COMMERCIAL PROPERTY & ASSET MANAGEMENT

A planning guide with sample forms

LISC Organizational Development Initiative

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For Bay Area LISC
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Community Development Corporations across the country have developed a very wide range of commercial development projects including community centers, nonprofit office buildings, health clinics, childcare centers, retail plazas and industrial facilities. Very few of these projects resulted from a CDC first deciding to go into the commercial real estate business and then seeking projects. More often, they were created in response to pressing unmet community needs and recognition that, if the CDC didn’t take action, no one else would. As a result, a number of CDC commercial projects have been built without full consideration of the property management challenges that inevitably accompany commercial real estate. Many CDCs with extensive housing portfolios have found management of retail, office or community facilities projects surprisingly challenging.

This document provides a basic template for a property management plan for a CDC commercial real estate project as well as some basic attachments including job descriptions, sample procedures and tenant letters. Obviously every project is different and will face some unique property management challenges. Each organization will require slightly different staffing, policies and procedures. The goal of this resource, therefore, is not to provide a single plan appropriate for every situation, but rather, to offer an example of the type of planning that is necessary for commercial projects, and a template for organizing the information that will be necessary for effective ongoing property management.

Is a written plan necessary?

An effective Property Management Plan captures in one place a range of different decisions and presents them in a structured format which makes it easier for staff, decision makers and even project investors to understand how a project will be staffed and operated. When things are going well, much of this information seems obvious but when problems arise, a clear plan can help staff work together more effectively, can insure that tenants receive consistent information and can help CDC leaders make quicker more effective decisions.

Many CDCs have been successful in establishing these policies and procedures bit by bit over time as the issues arise. However, CDCs that have faced serious challenges such as natural disasters, extended vacancies, and tenant conflict often wish that they had taken the time to develop more comprehensive policies in advance. When things go wrong, there is often not time to make basic policy decisions - decisions which would have been simple to make in advance. Similarly, it is better not to wait until there are problems to discover that key people have very different unwritten expectations about what certain policies are or who is responsible for certain tasks.

What are the most important choices?

While a comprehensive property management plan can be developed by a single staff person or an outside consultant, an effective plan outlines a set of decisions which should be made in consultation with a number of different people. Ideally, the CDC Executive Director, Director of Property Management and each of the staff with responsibility for the management of a given project will meet together to discuss the key decisions listed below and one individual will take the results and draft the plan for review by the others. Some CDCs will also plan for time for the Board of Directors or a Board committee to discuss some of the more significant issues. In other cases, a conversation with key partners such as lenders, anchor tenants or local government agencies may be important as well. In any event, the plan should identify these and other key questions and clearly articulate the answers. The
A draft plan should be distributed and reviewed by all these stakeholders before being adopted. When, inevitably, the answers change later, the plan should be updated with the changes highlighted and distributed to all involved so that there is no doubt that everyone knows that responsibilities or policies have changed.

The list below includes many of the most important questions that any commercial property management plan will cover. This list might provide an appropriate starting point for an agenda for an initial discussion leading to the development of a plan.

**STAFFING:**
Which CDC staff will have ongoing responsibilities related to the commercial project?
What will be the key responsibilities of each person?

**GENERAL POLICIES AND PROCEDURES:**
How frequently will the Management Plan be reviewed?

**LEASING AND OCCUPANCY**
Who will handle commercial leasing/marketing?
Who will make decisions about using brokers?
Who will make decisions about lease terms?
Who will sign leases?
Will leases be standardized?
Who will prepare Lease abstracts?
What will be the project’s tenant screening requirements?
How much security deposit will be required?

**RENT COLLECTION**
How will rent be collected?
Will partial month rent be accepted?
Who will work with tenants having financial problems?
Who would approve payment work-out schedule?
Who will monitors lease terms – rent increases, CAM, etc.?
Who will be responsible for giving tenant notices?
Who will be responsible for calculating tenant pass-throughs, escalations, etc.?

