintenance and operation of automotive equipment that is owned, hired or non-owned; and (c) worker's compensation with statutory limits and employer's liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000) per accident, Five Hundred Thousand Dollars (\$500,000) aggregate disease coverage and One Hundred Thousand Dollars (\$100,000) disease coverage per employee; provided, however, that foregoing insurance requirements are subject to modification by the City's Risk Management Division as conditions warrant for the subject Material Alteration. Tenant shall cause its Agents (other than Tenant's contractor) to carry such insurance as shall be reasonably approved by City taking into account the nature and scope of the work and industry custom and practice.

(ii) Tenant or Tenant's contractor shall carry "Builder's All Risk" insurance on a form reasonably approved by City, in the amount of one hundred percent (100%) of the completed value of all new construction, insuring all new construction, including all materials and equipment

incorporated in, on or about the Premises, and in transit or storage off-site, that are or will be part of the Improvements, against "all risk" and "special form" hazards.

(iii) Tenant shall require all providers of professional services, including architectural, design, engineering, geotechnical, and environmental professionals under contract with Tenant for any Improvements or any Alterations to maintain professional liability (errors or omissions) insurance, with limits not less than One Million Dollars (\$1,000,000.00) each claim and aggregate, with respect to all professional services provided to Tenant therefor.

(iv) If hiring any licensed professionals for such Improvements or Alterations, Licensed professionals (i.e., architects, engineers, certified public accountants, etc.) shall provide professional liability insurance with limits not less than One Million Dollars (\$1,000,000) each claim with respect to negligent acts, errors or omissions in connection with professional services to be provided under this Lease or to the Premises.

**(ww) General Requirements. All insurance provided for pursuant to this Section:**

(i) **Shall be carried under a valid and enforceable policy or policies issued by insurers of recognized responsibility that are rated Best A-VIII or better (or a comparable successor rating) and legally authorized to sell such insurance within the State of California;**

(ii) **As property and boiler and machinery insurance, shall name City as loss payee as its interest may appear, and as to both property and liability insurance shall name as additional insureds the following: "THE CITY AND COUNTY OF SAN FRANCISCO AND ITS OFFICERS, DIRECTORS AND EMPLOYEES." Tenant shall cause such additional insured endorsements to be issued on Form CG2010(1185).**

(iii) **Shall be evaluated by City for adequacy not less frequently than every five (5) years from the anniversary date of Delivery Date. City may, upon not less than ninety (90) days prior written notice, require Tenant to increase the insurance limits for all or any of its general liability policies if, in the reasonable judgment of the City's Risk Manager, it is the prevailing commercial practice in the San Francisco Bay Area to carry insurance for facilities similar to the Premises in amounts greater than the amounts carried by Tenant with respect to risks comparable to those associated with use of the Premises.**

(iv) **Shall provide that the insurer shall endeavor to provide thirty (30) days' prior written notice (ten (10) days' prior written notice for nonpayment of premiums) to City of any cancellation, reduction or material modification, or termination of such insurance for any reason;**

(v) **As to Commercial General Liability only, shall provide that it constitutes primary insurance to any other insurance available to any additional insured, with respect to claims insured by such policy, and that insurance applies separately to each insured against whom claim is made or suit is brought;**

(vi) **Each policy of property insurance required hereunder shall provide for waivers of any right of subrogation that the insurer of such party may acquire against each party hereto with respect to any losses and damages that are of the type covered under the policies required by Sections 20.1(a)(i), (ii), or (v);**

(vii) **Shall be subject to the reasonable approval of City;**

(viii) **Except for professional liability insurance which shall be maintained on an occurrence basis as provided above, if any of the liability insurance required to be carried by Tenant hereunder is provided under a claims-made form of policy, Tenant shall maintain such coverage continuously throughout the Term, and following the expiration or termination of the Term, Tenant shall maintain, without lapse for a period of three (3) years beyond the expiration or**

termination of this Lease, coverage with respect to occurrences during the Term that give rise to claims made after expiration or termination of this Lease; and

(ix) Shall for property insurance only, provide that all losses payable under all such policies that are payable to City shall be payable notwithstanding any act or negligence of Tenant.

## **20.2 Certificates of Insurance; Right of City to Maintain Insurance.**

Tenant shall furnish City certificates with respect to the policies required under this Section, together with copies of each such policy (if City so requests) and evidence of payment of premiums, within thirty (30) days after the Delivery Date and, with respect to renewal policies, at least ten (10) business days after the expiration date of each such policy. If at any time Tenant fails to maintain the insurance required pursuant to Section 20.1, or fails to deliver certificates or policies as required pursuant to this Section, then, upon five (5) days' written notice to Tenant, City may obtain and cause to be maintained in effect such insurance by taking out policies with companies satisfactory to City. Within ten (10) days following demand, Tenant shall reimburse City for all amounts so paid by City, together with all costs and expenses in connection therewith and interest thereon at the Default Rate.

## **20.3 Insurance of Others.**

If Tenant requires liability insurance policies to be maintained by Subtenants, contractors, subcontractors or others in connection with their use or occupancy of, or their activities on, the Premises, including with respect to any Material Alterations, Tenant shall require that such policies name Tenant and City as additional insureds. Notwithstanding the foregoing, Tenant shall require all contractors and subcontractors performing work in, on, under, around, or about the Premises and all operators and Subtenants of any portion of the Premises to carry the insurance coverages required by the respective construction contract, sublease, or other agreement governing such party's activities that was approved by City, if applicable.

## **20.4 City Entitled to Participate.**

City shall be entitled to participate in and consent to any settlement, compromise or agreement with respect to any claim for any loss in excess of Fifty Thousand and No/100 Dollars (\$50,000.00) covered by the insurance required to be carried hereunder, but only to the extent that its interest may appear; provided, however, that City's consent shall not be unreasonably withheld.

## **20.5 City's Self Insurance.**

Tenant acknowledges that City self-insures against casualty, property damage and public liability risks and agrees that City may at its sole election, but shall not be required to, carry any third party insurance with respect to the Powerhouse, the Premises or otherwise.

## **20.6 Release and Waiver.**

Each party hereby waives all rights of recovery and causes of action, and releases each other party from any Losses occasioned to the property of each such party, which Losses are of the type that are covered under the property policies required by Section 20.1(a)(i) to the extent that such loss is reimbursed by an insurer.

## **Section 21 HAZARDOUS MATERIALS**

### **21.1 Hazardous Materials Compliance.**

(a) **Compliance with Hazards Materials Laws.** Tenant shall comply and use commercially reasonable efforts to cause (i) its Agents, (ii) its Subtenants or operators, and (iii) all of Tenant's Invitees entering upon the Premises (other than City and its Agents), to comply with all Hazardous Materials Laws and prudent business practices. Without limiting the generality of the foregoing, Tenant covenants and agrees that it will not Handle, nor will it permit the Handling of Hazardous Materials on, under or about the Premises, except for (A) standard building materials and equipment that do not contain asbestos or asbestos-containing materials, lead or



polychlorinated biphenyl (PCBs), (B) gasoline and other fuel products used to transport and operate vehicles and equipment, (C) any Hazardous Materials which do not require a permit or license from, or that need not be reported to, a governmental agency, which Hazardous Materials are used in the construction and operation of any Material Alteration, and which are reported to, and approved by City prior to any such Handling and, in any case, are used in strict compliance with all applicable laws, (D) janitorial supplies or materials in such limited amounts as are customarily used for such purposes so long as such Handling is at all times in full compliance with all Hazardous Material Laws; and (E) all food and food products and cleaning and other supplies which are customarily used in similar venues, so long as in each case such Handling is at all times in full compliance with all Hazardous Material Laws.

