

THIS PRINT COVERS CALENDAR ITEM NO.: 10.1

**MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION: Parking and Traffic Division

BRIEF DESCRIPTION: Approving traffic and parking modifications itemized below

SUMMARY:

- Under Proposition A, the SFMTA Board of Directors has authority to adopt parking and traffic regulations changes

Benefit to the SFMTA 2008 – 2012 Strategic Plan:

- Goal 1 – Customer Focus
 - 1.1 – Improve safety and security across all modes of transportation
- Goal 2 – Customer Focus
 - 2.4 – Reduce congestion through major corridors
 - 2.5 – Manage parking supply to align with SFMTA and community goals

ENCLOSURES:

1. MTAB Resolution

APPROVALS:

DATE

DIRECTOR OF DIVISION
PREPARING ITEM

EXECUTIVE DIRECTOR/CEO

SECRETARY

ASSIGNED MTAB CALENDAR DATE:

ITEMS:

- A. ESTABLISH - STOP SIGNS - 33rd Avenue at Escolta Way and Wawona Street, the stem of this T-intersection, making this intersection an All Way STOP; Beulah Street at Cole Street, stopping the stem of this currently uncontrolled T-intersection; Carl Street at Clayton Street, stopping the stem of this currently uncontrolled T-intersection; and Vicksburg Street at 25th Street, stopping the stem of this currently uncontrolled T-intersection. **PH: 4/4/08 Requested by: (Supervisor Chu for 33trd Ave and residents for the other stop signs)**
- B. ESTABLISH - RESIDENTIAL PERMIT PARKING AREA "W" (2-HOUR TIME LIMIT, 8 AM - 6 PM, MONDAY THROUGH FRIDAY) - Florida Street, both sides, between 23rd and 24th Streets (1100 block). **PH: 4/4/08 Requested by: Resident**
- C. ESTABLISH - NO TURN ON RED - 24th Street, eastbound, at Dolores Street (due to sight distance restriction) **PH: 4/4/08 Requested by: Resident**
- D. ESTABLISH - RED (NO PARKING ANYTIME) ZONES - Franconia Street, west side, at Rutledge Avenue (50 foot red zone). **PH: 4/4/08 Requested by: Resident**

MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. _____

WHEREAS, The San Francisco Municipal Transportation Agency has received a request, or identified a need for traffic modifications as follows:

- A. ESTABLISH - STOP SIGNS - 33rd Avenue at Escolta Way and Wawona Street, the stem of this T-intersection, making this intersection an All Way STOP; Beulah Street at Cole Street, stopping the stem of this currently uncontrolled T-intersection; Carl Street at Clayton Street, stopping the stem of this currently uncontrolled T-intersection; and Vicksburg Street at 25th Street, stopping the stem of this currently uncontrolled T-intersection.
- B. ESTABLISH - RESIDENTIAL PERMIT PARKING AREA "W" (2-HOUR TIME LIMIT, 8 AM - 6 PM, MONDAY THROUGH FRIDAY) - Florida Street, both sides, between 23rd and 24th Streets (1100 block).
- C. ESTABLISH - NO TURN ON RED - 24th Street, eastbound, at Dolores Street (due to sight distance restriction)
- D. ESTABLISH - RED (NO PARKING ANYTIME) ZONES - Franconia Street, west side, at Rutledge Avenue (50 foot red zone).

WHEREAS, The public has been notified about the proposed modifications and has been given the opportunity to comment on those modifications through the public hearing process; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors, upon recommendation of the Executive Director/CEO and the Director of Parking and Traffic, does hereby approve the changes as attached.

I hereby certify that the foregoing resolution was adopted by the San Francisco Municipal

Transportation Agency Board of Directors at its meeting of _____

Secretary, Municipal Transportation Agency Board

THIS PRINT COVERS CALENDAR ITEM NO. : 10.2

**MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION: Finance and Administration

BRIEF DESCRIPTION:

Authorizing the San Francisco Municipal Transportation Agency (SFMTA), through its Executive Director/CEO (or his/her designee), to accept and expend \$7,100,000 in California Transit Security Grant Program funds plus any subsequent interest earned in the account, for security-related projects.

SUMMARY:

- The SFMTA has applied for \$7,100,000 in formula funds from the California Transit Security Grant Program (CTSGP), administered by the Governor's Office of Homeland Security.
- The funds will be used to enhance and improve the safety and security of SFMTA's transit system through the procurement and installation of security equipment, including, but not limited to, close circuit television (CCTV) cameras, subway lighting and fiber optic cabling, barrier controls, fencing, and various security integration system and center upgrades.
- SFMTA requests that this Board authorize the acceptance and expenditure of \$7,100,000 in CTSGP funds, plus any subsequent interest earned in the account.

ENCLOSURES:

1. MTAB Resolution

APPROVALS:

DATE

DIRECTOR OF DIVISION

PREPARING ITEM _____

FINANCE _____

EXECUTIVE DIRECTOR/CEO _____

SECRETARY _____

ADOPTED RESOLUTION Bob Hom 1 So Van Ness, 7th Flr

BE RETURNED TO

ASSIGNED MTAB CALENDAR DATE: _____

EXPLANATION:

The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by California voters as Proposition 1B at the 2006 general election, authorizes the issuance of general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects.

The Governor's Office of Homeland Security (OHS) has created and is administering the FY07-08 Proposition 1B-6061-002 California Transit Security Grant Program (CTSGP) to distribute Proposition 1B security funds. The purpose of the CTSGP is to provide funding to eligible entities for transit system safety, security and disaster response projects. SFMTA is an eligible entity.

OHS has issued guidance for entities applying for CTSGP funds. An applicant is required to submit a new Governing Body Resolution that appoints agents authorized to execute any actions necessary for each application and to set up a separate interest bearing account from which funds are deposited. Any interest that is accrued must be accounted for and can be used towards CTSGP funded projects. SFMTA is required to submit this new resolution with its FY07-08 Investment Justification applications as the initial step for applying for the FY07-08 CTSGP funds.

OHS allocates CTSGP funding to the Metropolitan Transportation Commission (MTC), which sub-allocates the funds to transit operators within its jurisdiction on a formula basis pursuant to Section 99314 of the Public Utilities Code. For FY07-08 ending June 30, 2008, SFMTA is expected to receive about \$7.1 million.

SFMTA plans to use the CTSGP funds to procure and install security equipment, including, but not limited to, close circuit television cameras, subway lighting and fiber optic cabling, barrier controls, fencing, and various security integration system and security center upgrades. Funds received from this program may also be used as local match for projects proposed for the FY07-08 federally funded Transit Security Grant Program administered by the U.S. Department of Homeland Security.

The SFMTA will further the following goals of the Strategic Plan through acceptance and expenditure of these CTSGP funds:

- Goal 1 – To provide safe, accessible, reliable, clean and environmentally sustainable service.
Objective 1.1 – Improve safety and security across all modes of transportation

- Goal 5 – To provide a flexible, supportive work environment and develop a workforce that is capable of leading the agency into the ever-evolving technology driven future.
Objective 5.1 – Increase resources available for employees in performing their jobs.
Objective 5.3 – Improve internal communication.

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

Recommendation

Staff recommends that this Board approve the attached resolution, which authorizes the SFMTA, through its Executive Director/CEO (or his designee), to accept and expend \$7.1 million plus

subsequent interest earned in deposit from the FY07-08 Proposition 1B-6061-002 California Transit Security Grant Program; and further authorizes the Executive Director/CEO (or his designee(s), including the Director of Finance and Administration and the Director of Security and Enforcement) to execute any documents and perform any actions necessary for the purpose of obtaining financial assistance provided by OHS.

MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. _____

WHEREAS, The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by California voters as Proposition 1B at the November 7, 2006 general election, authorizes the issuance of general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects; and,

WHEREAS, Section 8879.23 of the California Government Code created a fund in the State Treasury from which monies are deposited in the Transit System Safety, Security and Disaster Response Account and allocated to a California Transit Assistance Fund; and,

WHEREAS, The Governor's Office of Homeland Security (OHS) will administer such funds under the FY07-08 Proposition 1B-6061-002 California Transit Security Grant Program (CTSGP); and,

WHEREAS, OHS allocates CTSGP funding to the Metropolitan Transportation Commission, which sub-allocates the funds to transit operators within its jurisdiction on a formula basis pursuant to Section 99314 of the Public Utilities Code; and

WHEREAS, The SFMTA is an eligible recipient for assistance under the CTSGP; for FY08 ending June 30, 2008, SFMTA is expected to receive approximately \$7.1 million in CTSGP funds; and,

WHEREAS, SFMTA plans to use the CTSGP funds to procure and install security equipment, including, but not limited to, close circuit television cameras, subway lighting and fiber optic cabling, barrier controls, fencing, and various security integration system and security center upgrades; funds may also be used as local match for projects proposed for the FY08 federally funded Transit Security Grant Program administered by the U.S. Department of Homeland Security; and,

WHEREAS, OHS requires the SFMTA to submit a Governing Body Resolution for the purposes of identifying the authorized agent(s) to act on behalf of the SFMTA to execute any actions necessary for the purpose of obtaining financial assistance provided by the OHS; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors authorizes the SFMTA, through its Executive Director/CEO (or his designee), to accept and expend \$7.1 million plus subsequent interest earned in deposit from the FY07-08 Proposition 1B-6061-002 California Transit Security Grant Program; and, be it

FURTHER RESOLVED, That the SFMTA Board authorizes the Executive Director/CEO (or his designee(s), including the Director of Finance and Administration and the Director of Security and Enforcement) to execute, on behalf of the SFMTA, any documents and perform any actions necessary for the purpose of obtaining financial assistance provided by OHS.