**CAM**
Who will calculate pro-rata % allocated to tenants?
Who will approve contracts & disbursements?
Who will bill tenants for pass throughs?

**BUDGETING**
When are new budgets implemented? (calendar year, fiscal year)
When will proposed budgets be submitted for review?
Who will prepare proposed budgets?
Who will approve budgets?
Will commercial budget be separate from residential budget (if Mixed Use)?
Who will determine project reserve contribution requirements?

ACCOUNTING
Will there be a particular bookkeeper in charge of commercial income/expenses?
How frequently will commercial operating statements (separate from residential) be prepared?
What reports are required on what schedule?
Who will review monthly operating statements?

INSURANCE
Who will keep tenant insurance certificates?
Who will review tenant insurance certificates and monitor expiration?

TENANT/LANDLORD RELATIONS
Will there be a Merchant/tenant association?
Grievance procedures?

LEASE ADMINISTRATION
Who will monitor lease requirements (rent increases, CAM, options, etc.)?
Who will give tenant rent/lease notices?
Who will send notices of breach of lease or other problems?
Who will provide/update rent roll and how often?
Who will review rent rolls?

EVICTIONS
Who will give initial written notices?
Who will contact tenant?

MAINTENANCE AND SECURITY
Who will keep warranties/manuals?
Who will develop maintenance schedule & who will review?
Who will monitor warranty repairs vs. standard repairs?
If Mixed-use: What will be the system for allocation of staff maintenance between tenants/projects/commercial vs. residential - # of hours/%contract?
What will be the maintenance response schedule/process?
What will be the process for monitoring work to be reimbursed by tenants?
Who will manage tenant work (liens, workmanship, etc.)
Who will provide assessment of damage vs. normal wear and tear?
Who will conduct tenant move-out, inspection, etc.
Is there a staff maintenance person assigned to work on commercial properties?
II. SAMPLE PROPERTY MANAGEMENT PLAN

This plan has been developed for modification by different organizations. Those areas which most likely require specific customization are identified by being underlined and italicized. Needless to say, the name of the organization will need to be changed from “Acme CDC”.

The staff positions outlined in this sample management plan may not reflect those of your organization. The purpose of this section is not to specify every activity of these staff members, but to simply identify which staff positions will be involved in commercial property management. The descriptions can be somewhat general, since staff positions are identified specifically for each of the management activities later described.

This plan has been developed to set forth the scope of activities relating to property management for Acme CDC. It will outline responsibilities of Management Staff as described below, and detail the policies and procedures to be observed in the management of the properties owned and/or managed by Acme CDC.

1 STAFFING (Management Staff)

Acme CDC will employ a full-time Director of Management who will be responsible for overseeing the effective operations and financial health of all of Acme CDC’s commercial properties. The Director will train and supervise the Facilities Manager, and will report directly to the Executive Director of Acme CDC, or such other individual, board or committee as may be designated by the Executive Director. (See Job Descriptions – Appendix III)

Acme CDC will employ and train a part-time Facilities Manager who will be responsible for overseeing the day-to-day operation of Acme CDC’s commercial properties. This includes tenant/landlord relations, lease administration and, for those properties owned by Acme CDC, it includes leasing activities. The Facilities Manager will be responsible for development and implementation of a program for the ongoing maintenance and routine repair of buildings and systems. Such responsibility shall include management of staff performing maintenance and repair work, as well as management of outside contractors hired to perform such work. (See Job Descriptions - Appendix III)

Acme CDC will employ a full-time Maintenance Person who will be responsible for carrying out all maintenance and repair work in accordance with the property management plan. This person will divide his/ her time between residential and commercial properties.

Acme CDC will use the services of its Accounting Department for collection of rent and preparation of financial reports relating to the management of the commercial properties. Within the Accounting Department, one Bookkeeper will be designated the Commercial Properties Bookkeeper and this person shall be responsible for the accounting and reporting activities required by this Management Plan.