(b) **Notice.** Except for Hazardous Materials permitted by Section 20.1(a) above, Tenant shall advise City in writing promptly (but in any event within five (5) days) upon learning or receiving notice of (i) the presence of any Hazardous Materials on, under or about the Premises, (ii) any action taken by Tenant in response to any (A) Hazardous Materials on, under or about the Premises or (B) Hazardous Materials Claims, and (iii) Tenant's discovery of the presence of Hazardous Materials on, under or about any real property adjoining the Premises. Tenant shall inform City orally as soon as possible of any emergency or non-emergency regarding a Release or discovery of Hazardous Materials. In addition, Tenant shall provide City with copies of all communications with federal, state and local governments or agencies relating to Hazardous Materials Laws (other than privileged communications, so long as any non-disclosure of such privileged communication does not otherwise result in any non-compliance by Tenant with the terms and provisions of this Section 21) and all communication with any person relating to Hazardous Materials Claims (other than privileged communications; provided, however, such non-disclosure of such privileged communication shall not limit or impair Tenant's obligation to otherwise comply with each of the terms and provisions of this Lease, including, without limitation, this Section 21).

(c) **City's Approval of Remediation.** Except as required by law or to respond to an emergency, Tenant shall not take any Remediation in response to the presence, Handling, transportation or Release of any Hazardous Materials on, under or about the Premises unless Tenant shall have first submitted to City for City's approval, which approval shall not be unreasonably withheld or delayed, a written remediation plan and the name of the proposed contractor which will perform the work. If City disapproves of any such remediation plan, City shall specify in writing the reasons for its disapproval. Any such Remediation undertaken by Tenant shall be done in a manner that minimizes any impairment to the Premises and the operations and use thereof. If Tenant undertakes any Remediation with respect to any Hazardous Materials on, under or about the Premises, Tenant shall conduct and complete such Remediation (i) in compliance with all applicable Hazardous Materials Laws and the directives of applicable governmental authorities, and (ii) to the reasonable satisfaction of City. If and to the extent required, City shall sign a manifest indicating City ownership of any existing Hazardous Material removed from the Property by Tenant in connection with the construction or installation of any Material Alteration; provided, Tenant and its Agents shall be responsible for the proper Handling, transportation and disposal of the Hazardous Material and any failure to properly Handle, transport or dispose of such material shall be covered by the Hazardous Materials Indemnity set forth in Section 20.2 below.

(i) **Pesticide Prohibition.** Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "IPM Ordinance") describes an integrated pest management ("IPM") policy to be implemented by all City departments. Tenant shall not use or apply or allow the use or application of any pesticides on the Premises or contract with any party to provide pest abatement or control services to the Premises without first receiving City's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the term of this Lease, (ii) describes the steps Tenant will take to meet the City's IPM Policy described in

Section 300 of the IPM Ordinance, and (iii) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with the City. Tenant shall comply, and shall require all its contractors of Tenant to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Tenant were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Tenant to keep certain records and to report to City all pesticide use at the Premises by Tenant's staff or contractors.

If Tenant or Tenant's contractor will apply pesticides to outdoor areas at the Premises, Tenant must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("CDPR") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

#### **21.2 Hazardous Materials Indemnity.**

Without limiting the indemnity in Section 18.1 (except to the extent the same relates to Hazardous Materials), Tenant shall Indemnify the Indemnified Parties from and against any and all Losses which arise out of or relate in any way to any use, Handling, production, transportation, disposal, storage or Release of any Hazardous Materials in or on the Premises at any time during the Term of the Lease and before the surrender of the Premises by Tenant, any Subtenant, Agent or Invitee of Tenant (but excluding City, its Agents or invitees) directly or indirectly arising out of (a) the Handling, transportation or Release of Hazardous Materials by Tenant, or its Subtenants, Agents or Invitees, (b) any failure by Tenant or its Subtenants, Agents or Invitees to comply with Hazardous Materials Laws in connection with their use, Handling, production, transportation, disposal, storage or Release of any Hazardous Materials in, on or about the Premises at any time during the Term of the Lease and before their surrender of the Premises; or (c) any failure by Tenant to comply with the obligations contained in Section 20.1. All such Losses within the scope of this Section shall constitute Additional Rent owing from Tenant to City hereunder and shall be due and payable from time to time immediately upon City's request, as incurred. Tenant understands and agrees that its liability to the Indemnified Parties shall arise upon the earlier to occur of (i) discovery of any such Hazardous Materials on, under or about the Premises or the discovery of the disturbance or exacerbation of the pre-existing condition, or (ii) the institution of any Hazardous Materials Claim with respect to such Hazardous Materials, and not upon the realization of loss or damage.

Notwithstanding anything to the contrary in the Lease, Tenant shall not be liable under the Lease with respect to any Hazardous Materials located in, on or under the Premises as of the Effective Date of this Lease ("**Pre-Existing Hazardous Material**") except for liability resulting from the disturbance or exacerbation of Pre-Existing Hazardous Material by Tenant, its Subtenants, or Agents, including but not limited to any disturbance or exacerbation by Tenant in connection with any Material Alteration. City shall comply with all Hazardous Material Laws with respect to all Pre-Existing Hazardous Material except for any compliance that is required or triggered as a result of any act of Tenant, its Subtenants, or Agents, including but not limited to the construction of any Material Alteration, or any disturbance or exacerbation of the Pre-Existing Hazardous Material.

#### **21.3 Hazardous Substance Disclosure.**

California law requires landlords to disclose to tenants the presence or potential presence of certain Hazardous Materials. Accordingly, Tenant is hereby advised that occupation of the Premises may lead to exposure to Hazardous Materials such as, but not limited to, gasoline, diesel and other vehicle fluids,

vehicle exhaust, office maintenance fluids, tobacco smoke, methane and building materials containing chemicals, such as formaldehyde. Further, there are Hazardous Materials located on the Premises, which are described in due diligence materials that have been delivered to or made available to Tenant, a summary of which is attached as Schedule 2. By execution of this Lease, Tenant acknowledges that the notices and warnings set forth above satisfy the requirements of California Health and Safety Code Section 25359.7 and related statutes.