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

Secretary, Municipal Transportation Agency Board

THIS PRINT COVERS CALENDAR ITEM NO. : 10.3

**MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION: Finance and Administration

BRIEF DESCRIPTION:

This is a renewal of the current lease at 505 7th Street for the SFMTA Enforcement Division's general offices. The new lease is between the City and County of San Francisco, on behalf of the Municipal Transportation Agency, as tenant, and Thomas F. Murphy and Martina Murphy, as Trustees of the Murphy Trust UDT dated October 3, 2003, and Christopher J. Harney, as landlord, for the two buildings, commonly known as 505 - 7th Street and aka 899 Bryant Street, and the adjacent paved parking area, in San Francisco. The new lease is for a term of approximately four years and eight months that is expected to commence on May 1, 2008, plus an extension option of one additional term of five-years.

SUMMARY:

- The original lease for 505 7th Street began May 1, 1997, was for 9,680 square feet (s.f.) of building and 3,200 s.f. of parking for annual rent of \$181,185.00; it expired June 30, 2007 and is now on a month-to-month holdover basis.
- The new lease for 505 7th Street for use as the SFMTA's DPT Enforcement Division's general offices is for an approximately four-year, nine-month term expected to commence on May 1, 2008, plus an option to extend the lease for one additional term of five-years.
- Under the new lease, the SFMTA has the right to terminate the lease for any reason by providing landlord with one hundred and eighty (180) days advance written notice, which notice shall not be served prior to June 1, 2011.
- The annual rent for the initial five-year term will be \$228,096.00 (\$2.48 per square foot per month, or \$29.76 per square foot per year), which includes facility operating costs and real estate taxes as per the 2008 base year. City is to pay landlord any increases in operating costs and real estate taxes above the 2008 base-year amount.
- The landlord has and will make approximately \$40,000 in tenant improvements, including replacing the floor covering, painting, repairs and air conditioning adjustments.
- Comparative lease rates in the area increased dramatically in the past 10 years since the original lease was written, and the rent for 505 7th Street is considered reasonable given the market.
- Prior to the commencement date of the new lease, City continues to pay rent at the rate provided in the original lease. As consideration for landlord's consent to City's holding over under the original lease, the new lease provides that City will pay landlord a per diem amount equal to the difference between the rent under the new lease and the rent under the old lease (i.e., \$297 per day) for each day from February 1, 2008 until the commencement date under the new lease.

ENCLOSURES:

1. Resolution
2. Office Lease of 505 7th Street (aka 899 Bryant Street) dated March 1, 2008

APPROVALS:

DATE

DIRECTOR OF DIVISION

PREPARING ITEM _____

FINANCE _____

EXECUTIVE DIRECTOR/CEO _____

SECRETARY _____

ADOPTED RESOLUTION

BE RETURNED TO Attn: Kerstin Magary

ASSIGNED MTAB CALENDAR DATE: _____

EXPLANATION:

The original lease for 505 7th Street began May 1, 1997, was for 9,680 square feet (s.f.) of building and 3,200 s.f. of parking for annual rent of \$181,185.00; it expired June 30, 2007 and is now on a month-to-month holdover basis.

After months of negotiations, the new lease terms for 505 7th Street were agreed to for an annual rent of \$288,096.00 (\$2.48 per square foot per month, or \$29.76 per square foot per year), an estimated commencement date of May 1, 2008, and an approximately four-year, nine-month term expiring January 31, 2013, with an extension option for one additional term of five (5) years. The rent includes facility operating costs and real estate taxes as per the 2008 base year. The SFMTA is to pay the landlord any increases in operating costs and real estate taxes above the 2008 base-year amount. The landlord has and will make approximately \$40,000 in tenant improvements, including replacing floor coverings, painting, repairs and air conditioning adjustments.

The SFMTA has the right to terminate this new lease for any reason by providing Landlord with one hundred and eighty (180) days advance written notice, which notice shall not be served prior to June 1, 2010. SFMTA intends to exercise the early termination clause if the Enforcement Division is relocated to One South Van Ness Avenue.

Staff has examined the operating cost statements submitted by the Landlord and believe they reflect his actual cost in running the building for SFMTA's Enforcement Division. The owner's operating cost average over the last six months has been \$6,100 per month.

Furthermore, staff has researched the comparable commercial office lease rates in the neighborhood. For example, per the BT Commercial Research 2007 4th Quarter Office Market Report, San Francisco's Yerba Buena area rent average was \$31.92/s.f./year, while the San Francisco County average was \$41.04/s.f./year. The new full-service annual rate for 505 7th Street will be \$29.76/s.f./year (\$288,185.00 per year), which is considered reasonable given the market. In addition, the renewal includes an estimated \$40,000 of tenant improvements in floor covering replacement, painting, repairs and air conditioning adjustments.

Prior to the commencement date of the new lease, City continues to pay rent at the rate provided in the original lease. As consideration for Landlord's consent to City's holding over under the original lease, the new lease provides that City will pay Landlord a per diem amount equal to the difference between the rent under the new lease and the rent under the old lease (i.e., \$297 per day) for each day from February 1, 2008 until the commencement date under the new lease.

The lease has been reviewed by a Deputy City Attorney.

Consistency with the SFMTA 2008-2012 Strategic Plan

Goal 4 – To ensure financial stability and effective resource utilization.

Staff recommends that the SFMTA Board adopt the proposed lease agreement, which is in Enclosure 2.

MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. _____

WHEREAS, The original lease for 505 7th Street began May 1, 1997, was for 9,680 square feet (s.f.) of building and 3,200 s.f. of parking at an annual rent of \$181,185; that lease expired June 30, 2007 and is now on a month-to-month holdover basis; and

WHEREAS, After months of negotiations, the extension terms for 505 7th Street were agreed to for annual rent of \$288,096, for an approximately four-year, nine-month term to January 31, 2013, and an option to extend the lease for an additional five-year term; and in addition the landlord is to provide tenant improvements for \$40,000, including replacing floor covering, painting, repairs and air conditioning adjustments; and

WHEREAS, Staff has researched the comparable commercial office lease rates in the neighborhood, and found the lease rate for 505 7th Street reasonable given the market; and

WHEREAS, The City, on behalf of the San Francisco Municipal Transportation Agency (SFMTA), has the right to terminate this Lease for any reason by providing Landlord with 180 days advance written notice, which notice shall not be served prior to June 1, 2010; and SFMTA intends to exercise the early termination clause if the Enforcement Division is relocated to One South Van Ness Avenue; and

WHEREAS, Prior to the commencement date of the new Lease, rent is due at the rate provided in the original lease; and, as consideration for Landlord's consent to City's holding over under the original lease, the new Lease provides that City will pay Landlord a per diem amount equal to the difference between the rent under the new Lease and the rent under the old lease (i.e., \$297 per day) for each day from February 1, 2008 until the commencement date under the new Lease; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors approves this Lease between the City and County of San Francisco, on behalf of the SFMTA, and Thomas F. Murphy and Martina Murphy, as Trustees of the Murphy Trust UDT dated October 3, 2003, and Christopher J. Harney; for the two buildings, commonly known as 505 - 7th Street and aka 899 Bryant Street, and the adjacent paved parking area, in San Francisco, in substantially the form attached to this resolution as Enclosure 2; and be it further

RESOLVED, That the subject Lease, as approved, shall take effect on the later of the SFMTA Board of Directors' approval of the Lease or the full execution of the Lease by City and Landlord.

I hereby certify that the foregoing resolution was adopted by the Municipal Transportation Agency Board of Directors at its meeting of _____.

Secretary, Municipal Transportation Agency Board

OFFICE LEASE

between

THOMAS F. MURPHY and MARTINA MURPHY, as Trustees of the Murphy Trust UDT
dated October 3, 2003, and CHRISTOPHER J. HARNEY,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of

505 Seventh Street (aka 899 Bryant Street)

San Francisco, California

March 1, 2008

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LIST OF EXHIBITS

- EXHIBIT A – Floor Plan(s) of Premises
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- EXHIBIT C – Exclusions From Operating Costs
- EXHIBIT D – Rules and Regulations
- EXHIBIT E – Standards for Janitorial Service