STAFFING

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MANAGEMENT PLAN REVIEW

While the management plan need not be reviewed every year, it should be reviewed at least every two years. This review should incorporate changes to management structure, changes in procedures and any other modifications relating to commercial property management.

REPORT FREQUENCY

Status reports should be timed to meet the needs of the organization, but should not be scheduled too far apart or they lose some of their effectiveness. Reports can be written or verbal. This is an opportunity to provide upper management with a view of what is going on at the property, and also an opportunity for the site managers to obtain feedback, ideas and suggestions.
2 GENERAL POLICIES AND PROCEDURES

It shall be the responsibility of Acme CDC to establish the general policies under which the commercial properties will operate. The Management Staff shall implement the policies and carry out the day-to-day operations for the commercial properties.

Acme CDC shall review this Management Plan on an annual basis. Changes to the plan shall be submitted to any regulatory agencies from which approval is required prior to implementing such changes.

The following procedures shall be followed to ensure effective ongoing operation of commercial properties:

The Facilities Manager will, by means of quarterly status reports, advise the Director of Management on the operation of the commercial properties. Such status report shall include, at a minimum, the following:

- Recent or upcoming tenant changes or changes to commercial leases
- Recent or upcoming capital improvement requirements including tenant improvements
- Updates on current vacancy rates, operating costs and comparable market rental rates

The Facilities Manager will meet regularly with the Director of Management for the purpose of reviewing policies, management procedures and discussing problems or concerns related to the commercial properties.

3 BUDGETING

At least 60 days prior to the beginning of each new fiscal year, the Facilities Manager shall develop a schedule of projected revenues, expenses, vacancy rates, debt service and cash flow for the commercial property for the following fiscal year. Such projections shall be developed in consultation with the Maintenance Person to determine potential maintenance and capital improvement costs for the upcoming fiscal year, and feedback may be sought from staff that has experience with other commercial properties.

The schedule of projected commercial operating and capital expenses developed as a part of the cash flow projections, shall be submitted by the Facilities Manager to the Director of Management for approval. After approval by the Director of Management, the Property Owner and any regulatory agencies requiring such approval, these projections shall become the approved Annual Operating Budget.

**BUDGET DEVELOPMENT**

The budget should be developed in consultation with staff who works directly with the project under consideration and input should be solicited from other staff members who have relevant experience with commercial properties (i.e. development staff).
Reserves

Each commercial property shall have reserve accounts to be funded from operations and included in the Annual Operating Budget. These commercial reserve accounts are described as follows:

Operating Reserves
These reserves shall be set aside to cover operating expense overruns for the property. This fund should be budgeted as 3% of the annual operating and administrative expenses for the commercial component of property.

Capital Replacement Reserves
These reserves shall be set aside for capital improvements and replacement during the life of the property. The level at which these reserves are funded annually will depend upon the condition of the property. For a new property, annual reserves should total at least 0.02% of the construction cost. For older properties this figure should increase.

The Director of Management will develop a schedule of capital replacement needs for the property over a 30 year time frame. Costs should be attributed to the repair/replace of capital items, and the reserves should be funded at a level to cover these anticipated costs.

Leasing Reserve
These reserves will be used to pay brokers’ commissions for leasing space as it becomes available for lease. Although Acme CDC will not always use the services of a broker in leasing commercial properties, when the instance arises it can be quite costly.

These reserves should be funded annually at a level equal to approximately 1-2% of gross rental income. Since brokerage commissions typically average 3% over the life of a lease, and may be required even for lease renewals, this will provide funds to at least partially offset brokers’ fees for future leasing.

 Tenant Improvement Reserves
This reserve fund is used to set aside funds that may be required to attract and secure new tenants in the future. Frequently, the landlord is expected to pay for at least a portion of the improvements to commercial space that may be required by a tenant. Since this can have a significant cost, it is prudent to save for these costs in advance.