## **Section 22 EVENTS OF DEFAULT**

The occurrence of any one or more of the following events shall constitute an “**Event of Default**” under the terms of this Lease:

(xx) **Tenant fails to pay any Rent to City when due, which failure continues for ten (10) days following written notice from City; provided, however, City shall not be required to give such notice on more than three (3) times during any Lease Year, and failure to pay any Rent thereafter when due shall be an immediate Event of Default without need for further notice;**

(yy) **Tenant files a petition for relief, or an order for relief is entered against Tenant, in any case under applicable bankruptcy or insolvency Law, or any comparable law that is now or hereafter may be in effect, whether for liquidation or reorganization, which proceedings if filed against Tenant are not dismissed or stayed within sixty (60) days;**

(zz) **A writ of execution is levied on the leasehold estate which is not released within sixty (60) days, or a receiver, trustee or custodian is appointed to take custody of all or any material part of the property of Tenant, which appointment is not dismissed within one hundred sixty (60) days;**

(aaa) **Tenant makes a general assignment for the benefit of its creditors;**

(bbb) **Tenant abandons the Premises within the meaning of California Civil Code Section 1951.3 (or its successor), which abandonment is not cured within fifteen (15) days after notice of belief of abandonment or vacation from City;**

(ccc) **Tenant fails to maintain any insurance required to be maintained by Tenant under this Lease, which failure continues without cure for ten (10) days after written notice from City of such failure;**

(ddd) **Tenant violates any other covenant, or fails to perform any other obligation to be performed by Tenant under this Lease when such performance is due, and such violation or failure continues without cure for more than thirty (30) days after written notice from City specifying the nature of such violation or failure, or, if such cure cannot reasonably be completed within such thirty (30)-day period, if Tenant does not within such thirty (30)-day period commence such cure, or having so commenced, does not diligently prosecute such cure to completion within a reasonable time thereafter;**

(eee) **Tenant violates any covenant, or fails to perform any other obligation to be performed by Tenant under the Master Sublease when such performance is due, and such violation or failure is not cured within the cure period specified in the Master Sublease;**

(fff) **Master Subtenant violates any covenant, or fails to perform any other obligation to be performed by Master Subtenant under the PAW Sublease when such performance is due, and such violation or failure is not cured within the cure period specified in the PAW Sublease;**

(ggg) **Tenant violates any covenant, or fails to perform any other obligation to be performed by Tenant under the \_\_\_\_\_ [list the relevant tax credit documents] when such performance is due, and such violation or failure is not cured within the cure period specified in the Master Sublease;**

(hhh) **Tenant suffers or permits an Assignment, Sublease or other transfer of this Lease or any interest therein to occur in violation of this Lease, which event is not cured by Tenant**

within thirty (30) days after written demand by City by an effective rescission of the Assignment, Sublease or transfer or through City's consent; or

(iii) Tenant engages in or allows any use not permitted hereunder which event is not cured by Tenant within ten (10) days after written demand by City, or, if such cure cannot reasonably be completed within such ten (10)-day period, if Tenant does not within such ten (10)-day period commence such cure, and having so commenced, does not diligently prosecute such cure to completion within a reasonable time thereafter and in all events within sixty (60) days.

## **Section 23 REMEDIES**

### **23.1 City's Remedies Generally.**

Upon the occurrence and during the continuance of an Event of Default under this Lease, City shall have all rights and remedies provided in this Lease or available at law or equity that are not otherwise specifically waived or limited pursuant to the terms of this Lease. All of City's rights and remedies granted pursuant to this Lease shall be cumulative, and except as may be otherwise provided by applicable Law or specifically limited pursuant to this Lease, the exercise of any one or more rights shall not preclude the exercise of any others.

### **23.2 Right to Keep Lease in Effect.**

(jjj) **Continuation of Lease.** Upon the occurrence of an Event of Default hereunder, City may continue this Lease in full force and effect pursuant to Civil Code Section 1951.4.

(kkk) **No Termination.** No act by City allowed by this Section 23.2, nor any appointment of a receiver upon City's initiative to protect its interest under this Lease, nor any withholding of consent to a subletting or assignment or termination of a subletting or assignment in accordance herewith, shall terminate this Lease, unless and until City notifies Tenant in writing that City elects to terminate this Lease.

(lll) **Application of Proceeds of Reletting.** If there is any such subletting, rents received by City from such subletting shall be applied (i) first, to the payment of the costs of maintaining, preserving, altering and preparing the Premises for subletting, the other costs of subletting, including but not limited to brokers' commissions, Attorneys' Fees and Costs, and expenses of removal of the Personal Property, and alterations; (ii) second, to the payment of Rent then due and payable hereunder; (iii) third, to the payment of future Rent as the same may become due and payable hereunder; and (iv) fourth, the balance, if any, shall be paid to Tenant upon (but not before) expiration of the term of this Lease. If the rents received by City from such subletting, after application as provided above, are insufficient in any month to pay the rent due and payable hereunder for such month, Tenant shall pay such deficiency to City monthly upon demand. Notwithstanding any such subletting for Tenant's account without termination, City may at any time thereafter, by written notice to Tenant, elect to terminate this Lease by virtue of a previous Event of Default.

### **23.3 Right to Perform Tenant's Covenants.**

City may cure the Event of Default at Tenant's expense, it being understood that such performance shall not waive or cure the subject Event of Default. If City pays any sum or incurs any expense in curing the Event of Default, Tenant shall reimburse City upon demand for the amount of such payment or expense with interest at the Interest Rate from the date the sum is paid or the expense is incurred until City is reimbursed by Tenant. Any amount due City under this subsection shall constitute additional rent hereunder. Without limiting any other provision of this Lease, and in addition to any other rights or remedies available to City under this Lease, if at any time Tenant fails to pay any sums required to be paid by Tenant pursuant to this Lease to any person other than City, or if Tenant fails to perform any obligation on Tenant's part to be performed under this Lease, which failure continues without cure following any applicable cure period specified above, then City may, at its sole option, but shall not be obligated to, pay such sum or perform such obligation for and on behalf of Tenant.

### **23.4 Right to Terminate Lease.**

(a) **Damages.** City may terminate this Lease at any time after the occurrence (and during the continuation) of an Event of a Default by giving written notice of such termination. Termination of this Lease shall thereafter occur on the date set forth in such notice. Acts of maintenance or preservation, and any appointment of a receiver upon City's initiative to protect its interest hereunder shall not in any such instance constitute a termination of Tenant's right to possession. No act by City other than giving notice of termination to Tenant in writing shall terminate this Lease. On termination of this Lease, City shall have the right to recover from Tenant all sums allowed under California Civil Code Section 1951.2, including, without limitation, the following: (i) the worth at the time of the award of the unpaid Rent which had been earned at the time of termination of this Lease; (ii) the worth at the time of the award of the amount by which the unpaid Rent which would have been earned after the date of termination of this Lease until the time of the award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate City for all detriment proximately caused by the default of Tenant, or which in the ordinary course of things would be likely to result therefrom. "The worth at the time of the award" shall be computed by allowing interest at a rate per annum equal to the Default Rate; provided, however, for purposes of subclause (iii) above only, "the worth at the time of the award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

(b) **Interest.** Rent not paid within twenty (20) days following written demand for payment of such Rent shall bear interest from the date due until paid at the Default Rate.

(c) **Waiver of Rights to Recover Possession.** If City terminates Tenant's right to possession of the Premises, and if such termination is contested by Tenant and City successfully prevails, and in any appeal thereof, Tenant hereby waives any rights to recover or regain possession of the Premises under any rights of redemption to which it may be entitled by or under any present or future Law, including, without limitation, California Code of Civil Procedure Sections 1174 and 1179 or any successor provisions.

(d) **No Rights to Transfer or Sublet.** Upon the occurrence and continuation of an Event of Default, notwithstanding Section 18, Tenant shall have no right to Assign or Sublease the Premises in whole or in part or to enter into any Event Permits without City's written consent, which may be given or withheld in City's sole and absolute discretion.

### **23.5 Equitable Relief.**

In addition to the other remedies provided in this Lease, City shall be entitled at any time after a default or threatened default by Tenant to seek injunctive relief, an order for specific performance (but not specific performance in connection with Tenant's obligation to continue to occupy and operate the Premises; provided that the foregoing shall not limit the City's rights under Section 22.2 above), or any other equitable relief, where appropriate to the circumstances of such default.