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of March 1, 2008, is by and between THOMAS F. MURPHY and MARTINA MURPHY, as Trustees of the Murphy Trust UDT dated October 3rd, 2003, as to an undivided 50% interest, and CHRISTOPHER J. HARNEY, a married man as his sole and separate property, as to an undivided 50% interest ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	March 1, 2008
Landlord:	THOMAS F. MURPHY and MARTINA MURPHY, as Trustees of the Murphy Trust UDT dated October 3 rd , 2003, as to an undivided 50% interest, and CHRISTOPHER J. HARNEY, a married man as his sole and separate property, as to an undivided 50% interest
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	Two (2) buildings commonly known as 505 Seventh Street (aka 899 Bryant Street) constructed on the land described as Assessor's Block 3779, Lots 40 and 168.
Premises (<u>Section 2.1</u>):	The Building and the paved parking area as shown on <u>Exhibit A</u> , attached hereto.
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 9,680 square feet in the Building and approximately 3,200 square feet of paved parking area.
Term (<u>Section 3</u>):	Estimated commencement date: April 1, 2008
	Expiration date: January 31, 2013
Early Termination (<u>Section 3.1</u>):	City has the right to terminate this Lease for any reason by providing Landlord with one hundred and eighty (180) days advance written notice, which notice shall not be served prior to June 1, 2010.
Extension Option (<u>Section 3.4</u>):	One additional term of five (5) years, exercisable by City by notice to Landlord

	given not less than one hundred and eighty (180) days in advance, with rent to be 95% of the then prevailing market rent as calculated in accordance with Section 4.2 below.
Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$288,096 (\$29.76 per sq. ft.)
	Monthly payments: \$24,008 (\$2.48 per sq. ft.)
Additional Charges (<u>Section 4.3</u>):	City to pay to Landlord any increases in Operating Costs and Real Estate Taxes above the 2008 Base Year.
City's Percentage Share (<u>Section 4.4</u>):	100%
Base Year (<u>Section 4.4</u>):	2008
Use (<u>Section 5.1</u>):	General office and associated public program use, locker rooms, radio dispatch, parking and other uses consistent with this Lease and with the functions of the Municipal Transportation Agency (MTA) and/or other City departments.
Leasehold Improvements (<u>Section 6</u>):	Promptly after the Commencement Date, Landlord shall at Landlord's sole cost (i) replace all the floor coverings (linoleum and carpet, but not including the bathroom/locker room areas, and other areas with rubber traction flooring) on the ground floor as directed by City, (ii) paint interior walls on the ground floor and (iii) replace water stained ceiling tiles. Landlord also shall provide an Air Balance Report showing the current rating of the Building air conditioning.
Services (<u>Section 9.2</u>):	Provided by Landlord, except the cost of electrical service which will be paid by City directly to provider.
Notice Address of Landlord (<u>Section 23.1</u>):	Murphy Trust and Christopher J. Harney c/o SF Rents 1485 Bayshore Blvd. #56 San Francisco, CA 94124 Fax No.: (415) 467-0991
Key Contact for Landlord:	SF Rents
Landlord Contact Telephone No.:	(415) 330-3500

Notice Address for Tenant (<u>Section 23.1</u>):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Amy L. Brown, Director of Property Fax No.: (415) 552-9216
with a copy to:	San Francisco Municipal Transportation Agency 1 South Van Ness Avenue 7 th floor San Francisco, CA 94103 Attn: Antonio Para, Director of Security and Enforcement Fax No. (415) 701-4725 San Francisco Municipal Transportation Agency 1 South Van Ness Avenue 7 th floor San Francisco, CA 94103 Attn: Kerstin Magary Fax No. (415) 701-4341
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: Charles Sullivan Deputy City Attorney Fax No.: (415) 554-4755
Key Contact for Tenant:	Antonio Para
Tenant Contact Telephone No.:	(415) 734-3080
Alternate Contact for Tenant:	Debbie Bortne
Alternate Contact Telephone No.:	(415) 553-1620
Brokers (<u>Section 23.8</u>):	None
Other Noteworthy Provisions (<u>Section 22</u>):	None

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. As used in this Lease, the term "rentable area" shall mean that measurement of interior floor area computed in accordance with the "Standard Method for Measuring Floor Area in Office Buildings, the American National Standard" (Z65.1-1996), adopted by the Building Owners and Managers Association (BOMA). The Building, land upon which the Building is

located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

3. TERM

3.1 Term of Lease

The Premises are leased for a five year term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later date that shall be the later of (i) the date the City's Municipal Transportation Agency enacts a resolution approving this Lease in accordance with all applicable laws, and (ii) the date this Lease is duly executed by the parties hereto.

Notwithstanding anything to the contrary contained in this Lease, Landlord acknowledges and agrees that no officer or employee of the City is authorized to obligate the City to any conditions herein, unless and until a resolution of the Municipal Transportation Agency has been duly enacted approving this Lease and authorizing consummation of the transactions contemplated hereby. Therefore, any obligations or liabilities of City hereunder are contingent upon enactment of such a resolution, and this Lease shall be null and void unless City's Municipal Transportation Agency approves this Lease, in its sole and absolute discretion, and in accordance with applicable laws.

The initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease; provided, that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Option(s), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) as provided hereinbelow.

Notwithstanding anything to the contrary herein, City shall have the right during the Term to cancel this Lease without any penalty, fee or other liability, by giving Landlord not less than one hundred and eighty (180) days advance written notice, which notice shall not be served prior to June 1, 2010.

3.2 Commencement Date and Expiration Date

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

3.3 Delivery of Possession

City currently occupies the Premises under that certain office lease dated as of May 1, 1997 (the "Original Lease"). The term of the Original Lease expired on June 30, 2007, and City is occupying the Premises on a holdover basis with Landlord's approval. Prior to the Commencement Date of this Lease, City shall continue to pay Base Rent under the Original Lease in the amount of Fifteen Thousand Ninety-Eight and 71/100 Dollars (\$15,098.71) per month. Subject to receipt of the necessary approvals described in Section 3.1 above, within thirty (30) days after the Commencement Date, City shall pay to Landlord an amount equal to Two Hundred Ninety-Seven Dollars (\$297.00) per day multiplied by the number of days from February 1, 2008 to the Commencement Date as the agreed upon consideration for Landlord's consent to City's holding over under the Original Lease. Upon the Commencement Date, this Lease shall supersede the Original Lease in its entirety. If the Term commences later or earlier

than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions under this Lease.

3.4 Extension Option

City shall have the right to extend the Initial Term of this Lease (the "Extension Option") for the additional term specified in the Basic Lease Information (the "Extended Term"). The Extension Option shall be on all of the terms and conditions contained in this Lease. City may exercise the Extension Option, if at all, by giving written notice to Landlord no later than one hundred eighty (180) days prior to expiration of the Term to be extended; provided, however, that if City is in material default under this Lease on the date of giving such notice and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. City's Director of Property is authorized to exercise such Extension Option on behalf of City.

If Tenant exercises the Extension Option, Landlord, at Landlord's sole cost and expense, shall replace the carpet throughout the Premises with carpet of a mutually agreed upon quality and color.

4. RENT

4.1 Base Rent

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

4.2 Rent for the Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal ninety-five percent (95%) of the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the Civic Center/SOMA area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent in effect immediately prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rent for the Premises. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen

(14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

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

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

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

(e) All appraisers specified herein shall be members of the American Institute of Real Estate Appraisers (MAI) with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Civic Center/SOMA area. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

4.3 Additional Charges

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

4.4 Definitions

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

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

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

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

(d) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Landlord in connection with the management, operation, maintenance and repair of the Building, including, but not limited to: (1) the cost of air conditioning, electricity, steam, water, heating, mechanical, telephone, ventilating, escalator and elevator systems and all other utilities, (2) the cost of repairs and all labor and material costs related thereto, and the cost of general maintenance, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof, (4) wages, salaries, payroll taxes and other labor costs and employee benefits relating to employees of Landlord or its agents engaged in the operation, repair, or maintenance of the Building, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (5) reasonable management fees, (6) fees, charges and other costs of all independent contractors engaged by Landlord, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (7) accounting and legal expenses, (8) depreciation on personal property, including, without limitation, carpeting in public corridors and Common Areas and window coverings provided by Landlord, (9) the fair market rental value of offices in the Building for the property manager, (10) the cost of capital improvements made to the Building after completion of its construction as a labor-saving or energy saving device or to effect other economies in the operation or maintenance of the Building and which benefit the Premises, or made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Landlord's deliberate or negligent violation of such law, rule or regulation, and except to the extent such improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City, and (11) any other expenses reasonably incurred in connection with the management, operation, maintenance or repair of the Building (other than Real Estate Taxes and any services for which Landlord is separately and directly reimbursed by City or other tenants in the Building) which would, under generally accepted accounting principles, be considered an operating expense. The computation of Operating Costs shall be made in accordance with generally accepted accounting principles. With respect to the costs of items included in Operating Costs under (10), such costs shall be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to three (3) percentage points over the Treasury Rate charged at the time such item is constructed, but not more than the maximum rate permitted by law at the time such item is constructed.

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

Notwithstanding the foregoing, "Operating Costs" shall exclude the items described on the attached Exhibit C.

"Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the portion of the Building owned by Landlord, or Landlord's interest in the Building. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other

governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

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

4.5 Payment of Percentage Share of Operating Costs

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Operating Costs for each Expense Year exceed the Operating Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord may revise such estimates of Operating Costs from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made any earlier than four (4) months subsequent to the prior estimate for such Expense Year.

With reasonable promptness not to exceed sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), prepared by an independent certified public accountant, setting forth in reasonable detail the Operating Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual Operating Costs for such Expense Year exceeds the estimated Operating Costs paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Operating Costs paid by City and City's Percentage Share of the actual Operating Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by City for any such Percentage Share of Operating Costs exceeds City's Operating Costs Share of the actual Operating Costs for such Expense Year, such excess shall be credited against the next installments of Operating Costs due from City to Landlord hereunder, or refunded to City, at City's option.

4.6 Payment of Percentage Share of Real Estate Taxes

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year.