Reserves to this account may change from year to year, based upon changing tenants, lease terms and market conditions. These reserves should be funded at a level calculated after the taking the following into consideration:

- The cost/sq.ft. of tenant improvements expected to be provided by the landlord in the current market.
- The type of commercial space in the property under consideration. Is the layout generic enough that a new tenant could occupy space with few modifications or is it specialized to such a degree that significant changes may be required?
- The average frequency of tenant turnover, quality of tenants and anticipated market conditions. Even though you may have 3-5 year (or longer) leases, if the market changes you may lose some tenants before their leases expire. Likewise, small marginally capitalized businesses are likely to turnover more
Financial accounting, reports and records shall be in conformance with standard accounting procedures, and responsive to the guidelines provided by any regulatory agencies with reporting requirements related the commercial properties. Accordingly, the Commercial Properties Bookkeeper will maintain accurate files of all tenant/landlord transactions, revenues, and expenditures and prepare the following monthly reports for each property:

### Financial Reporting

Reporting for Properties owned and/or managed by Acme CDC

- Cash balance in property account
- Operating/cash flow statement for each separate property (this may be combined to show residential and commercial as long as commercial operations are shown separately):
  - Revenues collected
  - Operating expenses for the month
  - Debt service paid for the month
  - Reserve accounts funded during the month
- Monthly and year-to-date budget comparisons
- List of disbursements for the month
- List of accounts payable
- Vacancy report
- Rent Roll showing tenant name, address, lease commencement, lease expiration, current rent, rent escalations, space size, other charges (i.e. NNN, CAM, utility surcharges).

These reports shall be prepared and submitted to the **Director of Management** for review by the 20th of the month following the report period.

The following accounts shall be established, and the **Commercial Properties Bookkeeper** shall be responsible for all bookkeeping related to these accounts.

**General Operating Account**

General Operating Account into which rent, carrying charges, fees and other miscellaneous income will be deposited and from which the commercial properties' operating expenses will be paid. This account may be combined for commercial and residential components of a property as long as income and expenses are allocated clearly to one of these uses.

**Operating Reserve Account**

Operating Reserve Account to be funded initially by Acme CDC in an amount determined by calculating the negative cash flow projected during the initial years of operation. Subsequent monthly deposits to this account shall be made from the Operating Account in amounts as specified in the initial year's Annual Operating
Budget and subsequent approved Annual Operating Budgets. See Section III.C. for funding levels. Funds may be transferred from this account only to cover actual operating expenses in excess of the approved budget amount or to compensate for vacancy and bad debt losses in that approved budget amount. Use of funds from this account must receive pre-approval from the Director of Management. This account may be combined for commercial and residential components of a property as long as income and expenses are allocated clearly to one of these uses.

**Replacement/Leasing Reserve/Tenant Improvement Reserve Account**
Replacement/Leasing Reserve/Tenant Improvement Reserve Account to be funded through regular contributions from the Annual Operating Budget, based on a capital improvements schedule of anticipated useful life and replacement needs of major items, projected lease commissions, and tenant improvement expenditures by landlord. Deposits shall be made to this account on a quarterly basis from the General Operating Account. (See Section III.C. for funding levels)

**Security Deposit Account**
Security Deposit Account to be funded by tenants’ security deposits. Policies and procedures for administering this account are noted in Section VIII below.

**General Ledger and Records**
Commercial Properties Bookkeeper shall maintain a General Ledger program which shall be continually updated to meet the accounting and reporting needs of the commercial properties and to produce a quality audit trail.

The Commercial Properties Bookkeeper shall maintain the Commercial properties' files and records in accordance with reporting and accounting requirements established by Acme CDC, and the requirements of any other agencies administering funds contributing to the development and operation of the commercial properties.