In addition to the other remedies provided in this Lease, Tenant shall be entitled at any time after a default or threatened default by City to seek injunctive relief, an order for specific performance, or any other equitable relief, where appropriate to the circumstances of such default.

### **23.6 Continuation of Subleases and Agreements.**

If this Lease is terminated prior to the expiration thereof, and subject to any non-disturbance agreements entered into by City pursuant to the terms of this Agreement, City shall have the right, at its sole option, to assume all agreements by Tenant for the maintenance or operation of the Premises, to the extent assignable by Tenant. Tenant hereby further covenants that, upon request of City following an Event of Default and termination of Tenant's interest in this Lease, Tenant shall execute, acknowledge and deliver

to City such further instruments as may be necessary or desirable to vest or confirm or ratify vesting in City the then existing agreements then in force, as above specified, but only to the extent assignable by Tenant.

## **Section 24 NO WAIVER**

### **24.1 No Waiver.**

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 failure by City to insist upon the strict performance of any term of this Lease or to exercise any right, power or remedy consequent upon a breach of any such term, shall be deemed to imply any waiver of any such breach or of any such term unless clearly expressed in writing. No waiver of any breach shall affect or alter this Lease, but 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.

### **24.2 No Accord or Satisfaction.**

No submission by Tenant or acceptance by City of full or partial Rent or other sums during the continuance of any failure by Tenant to perform its obligations hereunder shall waive any of City's rights or remedies hereunder or constitute an accord or satisfaction, whether or not City had knowledge of any such failure. No endorsement or statement on any check or remittance by or for Tenant or in any communication accompanying or relating to such payment shall operate as a compromise or accord or satisfaction unless the same is approved as such in writing by City. City may accept such check, remittance or payment and retain the proceeds thereof, without prejudice to its rights to recover the balance of any Rent, including any and all Additional Rent, due from Tenant and to pursue any right or remedy provided for or permitted under this Lease or in law or at equity. No payment by Tenant of any amount claimed by City to be due as Rent hereunder (including any amount claimed to be due as Additional Rent) shall be deemed to waive any claim which Tenant may be entitled to assert with regard to the making of such payment or the amount thereof, and all such payments shall be without prejudice to any rights Tenant may have with respect thereto, whether or not such payment is identified as having been made "under protest" (or words of similar import).

## **Section 25 ESTOPPEL CERTIFICATES.**

### **25.1 Tenant Certificate.**

Tenant shall execute, acknowledge and deliver to City, within fifteen (15) business days after a request, a certificate stating to Tenant's knowledge (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications or, if this Lease is not in full force and effect, so stating), (b) the dates, if any, to which any Rent and other sums payable hereunder have been paid, (c) that no notice has been received by Tenant of any default hereunder which has not been cured, except as to defaults specified in such certificate, (d) Tenant is not aware of any defaults by City, except any defaults specified in such certificate, and (e) attached to the certificate is a true, correct and complete copy of the Lease and any amendments thereto (and Tenant shall attach such copy to the certificate). Any such certificate may be relied upon by City or any successor agency, and any prospective purchaser or mortgagee of City's interest in the Premises or any part thereof. Tenant will also use commercially reasonable efforts (including inserting a provision similar to this Section into every Sublease) to cause Subtenants under Subleases to execute, acknowledge and deliver to City, within twenty (20) business days after request, an estoppel certificate covering the matters described above with respect to such Sublease.

### **25.2 City Certificate.**

City shall execute, acknowledge and deliver to Tenant, within fifteen (15) business days after a request, a certificate stating to City's knowledge (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and stating the modifications or if this Lease is not in full force and effect, so stating), (b) the dates, if any, to which Rent

and other sums payable hereunder have been paid, (c) whether or not, to the knowledge of City, there are then existing any defaults under this Lease (and if so, specifying the same), and (d) attached to the certificate is a true, correct and complete copy of the Lease and any amendments thereto (and City shall attach such copy to the certificate). Any such certificate may be relied upon by Tenant, any Mortgagee, any Tax Credit Investor or an approved transferee of Tenant's interest under this Lease.

## **Section 26 APPROVALS BY CITY**

Wherever this Lease requires or permits the giving by City of its consent or approval, or whenever an amendment, waiver, notice, or other instrument or document is to be executed by or on behalf of City, the General Manager, or his or her designee, shall be authorized to execute such instrument on behalf of City, except as otherwise provided by applicable law, including City's Charter.

## **Section 27 SURRENDER OF PREMISES**

### **27.1 Condition of Premises.**

On the expiration or earlier termination of this Lease pursuant to any provision of this Lease, Tenant shall quit and surrender to City the Premises, and all Improvements, repairs, alterations, additions, substitutions and replacements to the Premises, in good order and condition, but with reasonable wear and tear (consistent with Tenant's maintenance obligations under this Lease), casualty and condemnation excepted, if applicable. Tenant hereby agrees to execute all documents that City deems necessary to evidence or confirm any such other termination. Upon expiration or termination of this Lease, Tenant and the Subtenants and the Agents of Tenant or any Subtenant shall have the right to remove their respective Personal Property consistent with Section 12.17, but any damage to the Improvements that is caused by their removal shall be repaired at Tenant's expense. At City's request, Tenant shall remove, at no cost to City, any Personal Property of Tenant, any Subtenant, and any Agent of Tenant or Subtenant that then remains on the Premises.

### **27.2 Termination of Subleases.**

Upon any termination of this Lease, all Subleases or other rights of parties acting by and through Tenant shall terminate without further action; subject to any non-disturbance agreement between City and a Subtenant that provides for the continuation of such Subtenant's Sublease on the terms of such agreement.

## **Section 28 HOLD OVER**

### **28.1 Holdover Without Consent.**

If Tenant retains possession of any portion of the Premises after the expiration or the earlier termination of this Lease, then unless City expressly agrees to the holdover in writing, Tenant shall pay City, on a month-to-month basis base rent equal to one hundred twenty percent (120%) of the fair market rental (as reasonably determined by City's Director of Real Estate, acting in good faith) for the Premises, together with the Additional Rent payable under this Lease, and shall otherwise be on the terms and conditions herein specified so far as applicable (except for those pertaining to the Term). Any failure by Tenant to surrender, discontinue using, or, if required by City, any failure to remove any property or equipment following written demand for the same by City, shall constitute continuing possession for purposes hereof. Tenant acknowledges that the foregoing provisions shall not serve as permission for the Tenant to hold over, nor serve to extend the term of this Lease beyond the end on the Term. Any holding over without City's consent shall constitute a default by Tenant and entitle City to exercise any or all of its remedies as provided herein, notwithstanding that City may elect to accept one or more payments of Rent, and whether or not such amounts are at the holdover rate specified above or the rate in effect at the end of the Term.

### **28.2 Holdover With Consent.**

Any holding over after the expiration of the Term with the express written consent of City shall be construed to automatically extend the Term on a month-to-month basis at a base rent equal to the base rent, if any, specified by City in such written consent, together with Additional Rent payable under this Lease, and shall otherwise be on the terms and conditions herein specified so far as applicable (except for

those pertaining to the Term). Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

## **Section 29 NOTICES**

Any notice given under this Lease shall be effective only if in writing and given by delivering the notice in person or by sending it first-class mail or certified mail with a return receipt requested or by overnight courier, return receipt requested, with postage prepaid, to: (a) Tenant, at Tenant's address set forth in the Basic Lease Information; or (b) City, at City's address set forth in the Basic Lease Information; or (c) to such other address as either City or Tenant may designate as its new address for such purpose by notice given to the other in accordance with the provisions of this Section at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given three (3) business days after the date when it is mailed if sent by first class or certified mail, one (1) business day after the date it is made if sent by overnight courier, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telephone 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. Tenant shall promptly provide City with copies of all notices received regarding any alleged violation of laws or insurance requirements or any alleged unsafe condition or practice.