City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

4.7 Proration

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

4.8 Audits

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

4.9 Records

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

5. USE

5.1 Permitted Use

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

5.2 Observance of Rules and Regulations

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

5.3 Interference with Access

Landlord shall provide to City access to the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for twenty-four (24) hours and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such sixty (60)-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Make Improvements

Landlord, through its contractor approved by City, shall perform the work and make the installations in the Premises at Landlord's sole cost (as defined in this Section below) in accordance with the provisions of this Section below. Such work and installations are referred to

as the "Leasehold Improvement Work" and "Leasehold Improvements."

(a) Work to be Performed

Promptly after the Commencement Date, Landlord shall at Landlord's sole cost (i) replace all the floor coverings (linoleum and carpet, but not including the bathroom/locker room areas, and other areas with rubber traction flooring) on the ground floor as directed by City, (ii) paint interior walls on the ground floor as directed by City and (iii) replace all water stained ceiling tiles throughout the Premises. Landlord also shall provide an Air Balance Report showing the current rating of the Building air conditioning.

(b) Permits

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

(c) Improvement Notice

Landlord shall give Tenant reasonable notice of the time and date on which Leasehold Improvement Work will commence. City staff shall cooperate with Landlord's contractor during the Leasehold Improvement Work; provided, however, Landlord shall cause the Leasehold Improvement Work to be conducted in a manner that minimizes the interruption with City's operations in the Premises.

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

6.2 Construction of Improvements that Disturb or Remove Exterior Paint

Landlord, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 36 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 36 of the San Francisco Building Code does not constitute notification to City as Tenant

under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 36 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 36 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.]

7. ALTERATIONS

7.1 Alterations by City

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

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises),

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

7.4 Alteration by Landlord

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

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

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

8.2 City's Repairs

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

Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall furnish the following utilities and services to the Premises: (a) heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises on a twenty four (24) hours per day three hundred sixty-five (365) days-a-year basis ("Daily Basis"); (b) subject to Section 9.2(a) below, electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a Daily Basis; (c) elevator service on a Daily Basis; and (d) water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Building in the San Francisco metropolitan area.

9.2 Services

(a) Electrical Service

City shall establish and maintain an account for payment of the cost of the existing electrical service to the Building in City's name with its local provider, and shall pay the cost thereof.

(b) Janitorial Service

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

9.3 Conservation

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

9.4 Disruption in Essential Utilities or Services

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

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

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

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

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

10.2 City's Compliance with Laws; Indemnity

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

10.3 City's Compliance with Insurance Requirements

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

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or

estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

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

12. DAMAGE AND DESTRUCTION

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

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

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

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

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

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

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

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

13.5 Rent; Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

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

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

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

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

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

16.2 Landlord's Indemnity

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

participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of this Lease.

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

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

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

17.3 Waiver of Subrogation

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

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that

purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

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

20. SURRENDER OF PREMISES

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

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

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

(c) "Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging,

injecting, escaping, leaching, dumping, or disposing into or inside the Building, or in, on, under or about the Property.

21.2 Landlord's Representations and Covenants

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

21.3 Landlord's Environmental Indemnity

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

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

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

22. SPECIAL PROVISIONS

None

23. GENERAL PROVISIONS

23.1 Notices

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

23.2 No Implied Waiver

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

23.3 Amendments

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

general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Municipal Transportation Agency.

23.4 Authority

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

23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter and Administrative Code.

23.6 Interpretation of Lease

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

23.7 Successors and Assigns

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

23.8 Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between

Landlord and such broker, and City shall have no liability therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9 Severability

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

23.10 Governing Law

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

23.11 Entire Agreement

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

23.12 Attorneys' Fees

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

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such

tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

City may erect or post signs on or about the Premises subject to Landlord's prior approval. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

23.18 Quiet Enjoyment and Title

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

23.19 Bankruptcy

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

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

23.20 Transfer of Landlord's Interest

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

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles - Northern Ireland

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

23.23 Controller's Certification of Funds

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

23.24 Prevailing Wages for Construction Work

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

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

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) HRC Form

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

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of property to City are incorporated in this Section by reference and made a part of this Lease as though fully set forth herein. Landlord shall comply fully with and be bound by all of the provisions that apply to this

Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Landlord understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

23.26 Tropical Hardwood and Virgin Redwood Ban

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

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

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

23.27 Bicycle Storage Facilities

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

23.28 Resource-Efficient City Buildings and Pilot Projects

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

23.29 Counterparts

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

23.30 Effective Date

The date on which this Lease shall become effective (the "Effective Date") is the later date upon which: (a) City's Municipal Transportation Agency, in its sole and absolute discretion, adopts a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto.

23.31 Certification by Landlord

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

23.32 Sunshine Ordinance

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

23.33 Conflicts of Interest

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

23.34 Notification of Limitations on Contributions

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

23.35 Preservative-Treated Wood Containing Arsenic

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

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

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

LANDLORD:

THOMAS F. MURPHY and MARTINA
MURPHY, as Trustees of the Murphy Trust UDT
dated October 3rd, 2003, as to an undivided 50%
interest

Thomas F. Murphy, Trustee

Marina Murphy, Trustee

CHRISTOPHER J. HARNEY, a married man as
his sole and separate property, as to an undivided
50% interest

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: Amy L. Brown, Director of Property

RECOMMENDED:

Antonio Para, Director of Security and
Enforcement, Municipal Transportation
Agency

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

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

LANDLORD:

THOMAS F. MURPHY and MARTINA
MURPHY, as Trustees of the Murphy Trust UDT
dated October 3rd, 2003, as to an undivided 50%
interest

Thomas F. Murphy, Trustee

Marina Murphy, Trustee

CHRISTOPHER J. HARNEY, a married man as
his sole and separate property, as to an undivided
50% interest

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: Amy L. Brown, Director of Property

RECOMMENDED:

Nathaniel P. Ford, Sr.
Executive Director/CEO
San Francisco Municipal Transportation Agency

San Francisco Municipal Transportation Agency
Board of Directors
Resolution No. _____
Adopted: _____
Attest:

Secretary,
SFMTA Board of Directors

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney

EXHIBIT A

FLOOR PLAN(S)

CONSISTING OF 4 PAGE(S)

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

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

Dear Ms. Brown:

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

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
Amy L. Brown
Director of Property

Dated: _____

EXHIBIT C

EXCLUSIONS FROM OPERATING COSTS

1. Costs of capital repairs, capital improvements and equipment, except for those (i) required by laws enacted on or after the date of the Lease amortized over the useful life of the improvement and/or equipment, together with interest at the actual interest rate incurred by Landlord in connection with such capital improvements, or (ii) acquired to cause, in Landlord's good faith judgment, an immediate (i.e., commencing within the first year after completion of such repairs or improvements or installation of such equipment) reduction in other Operating Costs, amortized over the useful life of such improvements at an annual rate reasonably calculated to equal the amount of Operating Costs to be saved in each calendar year throughout the Term (as determined at the time Landlord elected to proceed with the capital improvement or acquisition of the capital equipment to reduce operating expenses), together with interest at the actual interest rate incurred by Landlord;
2. Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement which is specifically excluded in item 1 above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);
3. Costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed by insurance proceeds (excluding any deductible) and costs occasioned by the exercise of the right of eminent domain;
4. Costs, including, without limitation, permit, license and inspection costs, incurred with respect to the installation of improvements made for other tenants or occupants of the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for other tenants or occupants in the Building;
5. Depreciation, amortization and interest payments, except to the extent provided herein pursuant to items 1(i) and 1(ii) above and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied (as applied to commercial real estate), and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life (as reasonably determined by Landlord);
6. Leasing commissions, attorneys' and other professionals' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building or the defense of Landlord's title to the Building or the real property on which it is located;
7. Expenses in connection with services or other benefits which are not offered to City or for which City is charged directly but which are provided to another tenant or occupant of the Building;
8. Costs incurred by Landlord due to violation by Landlord or any other tenant or occupant of the Building of applicable laws, rules or regulations, the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building or the real property on which it is located;

9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord, or to any party as a result of a non-competitive selection process, for management, or other services, supplies or materials, to the extent the same exceed the costs of such goods and/or services rendered by unaffiliated third parties on a competitive, arms-length basis;
10. Any ground lease rental or rental under any other underlying leases;
11. Except as specifically permitted by items 1(i) and 1(ii) above, interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Building or the real property on which it is located;
12. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord or in the parking garage in the Building;
13. All items and services for which City or any other tenant or occupant of the Building separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of operating expenses), or which Landlord provides selectively to one or more other tenants or occupants without reimbursement, or which are not provided in reasonable proportion to the space leased by City but which Landlord provides to another tenant or other occupant of the Building;
14. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any other tenant or occupant of the Building;
15. Electric power costs for which any tenant or occupant directly contracts with the local public service company (provided that the charge for such services shall be computed for purposes of the gross-up provision of the Lease (i.e., expenses to be grossed up to reflect full occupancy of the Building) to reflect an average charge for power costs);
16. Services provided, taxes attributable to, and costs incurred in connection with the operation of retail, restaurant and garage operations in the Building;
17. Costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance;
18. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;
19. Costs arising from the presence of Hazardous Material in or about the Building including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought onto the Building by City in violation of applicable laws;
20. Landlord's charitable or political contributions;
21. To the extent the following costs arise during any applicable warranty periods, costs as a result of repairs of latent defects in the Building core and shell or improvements installed by Landlord or in the Building Systems, and any costs incurred by Landlord in the event any portion of the Building is made untenable by fire or other casualty required to be insured against pursuant to the terms of the Lease;
22. Capital costs for sculpture, paintings or other objects of art;

23. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes, including, without limitation, tax disputes where the tenants of the Building would receive benefits if Landlord prevails) in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Building;
24. All direct cost of refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs;
25. Reserves for bad debts, rent loss, capital items or further Operating Costs;
26. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Building; and
27. Any other expense that under generally accepted accounting principles would not be considered a maintenance or operating expense.