In order to ensure strict compliance with the requirements noted above in Section IV. C. the Director of Management will systematically review all pertinent Regulatory Agreements and establish a manual of instructions, schedules and tickler files indicating relevant deadlines, reporting formats, etc. This manual will be distributed to the Facilities Manager, to the Commercial Properties Bookkeeper and to any accounting firms hired to provide audits or other reports for the commercial properties. The Director of Management shall monitor and assure compliance with the reporting requirements of the any regulatory agencies and funding sources as outlined in the regulatory agreements with those entities.

Vacancies and monthly rent losses will be noted and recorded in the accounting reports summarizing monthly financial activities for the commercial properties. Such losses will also be noted in the monthly variance reports indicating budgeted versus actual income (see Section IV.A. above).
5 LEASING AND OCCUPANCY

All recruitment and screening of tenants for commercial properties will be the responsibility of the Facilities Manager and will be handled in accordance with policies and procedures for such activities.

- Prior to approving a new commercial tenant, Facilities Manager shall obtain and review the following:
  - Tenant Application
  - Tenant Credit Report
  - Landlord Reference
  - Copy of Tenant’s bank statements from prior three months

- Facilities Manager shall provide a copy of the information described in Section V.A.1. to the Director of Management for final approval before drafting lease for a new commercial tenant.

Upon receiving approval from the Director of Management, the Facilities Manager shall complete a commercial lease for the new commercial tenant and provide it to tenant for review.

Facilities Manager and Director of Management shall participate in any negotiations with potential commercial tenants as deemed necessary.

The Facilities Manager will send a welcoming letter to all new tenants and provide all tenants with written orientation material including general information about the property, a list of emergency numbers and other information regarding emergency procedures.

The Facilities Manager will provide all new tenants with a tour of the facilities in order to acquaint them with the physical layout of the commercial properties and the location of fire alarms, fire extinguishers, and fire exits, as well as a review of fire precautions and evacuation procedures.

The Facilities Manager will meet with new tenants to thoroughly review Rules and Regulations for the commercial property and each tenant will be provided with a copy of the above documents.

6 MOVE-IN PROCEDURES

Facilities Manager shall conduct a walk through and orientation for all new commercial tenants. The walk through and orientation shall include the following:

- Facilities Manager and new tenant(s) will inspect tenant’s commercial space prior to occupancy. A checklist of the unit's condition will be signed by both parties.

- Facilities Manager will show the new tenant person the location of all emergency equipment and alarms. Tenant/agency staff will be provided with a security code for any alarm systems and will be informed of procedures for locking and alarming the facilities. Facilities Manager will provide all tenants with keys and alarm codes as appropriate.
- The Facilities Manager will provide new tenants with written documents explaining the use and care of the facilities and equipment in their commercial unit as well as maintenance and service request procedures, security systems and emergency procedures.

Tenant shall not be provided keys to tenant’s commercial space until the Facilities Manager has received a copy of tenant’s certificate of insurance showing coverage limits stipulated in tenant’s lease, and additional insured named as required by lease.

7 MOVE-OUT PROCEDURES

At the time a tenant moves out of its leased premises, the Facilities Manager shall conduct a walk through with the tenant to identify any “Tenant Caused Damage”, the costs for which will be charged to the Tenant. Facilities Manager shall complete an Inspection Report and obtain the tenant’s signature confirming the “Post Occupancy” condition of the premises. This inspection shall be conducted within three days of a tenant vacating the space. Facilities Manager shall also note on the Inspection Report, items which must be repaired prior to re-leasing, but which are not the responsibility of the tenant. Facilities Manager shall schedule such work to be completed within 10 days of tenant vacating the space.

At the time the tenant moves out of its leased premises the Facilities Manager shall undertake the following:

- Collect all keys to the premises which have been provided to the tenant.
- Cancel any alarm code which has been used by the tenant and have a new alarm code assigned to the space in question. The new alarm code shall then be provided to the new tenant leasing the vacated commercial space.

Facilities Manager shall make sure that tenant has had all signage removed from the building, and if the tenant has not performed this task, then the Facilities Manager shall have the signage removed and shall charge tenant for the cost of such removal.