## **Section 30 CITY ENTRY**

Tenant shall permit City and its Agents to enter the Premises during regular business hours (and at any time in if there is an emergency) upon one (1) business days' prior notice (except if there is an emergency) for the purpose of (i) inspecting the same for compliance with any of the provisions of this Lease, (ii) performing any work therein that City may have a right to perform under this Lease, (iii) inspecting, sampling, testing and monitoring the Premises or the Improvements or any portion thereof, including buildings, grounds and subsurface areas, as City reasonably deems necessary or appropriate, and (iv) showing the Premises to prospective tenants or other interested parties during the last one hundred eighty (180) days of the Term, and to post notices of non-responsibility; provided, however, City agrees in performing or undertaking any of the foregoing activities to use reasonable efforts to minimize interference with the activities of Tenant. Such access shall be subject to Tenant's reasonable security and safety measures. Tenant shall provide City with a set of keys to all doors in the Premises, and shall provide replacement keys if and when any locks are changed. City shall have the right to use any means that it deems proper to open doors in an emergency in order to obtain access to any part of the Premises, and any such entry shall not be construed or deemed to be a forcible or unlawful entry into or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof. All locks installed in the Premises (excluding Tenant's vaults, safes or special security areas, if any) shall be keyed to the Powerhouse master key system, and City shall at all times have a key with which to unlock all such doors.

## **Section 31 EMPLOYMENT**

### **31.1 First Source Hiring Ordinance.**

**Tenant and City are parties to the First Source Agreement attached to this Lease as *Exhibit G* pursuant to San Francisco Administrative Code, Chapter 83 (the "First Source Agreement"). Any default by Tenant under the First Source Agreement shall be a default under this Lease.**

### **31.2 Supervision of Minors.**

**Tenant shall comply and shall require its Subtenants, contractors and subcontractors to comply with the obligations in California Public Resources Code Section 5164 if Tenant, or any Subtenant, contractor, or subcontractor is providing services at a City park, playground, recreational center or beach, Tenant shall not hire, and shall prevent any Subtenant, contractor or subcontractor from hiring, any person for employment or a volunteer position in a position having supervisory or disciplinary authority over a minor if that person has been convicted of any offense listed in Public Resources Code Section 5164. In addition, if Tenant or any Subtenant, contractor**



**or subcontractor, is providing services to the City involving the supervision or discipline of minors, Tenant and any Subtenant, contractor or subcontractor shall comply with all applicable requirements under federal or state law mandating criminal history screening for positions involving the supervision of minors. If there is a conflict between this Section and Section 31.5 below, this Section shall control.**

### **31.3 Employee Signature Authorization Ordinance.**

Under San Francisco Administrative Code Sections 23.50-23.56, employers of employees in hotel or restaurant projects on City property with more than fifty (50) employees are required to enter into a "card check" agreement with a labor union regarding the preference of employees to be represented by a labor union to act as their exclusive bargaining representative, if the City has a proprietary interest in the hotel or restaurant project. Tenant acknowledges and agrees that Tenant shall comply, and it shall cause each Subtenant to comply, with the requirements of such Ordinance to the extent applicable to operations within the Premises.

### **31.4 Criminal History in Hiring and Employment Decisions.**

(a) Unless exempt, and subject to the provisions of Section 31.3 above, Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "**Chapter 12 T**"), which are hereby incorporated as may be amended from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

(b) Tenant shall incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Premises, and shall require all Subtenants to comply with such provisions, subject to the provisions of Section 31.5 above. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Tenant and Subtenants shall not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (1) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and Subtenants shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection (c) above. Tenant and Subtenants shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and Subtenants shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or Subtenant at the Premises, that the Tenant or Subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Tenant and Subtenants shall post the notice prepared by the Office of Labor Standards Enforcement ("**OLSE**"), available on OLSE's website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

(g) Tenant and Subtenants understand and agree that upon any failure to comply with the requirements of Chapter 12T, the City shall have the right to pursue any rights or remedies available

under Chapter 12T or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

(h) If Tenant has any questions about the applicability of Chapter 12T, it may contact the Department for additional information. The Department may consult with the Director of the City's Office of Contract Administration, who may also grant a waiver as set forth in Section 12T.8.

### **31.5 Tenant Control; No Joint Venture.**

Tenant shall have complete control over its employees in the method of performing their work under this Lease. Subject to the provisions of this Lease, Tenant retains the right to exercise full control and supervision of the services and full control of the employment, direction, compensation and discharge of all its employees and Tenant agrees to be solely responsible for all matters relating to its employees. All personnel employed by Tenant shall be employees of Tenant and not of City. Nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture between City and Tenant or between City and any other person, or cause City to be responsible in any way for the debts or obligations of Tenant. The subject of this Lease is a lease with neither party acting as the Agent of the other party in any respect.

## **Section 32 REPRESENTATIONS AND WARRANTIES OF TENANT**

### **32.1 Tenant Representations.**

Tenant represents, warrants and covenants to City as follows, as of the date hereof and as of the Effective Date:

(e) **Valid Existence, Good Standing.** Tenant is a nonprofit corporation duly organized and validly existing under the laws of the State of California. Tenant has the requisite power and authority to own its property and conduct its business as presently conducted. Tenant is in good standing in the State of California.

(f) **Authority.** Tenant has the requisite power and authority to execute and deliver this Lease and the agreements contemplated hereby and to carry out and perform all of the terms and covenants of this Lease and the agreements contemplated hereby to be performed by Tenant.

(g) **No Limitation on Ability to Perform.** Neither Tenant's articles of organization or operating agreement, nor any applicable Law, prohibits Tenant's entry into this Lease or its performance hereunder. No consent, authorization or approval of, and no notice to or filing with, any governmental authority, regulatory body or other person is required for the due execution and delivery of this Lease by Tenant and Tenant's performance hereunder, except for consents, authorizations and approvals which have already been obtained, notices which have already been given and filings which have already been made. There are no undischarged judgments pending against Tenant, and Tenant and its members have not received notice of the filing of any pending suit or proceedings that might materially adversely affect Tenant's ability to perform under this Lease.

(h) **Valid Execution.** The execution and delivery of this Lease and the performance by Tenant hereunder have been duly and validly authorized. When executed and delivered by City and Tenant, this Lease will be a legal, valid and binding obligation of Tenant.

(i) **Defaults.** The execution, delivery and performance of this Lease (i) do not and will not violate or result in a violation of, contravene or conflict with, or constitute a default by Tenant under (A) any agreement, document or instrument to which Tenant is a party or by which Tenant is bound, (B) any law, statute, ordinance, or regulation applicable to Tenant or its businesses, or (C) the articles of incorporation or bylaws of Tenant, and (ii) do not result in the creation or imposition of any lien or other encumbrance upon the assets of Tenant, except as contemplated hereby.

