



Amy L. Brown  
Director of Real Estate

October 10, 2006

VIA FACSIMILE (415-626-1091)  
AND U.S. MAIL

**DOE Lease Renewal**  
**1212 Market St., SF**

Mr. Steven Kwong  
Yully Company, LLC  
1212 Market Street  
San Francisco, CA 94101

Dear Mr. Kwong:

This letter will serve as the City and County of San Francisco's interest in leasing 1212 Market Street, San Francisco, California, for the Department of the Environment ("DOE") based upon the following terms and conditions:

- Tenant:** City and County of San Francisco ("City").
- Landlord:** Yully Company, LLC
- Premises:** A portion of the ground floor (2,069 s.f.), first floor (4,056 s.f.), second floor (4,063 s.f.), third floor (3,797 s.f.) and basement (487 s.f.), comprising an approximate rentable area of 14, 472 square feet (the "Premises"), in that building commonly known as 1212 Market Street.
- Term:** The lease shall be for a period of three years commencing upon i) full execution and exchange of the lease and ii) Landlord has delivered the premises to City with specified lease improvements having been substantially completed by Landlord and accepted by City, which ever occurs later. The commencement date of the lease is estimated to be on or around February 1, 2007.
- Use:** The premises will be used for administrative offices of DOE or any other City administrative offices.
- Rent:** \$22.60 per square foot per year or \$27,250 per month initial base rent. The base rental rate takes into consideration the annual savings from the recycling and composting program that DOE has in effect. Base rental rate shall be adjusted at commencement of year two (2) of lease to

\$27,930 per month and commencement of year three (3) to \$28,630 per month. Rent for the entire option period will be 95% of the prevailing market rent for the initial year of each option period and remain flat during such option period.

**Utilities,  
Services and  
Maintenance:**

Landlord shall maintain all building systems, including but not limited to elevators, and pay for real property taxes, insurance, water, gas, electricity, janitorial service five (5) days a week, which includes cleaning and disinfecting of Grove Street and Market Street sidewalk entrances, and security.

**Leasehold  
Improvements:**

Landlord shall, at City's expense, contract for the installation of leasehold improvements in accordance with said plans and specifications provided by City, for a portion of the third floor Premises.

**Integrated Pest  
Management:**

Landlord shall adopt an integrated pest management program for the entire building (DOE staff will act as a technical resource), and reduce if not eliminate the use of all toxic pesticides.

**Green Building  
Issues:**

Landlord shall work with DOE's Green Building technical staff to maximize green building techniques for any renovations, repairs, etc. For example, all paint used in the building would be paint with no VOC emissions.

**Access to Utility/  
Telephone Closets:**

Since City rents nearly the entire building, Landlord shall provide keys for the utility and telephone closets to City in order that City may promptly respond to utility and telecommunication problems resulting from power outages.

**Business Hours:**

DOE's business hours are 8:00 am to 6:00 pm during which time Landlord shall provide heating ventilating and air conditioning to the leased office premises.

**Bicycle Storage:**

Article 1.5 of the San Francisco Planning Code requires bicycle storage at City leased buildings, depending on funding, at no cost to Landlord. In the event that City desires to provide such storage in this building, Landlord agrees to cooperate with City in implementing this requirement.

**Real Estate  
Broker:**

Landlord will be solely responsible for any brokerage commissions or fees payable on account of the lease and/or proposed purchase. City will have no responsibility for payment of any such commissions and fees.

**City Form:** The lease agreement shall be based on City standard lease form. The final lease is subject to negotiations with the City through its Director of Property, and approval by the City's Director of Property, City Attorney, Board of Supervisors and Mayor, in their respective sole and absolute discretion.

**Expiration of Offer:** October 16, 2006

Should you have any questions about the above terms and conditions, please contact Marta A. Bayol of this office at 554-9865.

If the above offer is acceptable, please countersign and date below.

Sincerely,



Amy L. Brown  
Director of Property

Yully Company, LLC

By: \_\_\_\_\_  
Steven Kwong

Its: \_\_\_\_\_  
Manager

Date: \_\_\_\_\_

cc: David Assmann  
Deputy Director, DOE