Facilities Manager shall prepare the commercial space for leasing to a new tenant in accordance with the items listed in the Procedures for Vacancy Preparation and Repair.

8 SECURITY DEPOSITS

Tenants shall be required to make a refundable security deposit in accordance with the terms of their leases. The security deposits shall be held in a separate account with a depository insured by an agency of the federal government of a comparable federal deposit insurance program. The balance of this account shall at all times equal or exceed the aggregate of all outstanding deposits.

Interest earned on the Security Deposit Account shall accrue to the tenant’s account if so required by the terms of the lease. If the lease does not require interest to accrue to tenant’s account, then interest earned on security deposits shall be transferred into the Replacement Reserve Account twice a year.

When a unit has been vacated, the Facilities Manager will perform a move-out inspection to determine any damages to be corrected or cleaning necessary over and above normal wear and tear, which shall be charged against the security deposit. A tenant may, but will not be required to, participate in this inspection. The move-out inspection form
Within **14 days** from the date of move-out, the *Commercial Properties Bookkeeper* shall prepare a security deposit refund form indicating:

- Security deposit on hand
- Amount of rent or unpaid charges owing as of the date of move-out
- Amount of damage or cleaning charges to be assessed. An itemized list of work and actual costs will be attached to the forms for repair, cleaning, or replacement of items above normal wear and tear.

The balance of the security deposit after deductions for outstanding rent, fees, charges, cleaning and damages will be refunded to the tenant with this form and itemization of costs.

As part of the tenant orientation, tenants shall receive an explanation of the use of security deposits.

## 9 RENT/AGENCY FUND COLLECTION POLICIES & PROCEDURES

The tenant orientation information (both written and oral) for the commercial properties shall address monthly rent collection policies and procedures. Such policies and procedures shall be strict, consistent, easily understood and firmly enforced. This information will be provided to all tenants at move-in as well as to all Management Staff.

**Rent Collection**

- The *Commercial Properties Bookkeeper* shall collect and record all rent and tenant charges and shall promptly deposit daily receipts to the appropriate property account(s).

- All monthly rents will be due and payable on the first day of the month but in no event later than five (5) working days after the due date. Method, time and place for payment will be made clear to the tenants and will specify that payment is to be made to Acme CDC' office at 1234 Smith Street, San Francisco, California either by check or money order. No cash may be accepted from tenants.

- Tenants who do not pay their rent by the *tenth (10th)* of the month shall receive a three (3) day notice to pay or quit.

- Partial monthly rent payments (except for pro-rated fees involving a mid-month move-in date) will only be accepted in very special cases approved by the *Director of Management*.

- Tenants having financial problems that affect payment of their monthly rent shall be referred to the *Facilities Manager*. *Facilities Manager* shall evaluate the tenant’s situation and determine whether to pursue some alternative payment method with the tenant in question. If the *Facilities Manager* determines that, based upon the history and actions of the tenant, such an alternative payment plan should be considered, he/she will develop such a plan and submit a written proposal to the *Director of Management* for approval. Upon receiving written approval of such plan from the *Director of*
Management, the Facilities Manager shall proceed to formalize and document such arrangements with tenant.

- Until such time as alternative payment arrangements are formalized and documented with the tenant, the Facilities Manager shall continue to follow all policies and procedures for rent collection and eviction in the event tenant has not paid rent in full.

- Should a tenant cause damage to the premises in the course of his/her occupancy, the tenant will be billed for the repair of such damages when they occur in order to avoid using the tenant's security deposit for payment. Facilities Manager shall make the Commercial Properties Bookkeeper aware of such damage and shall provide the Commercial Properties Bookkeeper with an invoice for repairs from the vendor. Upon receiving a copy of the vendor's invoice, the Commercial Properties Bookkeeper will prepare an invoice to the tenant for such charges and the Facilities Manager will send the invoice to tenant. These damage charges will appear on the tenant's monthly rent ledger card and will show as a balance due until paid in full. However, should these charges still be owed when the tenant vacates the unit, such charges will be deducted from the security deposit refund. Remaining charges for damages in excess of the security deposit will be recovered by referring the case to an attorney or professional collection service.