(j) **Financial Matters.** Except to the extent disclosed to City in writing, neither Tenant nor any of its members (i) have knowledge of a material default under, or received notice asserting that it is in default under, any lease or management agreement or the like, (ii) have filed a petition for relief under any chapter of the U.S. Bankruptcy Code, and (iii) have suffered any material adverse change to its financial condition that could reasonably effect its ability to perform its obligations under this Lease.

The representations and warranties herein shall survive any termination of this Lease to the extent specified in this Lease.

### **Section 33 SPECIAL PROVISIONS**

#### **33.1 Non-Discrimination in City Contracts and Benefits Ordinance.**

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

(l) **Subleases and Other Subcontracts.** Tenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Tenant shall incorporate by reference in all subleases and other 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 Subtenants and other subcontractors to comply with such provisions. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease subject to the applicable notice and cure periods under this Lease.

(m) **Non-Discrimination in Benefits.** Tenant does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or with respect to its operations under this Lease 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.

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

(ii) **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 City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Tenant 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, Tenant 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 Tenant and/or deducted from any payments due Tenant.**

**33.2 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. Tenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

**33.3 Tobacco Product Sales and Advertising Prohibition.**

Tenant acknowledges and agrees that no sales or advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of City, including the Premises and the Property. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product.

**33.4 Conflict of Interest.**

Through its execution of this Lease, Tenant 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 Tenant becomes aware of any such fact during the term of this Lease, Tenant shall immediately notify City.

**33.5 Drug-Free Workplace.**

Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Tenant agrees that any violation of this prohibition by Tenant, its Agents or assigns shall, subject to applicable notice and cure periods under this Lease, be deemed a material breach of this Lease.

**33.6 Waiver of Relocation Assistance Rights.**

Tenant acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 *et seq.*).

**33.7 Public Records; Sunshine Ordinance.**

Tenant understands and agrees that City's Sunshine Ordinance (San Francisco Administrative Code Chapter 67) and the State Public Records Law (Government Code Section 6250 *et seq.*) (together with any amendments, supplements and successor statutes and ordinances, are hereinafter referred to as the "**Public Records Laws**") apply to this Lease, and all records, information, and materials submitted to City. Accordingly, any and all such records, information and materials may be subject to public disclosure in accordance with Public Records Laws, subject to any exceptions or exemptions set forth in the Public Records Laws.

**33.8 Requiring Health Benefits for Covered Employees.**

Unless exempt, (i) Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time and (ii), the provisions of this Section 33.8 shall apply. The provisions of Chapter 12Q are

incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

**(n) For each Covered Employee, Tenant shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Tenant chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.**

**(o) Notwithstanding the above, if the Tenant is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection (a) above.**

**(p) Tenant's failure to comply with the HCAO shall, subject to applicable notice and cure periods under this Lease, constitute a material breach of this Lease. City shall notify Tenant if such a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.**

**(q) Any Subcontract entered into by Tenant shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Tenant shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, City may pursue the remedies set forth in this Section against Tenant based on the Subcontractor's failure to comply, provided that City has first provided Tenant with notice and an opportunity to obtain a cure of the violation.**

**(r) Tenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Tenant's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.**

**(s) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.**

**(i) Tenant shall keep itself informed of the current requirements of the HCAO.**

**(ii) Tenant shall provide reports to City in accordance with any reporting standards promulgated by City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.**

**(iii) Tenant shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five (5) business days to respond.**

**(iv) City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant agrees to cooperate with City when it conducts such audits.**

### **33.9 Intellectual Property; Music Broadcasting Rights.**

Tenant shall be solely responsible for obtaining any necessary clearances or permissions for the use of intellectual property on the Premises, including, but not limited to musical or other performance rights.

(Note to Tenant: To obtain the appropriate music performance license, you may contact the BMI Licensing Executive toll free at 1-877-264-2137 Monday – Friday, 9-5 p.m. (Central Time) and the American Society of Composers, Authors and Publishers (ASCAP) at 1-800-505-4052 Monday – Friday, 9-5 p.m. (Eastern Time).)

### **33.10 Notification of Limitations on Contributions.**

Through its execution of this Lease, Tenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with City for the selling or leasing of any land or building to or from City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, 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. Tenant 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. Tenant further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Tenant's board of directors, chairperson, chief executive officer, chief financial officer and chief operating officer (or, if not a corporation, then the equivalent person that directs or participates in directing the affairs or actions of the entity); any person with an ownership interest of more than 20 percent in Tenant; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Tenant. Additionally, Tenant acknowledges that Tenant must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

### **33.11 Food Service and Packaging Waste Reduction.**

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

### **33.12 Bottled Water.**

Tenant agrees to comply with San Francisco Environment Code Chapter 24 (“**Chapter 24**”). Tenant shall not sell, provide or otherwise distribute Packaged Water, as defined in Chapter 24 (including bottled water), in the performance of this Agreement or on City property unless Tenant obtains a waiver from the City’s Department of the Environment. If Tenant violates this requirement, the City may exercise all remedies in this Agreement and the Director of the City’s Department of the Environment may impose administrative fines as set forth in Chapter 24.

### **33.13. Graffiti Removal.**

Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the

enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Tenant shall remove all graffiti from the Property within forty eight (48) hours of the earlier of Tenant's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. Sections 101 *et seq.*). Any Tenant failure to comply with this Section shall constitute an Event of Default of this Lease.

#### 33.14 Vending Machines; Nutritional Standards.

Tenant shall not install or permit any vending machine on the Premises without the prior written consent of the General Manager. Any permitted vending machine must comply with the food nutritional and calorie labeling requirements set forth in San Francisco Administrative Code Section 4.9-1(c), as may be amended from time to time (the "Nutritional Standards Requirements"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section shall be deemed a material breach of this Lease. Without limiting City's other rights and remedies under this Lease, City shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any restaurant located on the Premises is encouraged to ensure that at least twenty-five percent (25%\_ of Meals offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code Section 4.9-1(e), as may be amended.

#### 33.15 All-Gender Toilets.

If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land and within existing buildings leased by the City where extensive renovations are made. An "all-gender toilet facility" means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and "extensive renovations" means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section. If Tenant has any question about applicability or compliance, Tenant should contact the General Manager for guidance.

### **Section 34 GENERAL**

#### **34.1 Time of Performance.**

**(t) Expiration. All performance dates (including cure dates) expire at 5:00 p.m., San Francisco, California time, on the performance or cure date.**

**(u) Weekend; Holiday; Business Day. A performance date that falls on a Saturday, Sunday or City holiday is deemed extended to 5:00 pm on the next business day. For purposes of this Lease, a business day means any day except Saturday, Sunday, or a day on which City and County of San Francisco is closed for business.**

(v) **Days for Performance.** All periods for performance or notices specified herein in terms of days shall be calendar days, and not business days, unless otherwise provided herein.

(w) **Time of the Essence.** Time is of the essence with respect to each provision of this Lease, including, but not limited, the provisions for the exercise of any option on the part of Tenant hereunder and the provisions for the payment of Rent and any other sums due hereunder.

#### **34.2 Interpretation of Agreement.**

Whenever an “**Exhibit**” is referenced, it means an attachment to this Lease unless otherwise specifically identified. All such Exhibits are incorporated herein by reference. 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 intents and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. 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.