EXHIBIT D

BUILDING RULES AND REGULATIONS

[TO BE PROVIDED BY LANDLORD; SUBJECT TO CITY REVIEW AND APPROVAL]

EXHIBIT E

STANDARDS FOR UTILITIES AND SERVICES

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

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

(b) Ventilation; Heating and Air-Conditioning. Ventilation to the Premises, and air-conditioning and heating to the Premises in season, on 24-hours per day, 7-days per week basis, and at such temperatures and in such amounts as City deems reasonably necessary for the comfortable occupancy of the Premises, subject to applicable governmental laws, ordinances, rules and regulations. City shall not alter, adjust or tamper with the installations or facilities supplying climate control to the Building or the Premises.

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

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

EXHIBIT F

STANDARDS FOR JANITORIAL SERVICE

505 Seventh Street

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

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

City and County of San Francisco
Municipal Transportation Agency
1 South Van Ness Avenue
7th floor
San Francisco, CA 94103
Attn: Antonio Para, Director of Security and Enforcement
Fax No.: (415) 701-4725

- D. All services must be performed after 5:00 p.m.
- E. All employees of Landlord's Contractor shall be fully trained and experienced in the custodial service trade.
- F. Landlord will assign space in the Building to Contractor for the storage of supplies and equipment. Materials and equipment shall be neatly stored only in areas provided by Landlord. No supplies or equipment will be stored in the Premises without the prior approval of Tenant.
- G. Tenant's Recycling Program includes recycling materials from offices in the Building. Bins for recyclable materials can be obtained from Tenant.
- H. Landlord's Contractor will provide, upon Lease Commencement, a schedule for all periodic services specified herein.
- I. Janitorial Service Specifications for Offices and Common Areas.
 - 1. Nightly Services
 - a. Secure all lights as soon as possible each night.
 - b. Vacuum all carpets. Move electric cords to prevent damage to the corner bead.
 - c. Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.

- d. Spot clean any stains on carpet.
- e. Dust all desks and office furniture with treated dust cloths.
- f. Papers and folders on desks are not to be moved.
- g. Sanitize all telephone receivers.
- h. Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by Tenant.
- i. Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
- j. Return chairs and waste baskets to proper positions.
- k. Clean, sanitize and polish drinking fountains.
- l. Police any interior public planters.
- m. Dust and remove debris from all metal door thresholds.
- n. Wipe clean smudged brightwork.
- o. Spot clean resilient and composition floors as required.
- p. Service all walk-off mats as required.
- q. Close all window coverings.
- r. Check for burned out lights and replace from building stock (supplied by Landlord).

2. Weekly Services

- a. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
- b. Dust inside of all door jambs.
- c. Clean and polish all metal door thresholds.
- d. Wipe clean and polish all brightwork
- e. Sweep the service stairwell.
- f. Damp mop all vinyl bases.
- g. Edge all carpeted areas.

3. Monthly Services

- a. Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.

- b. Vacuum upholstered furniture.
 - c. Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
 - d. Clean and buff all building standard resilient and/or composite flooring.
4. Quarterly Services
- a. Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
 - b. Wash all chair pads.
5. Semi-Annual Services
- a. Vacuum all window coverings.
 - b. Dust light diffusers.
6. Annual Services
- a. Shampoo carpets in offices (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.

J. Rest Room Service Specifications

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

- j. Check for burned out lights and replace from building stock (supplied by Landlord).
- k. Ventilate rest rooms.

2. Weekly Services

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

3. Monthly Services

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

4. Quarterly Services

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

K. Main Floor Elevator Lobbies and Public Corridors Specifications

1. Nightly Services

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

L. Exterior Structure and Grounds Services Specifications

1. Daily Service

- a. Spot clean accumulations of dirt, papers and leaves in all corner areas where winds tend to cause collections of debris.
- b. Spot clean all exterior glass at building entrances.
- c. Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.

- d. Empty all waste receptacles and remove trash to designated trash areas.
 - e. Clean sidewalk, steps and landscaped area, walks and benches; including gum removal.
 - 2. Monthly Weekend Services
 - a. Steam clean exterior sidewalk and walk way areas.
- M. Carpet Cleaning
 - 1. Provide spot cleaning to tenant space as necessary and shampoo carpets in tenant office space and any common areas once each year (exact schedule to be approved in advance by Tenant).
- N. Window Cleaning
 - 1. All work to be performed in accordance with generally accepted industry standards.
 - 2. Proper safety standards are to be maintained at all times, including but not limited to, use of proper warning signs and clean up of water in compliance with all City, State and Federal laws (OSHA).
 - 3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
 - 4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.
 - 5. Interior and exterior window washing shall be scheduled immediately prior to Lease Commencement. Interior glass shall be cleaned not less than once per year. Exterior glass shall be cleaned as needed, but not less than once every six months, including May of each year.
 - 6. Contractor to notify the Tenant for specific scheduling of window washing one week prior to scheduled cleaning.
 - 7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
 - 8. Exterior surfaces of windows are not to be washed when it is raining.
 - 9. The words "window" and "light" as used herein are synonymous and are to be construed to mean any pane of glass, or glass substitute.

II. UNIFORMS

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

III. EMPLOYEE SAFETY

Landlord's Contractor shall accept responsibility for determining that all necessary safeguards for protection of Contractor's employees are available, or will be furnished. All

work performed must conform to CAL-OSHA standards.
IV. SUPPLIES

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

V. APPROVAL OF PRODUCTS

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

VI. DISPOSITION OF REFUSE

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

VII. MAINTENANCE PROBLEMS

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

VIII. JANITORIAL LOG

Landlord's Contractor shall provide, and Tenant shall keep, a janitorial log on which deficiencies in performance, special problems or instructions shall be noted. Landlord's Contractor shall check the log daily, as arranged with Tenant, and correct any deficiencies in service within twenty-four (24) hours of the log entry. Contractor shall initial and date each entry when deficiency has been corrected.

IX. EMERGENCY CONTACT

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

X. PERFORMANCE

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

XI. VERIFICATION OF SERVICE

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

XII. HOLIDAY SCHEDULE FOR TENANT

New Year's Day
Martin Luther King Day

President's Day
Memorial Day
Independence Day
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Friday after Thanksgiving Day
Christmas Day

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION: External Affairs

BRIEF DESCRIPTION:

Adopting the Service Standards and Milestones for Fiscal Year 2009

SUMMARY:

- In accordance with Charter Section 8A.103, the San Francisco Municipal Transportation Agency (SFMTA) tracks, monitors, and reports upon system reliability and performance, staffing performance, and customer service on a quarterly basis.
- The SFMTA must establish milestones toward achievement of service standards by July 1 of every year. The proposed resolution would adopt the milestones to be achieved by July 1, 2009.
- The recommended service standards for Fiscal Year (FY) 2009 incorporate recommendations from the biennial Transportation Quality Review as well as the input of the SFMTA management and staff, Citizens' Advisory Council, SFMTA Board Policy and Governance Committee, and representatives of Agency's employee labor unions.
- The proposed service standards include measures of Municipal Railway, parking and traffic, pedestrian, bicycling, and congestion management related activities.

ENCLOSURES:

1. Proposed FY09 Service Standards and Milestones

APPROVALS:

DATE

DEPUTY OF DIVISION
PREPARING ITEM

FINANCE DIRECTOR

EXECUTIVE DIRECTOR

SECRETARY

ASSIGNED MTAB CALENDAR DATE: _____

EXPLANATION:

In accordance with Charter Section 8A.103, the SFMTA tracks, monitors, and reports upon over 35 service standards for system reliability and performance, staff performance, and customer service on a quarterly basis. The Service Standards Program supports a number of the Agency's strategic goals, including:

GOAL 2 System Performance

Objective 2.1 Improve transit reliability to meet 85% on-time performance standard.

GOAL 4 Financial Capacity

Objective 4.1 Ensure efficient and effective use of resources.

GOAL 5 SFMTA Workforce

Objective 5.1 Increase resources available for employees in performing their jobs.

Objective 5.3 Improve internal communication and employee satisfaction.

GOAL 6 Information Technology

Objective 6.1 Identify, develop, and deliver the new and enhanced systems and technologies required to support SFMTA's 2012 goals.

The recommended service standards for FY09 incorporate feedback from internal and external stakeholders. Key steps in the development process are detailed below:

Feb 15	Presented the Agency's <i>FY05-FY06 Transportation Quality Review</i> response to the SFMTA Board of Directors and committed to incorporating all key recommendations into the upcoming fiscal year's standards and milestones.
Mar 1-15	Convened SFMTA management and staff to develop draft standards and milestones.
Mar 17	Presented initial service standards and milestone proposals to the Citizens' Advisory Council's Operations & Customer Service Committee for review and comment.
Apr 3	Presented revised service standards and milestones to the full Citizens' Advisory Council for review and comment.
Apr 9	Incorporated Citizen Advisory Council input, and presented the <i>Proposed FY09 Service Standards and Milestones</i> to the SFMTA Board of Directors' Policy and Governance Committee for review and comment.
Apr 15	Presented the <i>Proposed FY09 Service Standards and Milestones</i> to the full SFMTA Board of Directors in conjunction with the FY09-10 Operating Budget approval process.
Apr 17 – May 1	Distributed the <i>Proposed FY09 Service Standards and Milestones</i> to representatives of the SFMTA's employee labor unions for review and conducted outreach to solicit feedback.
May 1	Received full Citizens' Advisory Council approval of the <i>Proposed FY09 Service Standards and Milestones</i> .