- Tenants will be charged for tenant-caused or tenant-requested replacements and repairs. Charges for these items will be at a rate which does not exceed the actual cost paid for labor and materials.

- A service fee of $20.00 will be charged for returned checks. Following the occasion of two (2) checks being returned by the bank, rent payment by cashier's check or money order will be required. Legal costs incurred in pursuing collections of fees and/or eviction procedures shall be shall be paid out of the General Operating Account and repayment by tenant shall be pursued in accordance with tenant's lease.

- Commercial Properties Bookkeeper shall maintain a "Monthly Rent Roll" for each property, regularly updated, indicating commercial unit number or address, name of tenant(s) or agency occupying space, principals of tenant’s business, lease commencement and expirations dates, leasable sq.ft., rent amount, other monthly charges, and current payment status for each of the units in the commercial properties.

- Payment of rent from a tenant for whom eviction proceedings have been instituted shall be accepted only under the terms and conditions advised by the attorney handling such eviction proceedings and acceptance of such rent must be approved by the Director of Management.

Rent Increases
Rent increases shall be anticipated in the Annual Operation Budget and implemented in new leases as the needs of the commercial properties and current market conditions dictate. Rent increases shall be implemented in conformance with the requirements of the leases. The Facilities Manager shall be responsible for calculation of new rent levels and shall be responsible for providing notice to tenant of rental increase at least thirty (30) days prior to the adjustment date as defined in tenant lease or earlier if required by the terms of the lease. Facilities Manager shall notify Commercial Properties Bookkeeper of the date and amount of any rent increase.
Commercial Properties Bookkeeper shall keep track of all expenses which are operating expenses to be allocated to tenants or affiliated organizations occupying commercial space, in accordance with lease terms or operating agreements. Some of these expenses may include the following: THE FOLLOWING CHARGES CAN ONLY BE ALLOCATED TO THE TENANT IF THERE IS A PROVISION FOR SUCH IN THE TENANT'S COMMERCIAL LEASE.

Utility Surcharge

Facilities Manager shall keep track of all utility charges not separately metered, so that such charges can be prorated and billed to tenants in accordance with tenant lease terms.

- On a quarterly basis, the Commercial Properties Bookkeeper shall calculate each tenant's prorata share of utility costs, and at the end of each quarter, shall send tenants a statement of Utility Charges, containing the following information:
  - The actual prorata share of utility costs to be paid by tenant broken down by utility type (gas, electric, sewer/water, rubbish removal, etc.).
  - The utility costs which have already been paid by tenant.
  - Calculation of the difference between “a” and “b”, and an indication of the amount owed to/from tenant from the proceeding quarter.

The above information shall be provided to the tenant within 30 days of the end of the quarter or of the final date of their lease term, whichever is applicable.

Maintenance Charges

Common Area Maintenance Charges. Same as above for all charges which are appropriately charged to tenants on a prorata basis as indicated in the tenant lease.

Specially Allocated Charges. In the event that a tenant is misusing resources (i.e. water, electricity, trash collection) from the commercial properties, the Facilities Manager shall document such misuse of resources. If, after issuing a warning to tenant, such misuse continues, Facilities Manager shall calculate the approximate cost of such misuse and shall notify tenant in writing of the approximate cost associated with their misuse, and the fact that they may be charged for these costs if the misuse continues. In the event that tenant continues misusing resources after receiving the above two notices, Facilities Manager shall issue a bill to tenant for the cost of such misuse subsequent to the second notice. At the time such bill is issued, these charges become additional charges under the term of the tenant's lease, and failure to pay shall be handled with the same collection methods as described for nonpayment of rent.