#### **34.3 Successors and Assigns.**

Subject to the provisions of this Lease relating to Assignment and Subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of City and Tenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any sale, assignment or transfer by City named herein (or by any subsequent landlord) of its interest in the Powerhouse as owner or lessee, including any transfer by operation of law, City (or any subsequent landlord) shall be relieved from all subsequent obligations and liabilities arising under this Lease subsequent to such sale, assignment or transfer.

#### **34.4 Interpretation of Lease; Approvals.**

Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa, and each gender reference shall be deemed to include the other and the neuter. If there is more than one Tenant, the obligations and liabilities under this Lease imposed on Tenant shall be joint and several. The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference and such captions in no way define or limit the scope or intent of any provision of this Lease. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through the General Manager unless otherwise provided in this Lease, subject to applicable Law. Except as otherwise specifically provided in the Lease, whenever the Lease requires an approval or consent by either City (acting in its proprietary capacity) or Tenant, such approval or consent shall not be unreasonably withheld, and each party shall at all times act in good faith.

#### **34.5 No Third Party Beneficiaries.**

This Lease is for the exclusive benefit of the parties hereto and not for the benefit of any other person and shall not be deemed to have conferred any rights, express or implied, upon any other person.

#### **34.6 Real Estate Commissions.**

City is not liable for any real estate commissions, brokerage fees or finder’s fees that may arise from this Lease. Tenant and City each represents that it engaged no broker, real estate agent or finder in connection with this transaction. If any broker, real estate agent or finder makes a claim, the party through whom such claim is made agrees to Indemnify the other party from any Losses arising out of such claim.

#### **34.7 Counterparts.**



This Lease may be executed in counterparts, each of which is deemed to be an original, and all such counterparts constitute one and the same instrument.

### **34.8 Entire Agreement.**

This instrument, including the exhibits hereto, which are made a part of this Lease, contains the entire agreement between the parties and all prior written or oral negotiations, understandings and agreements are merged herein. 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. Tenant hereby acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises, the Powerhouse or this Lease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein.

### **34.9 Amendment.**

Neither this Lease nor any of the terms hereof may be terminated, amended or modified except by a written instrument executed by the Parties.

### **34.10 Governing Law; Selection of Forum.**

This Lease shall be governed by, and interpreted in accordance with, the laws of the State of California. As part of the consideration for City's entering into this Lease, Tenant agrees that all actions or proceedings arising directly or indirectly under this Lease may, at the sole option of City, be litigated in courts having situs within the State of California, and Tenant consents to the jurisdiction of any such local, state or federal court, and consents that any service of process in such action or proceeding may be made by personal service upon Tenant wherever Tenant may then be located, or by certified or registered mail directed to Tenant at the address set forth herein for the delivery of notices.

### **34.11 Extensions by City.**

On Tenant's request, City may, by written instrument, extend the time for Tenant's performance of any term, covenant or condition of this Lease or permit the curing of any default upon such terms and conditions as it determines appropriate, including but not limited to, the time within which Tenant must agree to such terms and/or conditions, provided, however, that any such extension or permissive curing of any particular default will not operate to release any of Tenant's obligations nor constitute a waiver of City's rights with respect to any other term, covenant or condition of this Lease or any other default in, or breach of, this Lease or otherwise effect the time of the essence provisions with respect to the extended date or other dates for performance hereunder.

### **34.12 Attorneys' Fees and Costs.**

If either party hereto fails to perform any of its respective obligations under this Lease or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Lease, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default and/or in enforcing or establishing its rights hereunder, including, without limitation, reasonable Attorneys' Fees and Costs. Any such Attorneys' Fees and Costs incurred by either party in enforcing a judgment in its favor under this Lease shall be recoverable separately from and in addition to any other amount included in such judgment, and such Attorneys' Fees and Costs obligation is intended to be severable from the other provisions of this Lease and to survive and not be merged into any such judgment. For purposes of this Lease, the reasonable fees of attorneys of City's Office of 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 City Attorney's Office. The "prevailing party" shall be determined based upon an assessment of which party's major arguments or positions taken in the action or proceeding could fairly be said to have prevailed (whether by compromise, settlement, abandonment by the other party of its claim or defense, final

decision, after any appeals, or otherwise) over the other party's major arguments or positions on major disputed issues. Any Attorneys' Fees incurred in enforcing a judgment shall be recoverable separately from any other amount included in the judgment and shall survive and not be merged in the judgment. The Attorneys' Fees shall be deemed an "actual pecuniary loss" within the meaning of Bankruptcy Code Section 365(b)(1)(B), and notwithstanding the foregoing, all Fees incurred by either party in any bankruptcy case filed by or against the other party, from and after the order for relief until this Lease is rejected or assumed in such bankruptcy case, will be "obligations of the debtor" as that phrase is used in Bankruptcy Code Section 365(d)(3).

#### **34.13 Severability.**

If any provision of this Lease, or its application to any person or circumstance, is held invalid by any court, the invalidity or inapplicability of such provision shall not affect any other provision of this Lease or the application of such provision to any other person or circumstance, and the remaining portions of this Lease shall continue in full force and effect, unless enforcement of this Lease as so modified by and in response to such invalidation would be grossly inequitable under all of the circumstances, or would frustrate the fundamental purposes of this Lease, in which case, the parties will negotiate in good faith a replacement provision which is not invalid to accomplish substantially the same intention as the provision held invalid.

#### **34.14 Limitation on Liability.**

No elective or appointive board, commission, member, officer, director, employee or other Agent of City shall be personally liable to Tenant, its successors and assigns, in the event of any default or breach by City or for any amount that may become due to Tenant, its successors and assigns, or for any obligation of City under this Agreement. No member, officer, director, employee or other Agent of Tenant shall be personally liable to City, its successors and assigns, in the event of any default or breach by Tenant or for any amount that may become due to City, its successors and assigns, or for any obligation of Tenant under this Agreement.

#### **34.16 Tax Ownership.**

Notwithstanding anything to the contrary contained in this Lease, City and Tenant hereby agree and acknowledge that, notwithstanding the form of this transaction as a lease for local and state law purposes, it is the intent of each that this transaction be treated effectively as a sale of the Premises from City to Tenant for federal income tax purposes only between the Effective Date and the earlier to occur of a Dissolution Event and the termination of this Lease, and for Tenant to be treated as the beneficial owner of the Premises, for federal income tax purposes; provided, however, that City shall remain the fee owner of the Premises. For federal income tax and accounting purposes, City recognizes and shall continue to recognize Tenant as the owner of the Premises pursuant to this Lease, and this Lease as a sale of beneficial ownership, and Tenant and City shall not take any tax reporting position to the contrary. In furtherance and not in limitation of the foregoing, the City and Tenant agree that (i) to the greatest extent possible, the risk of loss and the benefits of profit and appreciation with respect to the Premises shall reside with Tenant, (ii) it is not City's intent to realize any meaningful residual value from the Premises on or after the date hereof, and it is Tenant's intent to bear any residual value risk associated with the Premises, and (iii) Tenant alone shall be entitled to all of the tax attributes of ownership of the Premises, including, without limitation, the right to claim depreciation or cost recovery deductions.

The provisions of the foregoing paragraph shall automatically terminate as of the effective date of any Dissolution Event. Further, the City makes no warranty to Tenant regarding the availability or treatment of this Lease as a sale of the Premises under the Internal Revenue Code of 1986, as amended, including all regulations thereunder (the "Code"), and Tenant assumes all risk associated with any disallowance by the Internal Revenue Service of this Lease as a sale of the Premises under the Code.