Of the 37 standards proposed for FY09, 12 remain constant, 14 feature higher targets or enhanced reporting, three incorporate new goals, and eight are new to the program. The proposed service standards include mandated measures of Municipal Railway services, parking and traffic functions, and for the first time, pedestrian, bicycling, and congestion management related activities.

Detailed information is provided in the *Proposed FY09 Service Standards and Milestones* document.

RECOMMENDATION

Staff recommends adoption of the FY09 Service Standards and Milestones.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. _____

WHEREAS, San Francisco Charter Section 8A.103 establishes standards for on-time performance and service delivery for the Municipal Railway and requires the San Francisco Municipal Transportation Agency to establish other performance standards for system reliability and performance, staffing performance and customer service; and,

WHEREAS, Section 8A.103 requires the Agency to adopt milestones for achievement of these standards by July 1 of each year; and,

WHEREAS, Staff met with the Citizens' Advisory Council's Operations & Customer Service Committee on March 17, 2008, to present proposed changes and solicit the committee's input; and,

WHEREAS, Staff met with the full Citizens' Advisory Council on April 3, 2008; and,

WHEREAS, The San Francisco Municipal Transportation Agency's Citizens' Advisory's Council recommended adoption of the FY09 Service Standards and Goals on May 1, 2008; and,

WHEREAS, Staff briefed representatives of affected labor unions on proposed changes and solicited feedback; and,

WHEREAS, Staff recommends adoption of the San Francisco Municipal Transportation Agency's Service Standards and Milestones entitled "Proposed FY09 Service Standards and Milestones", to be achieved by July 1, 2009; now, therefore, be it,

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors adopts the FY09 Service Standards milestones for the Municipal Railway as required by the City Charter; and the FY09 Service Standards for the other Agency functions, as contained in "Proposed FY09 Service Standards and Milestones".

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board at its meeting of _____.

Board

Secretary, San Francisco Municipal Transportation Agency

THIS PRINT COVERS CALENDAR ITEM NO. : 12

**MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION: External Affairs

BRIEF DESCRIPTION:

Presentation and Discussion regarding the Taxi Industry and the proposed merger of the Taxicab Commission and the SFMTA.

SUMMARY:

- Legislation is pending at the Board of Supervisors that would merge the Taxi Commission and the SFMTA.
- SFMTA and Taxi Commission staff have been discussing how to ensure a smooth transition administratively for the industry.
- The attached plan is a draft report that provides a overview of the history of the taxicab industry, the current structure of the Taxi Commission including current structure, activities and opportunities to improve.
- The plan also includes suggestions for how to implement a merger and a timeline for implementation.
- The SFMTA Board approved preliminary FY09 and FY10 budgets for the Taxi Commission which will be adjusted to reflect the final budgets approved by the Taxi Commission and the Board of Supervisors.
- Pending approval of the merger legislation, staff will reach out to the industry and other stakeholders to seek input.

ENCLOSURES:

1. Report on the Taxi Industry and proposed merger plan

APPROVALS:

DATE

DIRECTOR OF DIVISION
PREPARING ITEM

FINANCE

EXECUTIVE DIRECTOR/CEO

SECRETARY

ASSIGNED MTAB CALENDAR DATE: _____

THIS PRINT COVERS CALENDAR ITEM NO.: 13

**MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION EXTERNAL AFFAIRS

BRIEF DESCRIPTION:

The San Francisco Paratransit Ramped Taxi Driver Incentive Program has been developed to provide incentives to ramped taxi drivers to achieve better on-demand, accessible ramped taxi service to persons who use wheelchairs. This program will also help compensate drivers for the additional cost of providing ramped taxi service and improve driver retention.

This is an information item only, no SFMTA Board action is required.

SUMMARY:

- The Ramped Taxi Driver Incentive Program was developed over a two-year period with significant input from multiple stakeholders, including the Paratransit Coordinating Council's (PCC) Taxi/Ramped Taxi Subcommittee.
- The incentive program goals include improving the quality of ramped taxi service for wheelchair users; encouraging long-term commitment by experienced ramped taxi drivers; providing cost savings to the overall SF Paratransit Program by shifting some demand from the more expensive ADA van service to the more cost-effective ramped taxi service; and compensating the ramped taxi drivers for the extra time and cost to transport wheelchair users.
- The incentive program will be four-tiered, and will provide bonuses to drivers of up to \$150, \$300 and \$500, based on the number of wheelchair customer pick-ups in a given month, and the taxi company with the highest number of wheelchair customer pick-ups per medallion will receive a \$500 bonus.
- This incentive program will be established as a pilot program; its effectiveness will be evaluated with reference to the stated incentive program objectives, as established by SFMTA staff and the PCC.
- The Paratransit Broker will administer the incentive program; a contract amendment will be required to change the terms of the contract to include the new task of managing the incentive program and disbursing monetary incentives to taxi drivers through the Broker's contractual agreements with participating taxi companies.

APPROVALS:

DATE

DEPUTY OF DIVISION

PREPARING CALENDAR ITEM: _____

FINANCE: _____

EXECUTIVE DIRECTOR/CEO : _____

SECRETARY, MTA: _____

ASSIGNED MTA CALENDAR DATE: _____

EXPLANATION:

Background

The SFMTA has provided paratransit service since 1978, and taxi service has been a component of the paratransit program since 1981. Wheelchair accessible ramped taxi service began in 1994, with the SFMTA's purchase of eight ramped taxis that were operated by a single taxicab company under contract with the Paratransit Broker. The ramped taxi program was expanded in 1997, providing 30 SFMTA-procured ramped taxis to three taxicab operators through lease agreements with the Paratransit Broker to expand the availability of on-call accessible taxi service to wheelchair users.

In 1998, the general public taxi fleet expanded by 300 medallions (permits), of which 50 were for ramped taxis, bringing the total number of wheelchair accessible ramped medallions to 75. The number of ramped taxi medallions was increased to 100 in 2007. At the San Francisco Taxi Commission's request, the Paratransit Coordinating Council (PCC) established an advisory body to review ramped taxi medallion applicants and make recommendations to the Taxi Commission on their qualifications to serve the disabled community. In fiscal year 2006-07, approximately 35,000 ramped taxi paratransit trips were provided to nearly 4,000 ADA-eligible paratransit riders.

Paratransit Ramped Taxi Driver Incentive Program

The incentive program was developed over a two-year period with a significant input from all stakeholders, including wheelchair users, drivers, dispatchers, program staff, government representatives, taxi company management, and medallion holders (taxi permit holders).

The goals of the incentive program are as follows:

- to improve the quality of ramped taxi service for wheelchair users;
- to encourage the more timely pick-up of wheelchair users;
- to encourage long-term commitment by experienced ramped taxi drivers;
- to provide cost savings to the overall SF Paratransit Program by shifting some demand from the more expensive ADA van service to the more cost effective ramped taxi service; and
- to compensate the ramped taxi drivers for the extra time and cost to transport wheelchair users.

An important rationale for the ramped taxi driver incentive program is to acknowledge the higher level of training and more time-consuming service that ramped taxi drivers must provide as compared with sedan taxi drivers.

This proposal is a four-tiered incentive program based on the average number of wheelchair pick-ups per month.

1. If a ramped taxi driver provides more than the average number of wheelchair trips per medallion (the average plus 1), the driver will receive a bonus of up to \$150 for that month.
2. If a ramped taxi driver has provided at least double the average number of wheelchair trips per medallion, the driver will receive a bonus of up to \$300 for that month.
3. If a ramped taxi driver has provided at least triple the average number of wheelchair trips per medallion, the driver will receive a bonus of up to \$500 for that month.
4. The taxi company that has provided the highest number of wheelchair pick-ups per medallion will receive a \$500 monthly bonus. The company will be asked to distribute

the bonus to their employees who have contributed to the success of the company in providing ramped taxi services that quarter (e.g. ramped drivers, dispatchers, etc.).

Basing the incentive program on the average number of trips will motivate the drivers to achieve a greater number of pick-ups of customers who use wheelchairs. Also, it helps to ensure that if all drivers start picking up more customers in wheelchairs, the costs for the incentive program will not exceed the available funding. The estimated costs of the incentive program should remain fairly stable.

The incentive structure is innovatively designed to ensure that the incentive is sufficient to motivate the drivers to give higher priority to trips to wheelchair users, but also to be sure that the incentive program does not encourage inaccurate reporting of trips. The incentive structure is based on an average number of total wheelchair pick-ups on randomly selected days. This will provide the necessary assurance that the program is counting trips which cannot be individually verified. A driver will need to have a significant number of trips to be rewarded and discourages any misreporting of trips. The random choice of days to measure trips each month also discourages misreporting.

A per trip incentive structure (e.g. \$3.00 to \$8.00 incentive for each wheelchair trip) was discussed extensively, but it was not considered to be the best option for efficient monitoring of trips.