[No further text this page.]

IN WITNESS WHEREOF, the Parties have executed this Lease as of the day and year first above written.

**TENANT**

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**CITY:**

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
PHILIP GINSBURG, General Manager  
Recreation and Park Department

APPROVED BY  
RECREATION AND PARK COMMISSION  
PURSUANT TO RESOLUTION NO. \_\_\_\_\_ DATED: \_\_\_\_\_

\_\_\_\_\_  
Margaret McArthur, Commission Liaison

Board of Supervisors Resolution No. \_\_\_\_\_ Adopted on \_\_\_\_\_

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By \_\_\_\_\_  
Carol Wong, Deputy City Attorney

**EXHIBIT A**

**Depiction and Description of Premises and SFMTA Property**

NOTE: EXHIBIT TO BE PROVIDED IN FINAL LEASE

**EXHIBIT B**

**Form Assignment of Lease**

NOTE: EXHIBIT TO BE PROVIDED IN FINAL LEASE

## EXHIBIT C

### **Minimum Programming Standards**

1. 365 hours of free thrice-weekly after-school and weekend programming in dance, music, theater, capoeira, and poetry/spoken word for approximately 140 area middle and high school student;
2. 230 hours of free thrice-weekly and weekend Early Childhood performing arts-focused classes for approximately 130 children ages 2-5 and their teachers/caregivers and Community Early Childhood serving parents and exempt/unlicensed family, friend, neighbor providers in the neighborhood from the following zip codes: (zip codes 94110, 94112, 94124, 94127, 94132 and 94134);
3. 210 hours of free or low-cost twice-weekly visual arts programming for approximately 60 youth in partnership with local arts organizations;
4. 100 hours of free performing arts-focused weekend family classes for approximately 200 youth and family members;
5. 200 hours of twice-weekly evening below-market rate classes for approximately 55 adults in dance, music, poetry and improvisational theater on a sliding-scale fee basis (\$5-\$20/hour, subject to CPI) in partnership with local arts organizations;
6. Weekly evening below-market rate rehearsal space for performing arts organizations and bi-monthly community meeting space on a sliding scale basis (\$20-\$30/hour, subject to CPI); and
7. Monthly teaching artist professional development sessions, and semiannual professional development for classroom teachers and other arts educators.

**EXHIBIT D**

**Management and Operation Plan**

NOTE: EXHIBIT TO BE PROVIDED IN FINAL LEASE

**EXHIBIT E**

**Memorandum of Lease**

NOTE: EXHIBIT TO BE PROVIDED IN FINAL LEASE



**EXHIBIT F**

**Sublease Conditions; Form of Indemnity**

NOTE: EXHIBIT TO BE PROVIDED IN FINAL LEASE

## **EXHIBIT G**

### **First Source Agreement**

1. Phase I Environmental Site Assessment for Geneva Car Barn and Powerhouse dated February 2012, prepared by Ecology and Environment, Inc. for U.S. Environmental Protection Agency, Region 9 and The Friends of the Geneva Office Building and Powerhouse (Project No. 002693.6015.01BR)
2. Targeted Brownfields Assessment Report for Geneva Car Barn and Powerhouse dated June 2013, prepared by Ecology and Environment, Inc. for U.S. Environmental Protection Agency, Region 9 and the Friends of the Geneva Office Building and Powerhouse (Project No. EE-002693-6015)
3. Field Sampling Plan for Targeted Brownfields Assessment of Geneva Car Barn and Powerhouse dated April 2012, prepared by Ecology and Environment, Inc. for U.S. Environmental Protection Agency, Region 9 and the Friends of the Geneva Office Building and Powerhouse (Project No. EE-002693-6015)
3. Final Analysis of Brownfields Cleanup Alternatives Geneva Car Barn and Powerhouse Targeted Brownfields Assessment dated August 2015, prepared by Weston Solutions, Inc. for U.S. Environmental Protection Agency Region 9 (Document Control No. 20074.063.520.0005)

## Schedule 1

### **Community Benefits**

1. Tenant shall provide, or shall cause the Master Subtenant or PAW to provide, the following at the Premises: (a) arts programming for area youth, ages 3-18 during daytime hours; (b) arts programming for adults and families during the evening and weekend hours; and (c) community accessibility to the Premises during non-arts programming time. Some examples of programs that may be offered within these areas are preschool, youth and adult arts programming throughout the year, quarterly student and professional arts performances and exhibitions, rehearsal and community meeting space, and event rentals.
2. Tenant shall use, or shall cause the Master Subtenant or PAW to use, diligent and good faith efforts to:
  - (a) Provide a dedicated performance and exhibition space for San Francisco District 11;
  - (b) Provide easily accessible arts programming and community gathering space to the new affordable housing development to be built across the street from the Premises;
  - (c) Expand programming at the Premises to enhance, develop and strengthen partnerships with neighborhood schools in San Francisco Unified School District, including Balboa High School, Denman Middle School, Guadalupe Elementary, June Jordan School for Equity, Leadership High School, Longfellow Elementary School, Monroe Elementary School, Jose Ortega Elementary School, Sheridan Elementary School, eight of which are Title 1 schools, over the next seven years;
  - (d) House administrative operations and program staff to deliver 5,000 hours of free off-site performing arts-focused programming to 4,200 pre-school and public middle and high school students, and participants in the County of San Francisco's First 5 Preschool for All (PFA) program for low-income families; and
  - (e) Upon written request, provide written evidence of documented effort to target youth oriented programming with consideration to residents living in the following zip codes: of San Francisco's District 11 community (zip codes 94110, 94112, 94124, 94127, 94132 and 94134), residents of new market tax credit eligible census tracts in San Francisco and other City of San Francisco residents.
3. Tenant shall use, or shall cause the Master Subtenant or PAW to use, diligent and good faith efforts to:
  - (a) Consult with local stakeholders, residents, civic organizations and institutions, businesses, funders, customers, partners, clients, businesses, government officials, in the local San Francisco area;
  - (b) Incorporate planning efforts resulting from City and County of San Francisco government and other community planning processes such as the San Francisco Board of Supervisor-approved Balboa Station Transit Area Development Plan;
  - (c) Partner with community based organizations, targeting organizations like, but not limited to, OMI Family Resource Center, Mission Beacon, Excelsior Boys and Girls Club, Visitacion Valley Beacon, Sunnysdale Boys & Girls Club, San Miguel Early Childhood Development Center, City College of San Francisco, Youth Arts Exchange, SFUSD and the Department (collectively, "Partners") to enhance, develop and strengthen opportunities for area preschoolers, youth and adults;
  - (d) Market programs and events at the Premises to people in Partners; and
  - (e) Three (3) months prior to the Rent Commencement Date, develop a comprehensive

outreach program in concert with Partners, where possible, that targets San Francisco low-income communities.

4. Tenant shall use, or shall cause the Master Subtenant or PAW to use, diligent and good faith efforts to:

- (a) Provide quarterly access for student exhibition and performances by partner organizations by, and performances by professional artists;
- (b) Provide daily access to the Premises for approximately 2,400 community members per year, including preschoolers, youth and adults; and
- (c) Provide access to approximately 10,500 individuals attending one-time special events.

**Schedule 2**  
**Due Diligence Materials**

NOTE: SCHEDULE TO BE PROVIDED IN FINAL LEASE