Project Implementation and Timeline

The implementation plan is for the Paratransit Broker's staff to analyze the ramped taxi wheelchair pick-up data for each driver, which is already reported by each taxi company. This data is reported directly to the SF Paratransit Broker's office from each taxi company – it is reported weekly by larger taxi companies and monthly by the smaller companies. The Paratransit Broker's staff will randomly select five days in a one-month period and five back-up days. The back-up days are necessary to allow for five days of service, assuming that drivers may not have worked all five days randomly selected. Staff will calculate the average number of ramped taxi pick-ups per day per medallion at Luxor and Yellow during that month. The average of these two companies will be used because they provide the most ramped taxi service, although this could change if another company with more than five ramped medallions becomes more active than Luxor or Yellow.

It is our plan to have the Paratransit Broker's staff conduct periodic random verification of reported trip data, in conjunction with the Taxi Commission and taxi companies, by reviewing the source data, such as dispatch logs or driver waybills.

The incentives will be administered quarterly. Incentive funds will be given to the cab company through the Broker for distribution to the drivers either by check or a reduction in gate expenses. A separate letter will be sent to the driver by the Broker verifying the bonus amount they earned.

This incentive program will be established as a pilot program, and then its effectiveness will be evaluated in accordance with the stated incentive program objectives, as established by the PCC.

When the paratransit taxi debit card program, an electronic payment system, is fully implemented, the incentive program may transition to a per trip basis, because the debit card program will bring additional data collection tools and allow for more consistent and effective

monitoring.

Project Cost and Budget

The annual estimated cost of the program is \$110,000. This cost is based on an analysis of eight months' worth of actual ramped taxi wheelchair pick-up data.

The money is already available in the budget and will not require new funding since actual paratransit expenditures are below the projections.

The implementation of this program will require a contract amendment to change the terms of the contract to include the new task of managing the incentive program and disbursing monetary incentives to taxi drivers through the Broker's contractual agreements with participating taxi companies.

San Francisco SFMTA 2008-12 Strategic Plan

The recommended ramped taxi driver incentive program helps the SFMTA meet its first goal detailed in the 2008-2012 Strategic Plan:

- Goal 1: To provide safe, accessible, reliable, clean and environmentally sustainable service.
 - Objective 1.4: To improve accessibility across transit service.

The Paratransit Ramped Taxi Driver Incentive program will help SFMTA meet its goal of improving system accessibility by helping to improve the paratransit ramped taxi program.

**MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco**

DIVISION: Human Resources/Workers' Compensation Division

BRIEF DESCRIPTION: Requesting authorization for the Executive Director to execute the Third Amendment to an existing consulting agreement, increasing the not to exceed amount from \$95,000 annually to \$250,000 annually, between David Donn Consulting, Inc. and San Francisco Municipal Transportation Agency for workers' compensation bill review and medical cost containment services.

SUMMARY:

- The SFMTA Board of Directors approved a consulting and licensing agreement with David Donn Consulting, Inc., ("DDC") on February 21, 2006, for an amount not to exceed \$95,000.00 per year to provide workers' compensation medical bill review oversight services. DDC acts as "watchdog" ensuring that the SFMTA's claims adjusting and medical bill payment contractors achieve maximum savings under applicable fee schedules and preferred provider contracts.
- DDC's consulting and license fees are calculated as a percentage of SFMTA's cost savings for workers' compensation medical bills and bill review services.
- At the start of the contract, anticipated savings to the SFMTA were projected to be \$1.2 million. To date, the savings realized by the agency have been \$3.6 million, greatly exceeding the original savings estimates and rendering the original contract amount inadequate to compensate DDC for its services.
- To ensure that the SFMTA continues to receive maximum cost savings on workers' compensation medical costs through aggressive repricing of medical bills, staff requests that the SFMTA Board authorize the Executive Director/CEO to execute the proposed Third Amendment to the consulting agreement with DDC for a not to exceed amount of \$250,000 per year, retroactive to July 1, 2007.

ENCLOSURES:

1. MTAB Resolution
2. Third Amendment to David Donn Consulting, Inc. Managed Care Consulting Contract
3. Sole Source Designation

APPROVALS:

DATE

DIRECTOR OF DIVISION
PREPARING ITEM

FINANCE

EXECUTIVE DIRECTOR/CEO

SECRETARY

ADOPTED RESOLUTION
BE RETURNED TO

Jefferey L. Gary

ASSIGNED MTAB CALENDAR DATE: _____

EXPLANATION:

Under the authority granted by Charter Section 8A.104 (C), the SFMTA assumed responsibility for management of its Workers' Compensation claims as of July 1, 2000. The SFMTA contracts with Sedgwick Claims Services to provide workers' compensation claims adjusting services. The SFMTA contracts with Fair Isaac Corporation to provide medical bill review services to reduce medical bills to state mandated fee schedules and negotiated fee schedules under preferred provider agreements.

To assist with the evaluation of medical bill review provider contracts and to negotiate terms and fee arrangements favorable to SFMTA, the Agency engaged the services of a managed care consultant, David Donn Consulting, Inc. (DDC) in August 2003. The contract was amended in 2005 to add RFP consulting services and was amended a second time in 2006 to include the licensing agreement for the proprietary methodology used to analyze medical bills. DDC is a sole-source provider of managed care consulting services to the SFMTA. DDC provides consulting services to municipalities and large private self-insureds in California to increase savings in workers' compensation medical costs. DDC acts as "watchdog" ensuring that the SFMTA's claims adjusting and medical bill payment contractors achieve maximum savings under applicable fee schedules and preferred provider contracts. DDC employs a proprietary medical bill review and monitoring model ("the DDC Model") that maximizes savings in medical bill reductions and medical bill review provider service fees. The SFMTA licensed the DDC Model, and by applying it to Fair Isaac's services has realized a twenty percent increase in savings over the past 36 months over what the Agency would have otherwise achieved from Fair Isaac alone, totaling approximately \$3.6 million in additional annual savings in workers' compensation costs.

To insure that the agency continues to receive maximum savings on this service, staff elected to incorporate the DDC Model as a supplement to the services of the bill review and payment contractor. Use of the DDC savings model will insure that the SFMTA continues to maximize cost savings for duration of the Fair Isaac contract.

The expected annual cost for the consulting and license fees was originally estimated at \$95,000 per year, based on projected cost savings of \$950,000 to \$1.2 million annually. To date, the savings realized by the agency have been in excess of \$3.6 million, rendering the original contract amount inadequate to compensate DDC for its services. Staff estimates, based on current savings, that the license fees to DDC will total approximately \$250,000 per year. The requested contract increase is retroactive to July 1, 2007 to compensate for DDC's services that the agency has been unable to pay due to the limits of the existing agreement.

Funding for this proposed agreement is provided for in the fiscal year 2008 Workers' Compensation budget and will be budgeted on an annual basis thereafter.

The term of the amended consulting agreement and license agreement is five years.

Staff requests that the SFMTA Board of Directors authorize the Executive Director to execute the Contract Amendment #3 for Workers' Compensation Bill Review and Utilization Review monitoring with David Donn Consulting, Inc., increasing the contract by an amount not to exceed \$250,000 per year.

Staff is aware of the serious issue with having a contractor continue to provide services without appropriate authority.

To ensure that the agency continued to receive the financial benefit of this unique savings approach, staff chose to continue the service, as originally contracted, until additional savings data could be obtained.

Unlike a traditional expenditure contract, where the vendor is paid an agreed upon fee for a service, the services provided under this contract require analysis of cost and negotiation of rates on a retrospective basis. Each month, the prior month's payments are evaluated by the contractor and savings are calculated, evaluated and renegotiated. The final monthly savings are then used to calculate the fees paid to DDC, which by contract are 10% of savings. This process can sometimes take 60 to 90 days for one month's data. In that way, the agency is best served by receiving the maximum benefit of the fee analysis, but it is always done on a retrospective basis.

Due to the fact that we were continually exceeding the savings estimates, it was felt that a full year's data would be helpful in establishing a baseline of fee savings that could then be used to estimate future payments to DDC.

Now that we have established a baseline of savings we are confident the new "Not to Exceed" amount is sufficient.

The Human Rights Commission has granted a sole source and Local Disadvantage Business Enterprise participation sub-consulting waiver.

The City Attorney has reviewed this calendar item.

This requested action aligns with Goal 4 of the SFMT Strategic Plan – "To insure financial stability and effective resource utilization."

MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. _____

WHEREAS, The San Francisco Municipal Transportation Agency ("SFMTA") assumed responsibility for administration of its Workers' Compensation claims as of July 1, 2000 under authority granted to the SFMTA under the San Francisco Charter; and,

WHEREAS, The SFMTA contracted with David Donn Consulting, Inc., on February 21, 2006, for an amount not to exceed \$95,000 per year to provide workers' compensation medical bill review oversight services under a license of the consultant's proprietary business model to achieve maximum savings under applicable medical fee schedules and preferred provider contracts; and,

WHEREAS, To date, through the services of David Donn Consulting, Inc., the SFMTA has reduced workers' compensation treatment costs by more than 50 percent; and,

WHEREAS, David Donn Consulting's fees are calculated as a percentage of SFMTA's cost savings for workers compensation medical bills and bill review services; and,

WHEREAS, At the start of the contract, anticipated savings to the SFMTA were projected to be \$1.2 million. To date, the savings realized by the agency have been \$3.6 million, greatly consistently exceeding the original savings estimates and rendering the original contract amount inadequate to compensate the consultant for its services since July 1, 2007.

WHEREAS, To ensure that the SFMTA continues to receive maximum cost savings on workers' compensation medical costs through aggressive repricing of medical bills, staff requests that the SFMTA Board authorize the Executive Director to execute the proposed Third Amendment to the consulting agreement with David Donn Consulting for a not to exceed amount of \$250,000 per year.

WHEREAS, Civil Service Commission approved the personal services contract for these services at its meeting of April 7, 2008, now therefore be it;

RESOLVED, That the Municipal Transportation Agency Board authorizes the Executive Director/CEO to execute Contract Amendment #3 to the Consulting Agreement for Workers' Compensation Bill Review with David Donn Consulting, Inc. for an amount not to exceed \$250,000 per year, to be retroactive to July 1, 2007.

I hereby certify that the foregoing resolution was adopted by the Municipal Transportation Agency Board at its meeting of _____.

Secretary, Municipal Transportation Agency Board

**Third Amendment
to Agreement between the City and County of San Francisco and
David Donn Consulting, Inc.**

This Third Amendment to the Agreement by and between David Donn Consulting, Inc., ("Contractor") and the City and County of San Francisco ("City"), a municipal corporation, acting by and through the San Francisco Municipal Transportation Agency ("SFMTA"), an agency of the City, for professional and consulting services is dated for convenience as executed on February 15, 2008, in San Francisco, California.

By mutual agreement and in exchange for real and valuable consideration, receipt of which is hereby acknowledged, as set out herein, City and Contractor hereby modify the Agreement between the parties dated August 29, 2003 (the "Original Agreement") for managed care and bill review consulting services, and as modified under the First Amendment to Agreement, dated on or about June 3, 2005, and the Second Amendment to the Agreement, dated on or about October 17, 2005. Except as modified herein, all other provisions and requirements of the Agreement remain in full force and effect, which the parties reaffirm by their signatures to this document.

I. MODIFICATIONS

The Agreement is modified as follows:

A. Section 5 ("Compensation") is deleted and replaced with the following language:

5. Compensation

Compensation shall be made monthly no later than 30 days from presentation of the appropriate invoice with supporting documents for the prior month, based on Appendix A and Appendix B to this agreement thereafter and as set forth in Section 4 of this Agreement, that the SFMTA Workers' Compensation Manager, in his or her sole discretion, concludes has been performed as of the approval of this agreement. In no event shall the amount of this Agreement exceed Two Hundred Fifty Thousand Dollars (\$250,000) per year, retroactive to July 1, 2007. The breakdown of costs associated with this Agreement appears in Appendix B, "Calculation of Charges," attached hereto and incorporated by reference as though fully set forth herein.

Contractor shall be compensated for all performed services described in Appendix B, which is attached hereto and incorporated by reference as if fully set forth herein. Should any provision of appendix A or B conflict with the provisions in this document, the provisions of this document shall govern.

No charges shall be incurred under this Agreement nor shall any payments become due to Contractor until reports, services, or both, required under this Agreement are received from Contractor and approved by the SFMTA' Worker's Compensation Manager as being in accordance with this Agreement. City may withhold payment to Contractor in any instance in which Contractor has failed or refused to satisfy any material obligation provided for under this Agreement.

In no event shall City be liable for interest or late charges for any late payments.

The Savings Improvement Fee and Fee Improvement Fee set out in Appendix B ("Calculation of Charges") to the Agreement shall constitute a license fee as consideration for the SFMTA's licensed use of the David Donn Consulting Model. The SFMTA shall continue to pay Contractor said fees, as provided in the Agreement, for as long as the License Agreement between the SFMTA and Contractor is in effect. A copy of the License Agreement, dated for convenience as October 17, 2005, is attached hereto and incorporated by reference as if fully set out here.

B. Counterparts; Facsimile

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. This Agreement may be delivered by executed facsimile transmission, which shall be deemed an original.

C. Appendix A

Appendix A, Section 3, "Contractor Services", is modified with addition of the following Section 3.1:

1. The parties have discovered that Fair Isaac may have failed to refund to the SFMTA the difference between bill review fees based on initial bill reductions and fees that should have been calculated on a lower bill reduction, where medical providers have protested an initial bill reduction and Fair Isaac has then renegotiated the reduction, resulting in a higher

payment by the SFMTA and lower cost savings. For the purpose of seeking refunds from Fair Isaac to the SFMTA of the Un-refunded Difference between fees based on initial bill reductions and fees based on higher renegotiated charges ("the Un-refunded Difference"), Contractor shall review the bill reductions and performance fees charged to the SFMTA by Fair Isaac prior to November 1, 2005. Contractor shall be compensated a percentage of the refunds received by the SFMTA of the Un-refunded Difference, as provided in Appendix B, Section 4.

Appendix B

1. Appendix B, Section A, "Fees and Price Discount", is modified as follows:

Appendix B, Section A, "Fees and Price Discount," is amended to increase the fee and savings improvement fee from seven (7) percent to ten (10) percent. Said fee is a license fee for the SFMTA's use of the David Don Consulting Model. No other provisions of Section A are modified.

2. Appendix B, Section B, "Structure of Performance Fees", is modified with the addition of the following Section B.4:

4. The SFMTA shall pay Contractor for performance of services described in Appendix A, Section 3.1 a fee of seven (7) percent of refunds received by the SFMTA from Fair Isaac Corporation of the Un-refunded Difference for improper fees charges that Contractor identified prior to November 7, 2005. Should Contractor discover any additional or other improper charges or fees paid by the SFMTA to Fair Isaac prior to November 1, 2005 for which Contractor negotiates and the SFMTA receives a refund, the SFMTA shall pay to Contractor a fee of fifteen (15) percent of said additional refunds. No fees for recovery of the Un-refunded Difference or other improperly charged fees shall be due Contractor until the SFMTA actually receives the refund.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement on the day first mentioned above.

SFMTA

Recommended by:

Jeffery L. Gary
Workers' Compensation Manager
SFMTA

Approved By:

Nathaniel A. Ford
Executive Director/CEO

Approved as to Form:

Dennis J. Herrera

City Attorney

By _____

Robert K. Stone
Deputy City Attorney

AUTHORIZED BY:

MUNICIPAL TRANSPORTATION AGENCY BOARD OF DIRECTORS

Resolution No. _____

Adopted: _____

Attest: _____

Roberta Boomer
Secretary
SFMTA Board of Directors

CONTRACTOR

David A. Donn
President
David Donn Consulting, Inc.
1255 Post Street, Suite 733
San Francisco, CA 94109
415-409-3666
Fed. Employer ID No. 03-0373997



HUMAN RIGHTS COMMISSION

B.F. ADMINISTRATIVE CODE CHAPTERS 12B and 14B WAIVER REQUEST FORM (HRC Form 001)

Section 1. Department Information

Department Head Signature: Jeffery L. Gary
 Name of Department: Municipal Transportation Agency
 Department Address: 401 Van Ness Ave., Rm. 308
 Contact Person: Jeffery L. Gary
 Phone Number: 654-4974 Fax Number: 554-4927

FOR HRC USE ONLY	
Request Number:	
PAID FEB 29 AM 8:04	S. F. HUMAN RIGHTS COMMISSION

Section 2. Contractor Information

Contractor Name: David Donn Consulting, Inc. Contact Person: David A. Donn
 Contractor Address: 1255 Post St., Ste. 733 - SF, CA 94109
 Vendor Number (if known): 62380 Contact Phone No.: 415 - 409-3666

Section 3. Transaction Information

Date Waiver Request Submitted: 02/20/08 Type of Contract: Professional Services
 Contract Start Date: 07/01/07 End Date: 09/30/10 Dollar Amount of Contract: \$250,000

Section 4. Administrative Code Chapter to be Waived (please check all that apply)

- Chapter 12B
- Chapter 14B Note: Employment and LBE subcontracting requirements may still be in force even when a 14B waiver (type A or B) is granted.

Section 5. Waiver Type (Letter of Justification must be attached)

- A. Sole Source
- B. Emergency (pursuant to Administrative Code §6.80)
- C. Public Entity
- D. No Potential Contractors Comply - Copy of waiver request
- E. Government Bulk Purchasing Arrangement - Copy of waiver request sent to Board of Supervisors on:
- F. Sham/Shell Entity - Copy of waiver request sent to Board of Supervisors on:
- G. Local Business Enterprise (LBE) (for contracts in excess of \$5 million; see Admin. Code §14B.7.1.3)
- H. Subcontracting Goals

Post-it® Fax Note	7671	Date	3.5.08	# of pages	1
To	JEFFERY L. GARY	From	CHRIS IGLESIAS		
Co./Dept.	MTA	Co.	HRC		
Phone #	554-4974	Phone #	252-2500		
Fax #	-4927	Fax #	431-5764		

HRC ACTION	
12B Waiver Granted: _____	14B Waiver Granted: <input checked="" type="checkbox"/>
12B Waiver Denied: _____	14B Waiver Denied: _____
Reason for Action: _____	
HRC Staff: <u>[Signature]</u>	Date: 3/4/08
HRC Staff: _____	Date: _____
HRC Director: <u>[Signature]</u>	Date: 3/4/08
DEPARTMENT ACTION - This section must be completed and returned to HRC for waiver types D, E & F.	
Date Waiver Granted: _____	Contract Dollar Amount: _____