NOTE: THESE CHARGES CANNOT BE COLLECTED FROM TENANT UNLESS PROVISIONS FOR SUCH CHARGES ARE INCLUDED IN THE TERMS OF THE TENANT'S LEASE.
CONTRACTS AND DISBURSEMENTS

The Facilities Manager will consult with the Director of Management before making any departures from the Annual Operating Budget as approved in the beginning of each year or any change of procedures which will affect either the tenants or the management program.

All line items in the budget shall be paid as commercial property expenses, including payroll expenses for Management Staff when such expenses are directly related to the operation and administration of the property. Such payroll expenses shall be allocated to specific properties based upon the actual allocation of hours, or based upon a predetermined percentage allocation of time for administrative activities.

Bills will be paid in accordance with the following procedures:

- A purchase order system will be used to document all commercial property expenses with the exception of items and services provided on a regular contractual basis (utilities, trash removal, service contracts, etc.).
- All purchases shall be pre-approved by the Facilities Manager. Purchases over $500 shall be pre-approved by the Director of Management, unless the expense was specifically included in the approved Annual Operating Budget.
- Invoices will be matched with outstanding purchase orders by the Commercial Properties Bookkeeper, reviewed for accuracy and approved by the Facilities Manager. Once approved, payment will be made by the Commercial Properties Bookkeeper. Invoices shall be paid monthly or semi-monthly, but in any event in a timely manner so as not to incur any late fees or penalties.

Procurement of equipment and/or contract services:

- At least three estimates or bids will be sought for equipment or contract services over $750 (this includes janitorial and landscape jobs).
- The Facilities Manager shall prepare such bid specifications and supervise the bid proposals and acceptance procedures. Specifications and bid procedures shall be approved by the Director of Management.

Disbursements

Disbursement may be made from the General Operating Account in accordance with the approved Annual Operating Budget, and shall be disbursed, applied, or reserved and set aside for payment when due, in the following priority, to the extent available:

- Salaries, wages and any other compensation due and payable to the Management Staff, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees.
- All charges incurred in the operation of the commercial properties in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance.
- Payments of required interest, principal, impounds, fees and charges, if any, on loans which are secured by liens on the commercial properties.
- All other expenses incurred to cover operating costs, including any extraordinary expenses, in accordance with the approved Annual Operating
Budget.

- Deposits to the required reserve accounts.
- Any surplus shall be added to the Replacement Reserve Account.

In the event that items need to be purchased that either were not budgeted or that would bring a commercial property over budget, the Facilities Manager will promptly inform the Director of Management. The Director of Management will determine the appropriate course of action to address the circumstances.

Major budget variances shall be reviewed by the Director of Management with managers of other departments and agencies and appropriate actions shall be taken to ensure that monthly cash flow is sufficient to meet the commercial properties' operating expenses and deposits to the Reserve Accounts noted above.

12 INSURANCE

The Facilities Manager, with Acme CDC’s approval, shall arrange for the commercial properties to be insured against loss by fire and such other hazards, casualties, liabilities and contingencies, and in such amounts and for such periods as required by Acme CDC and/or lenders for the Commercial properties.

Competitive bids will be sought to ensure the most cost effective coverage available, and both the coverage and the carrier(s) will be reviewed regularly.

All insurance policies and renewals thereof shall be issued by a carrier and in a form acceptable to Acme CDC and commercial property lenders. In addition to naming the Owner as primary insured under any property or liability policy, the following shall be named as Additional Insured:

- Acme CDC (assuming this entity acts as manager but is not the Owner)
- Lender

The Facilities Manager will also report, investigate and pursue the resolution of all accidents or claims in connection with the operation of the commercial properties.

Tenant shall provide evidence of insurance as required by lease terms, prior to occupying tenant’s unit. In addition to naming the tenant as primary insured, tenant’s insurance shall name the following as additional insured if required by the lease terms:

- Acme CDC
  1234 Smith Street
  San Francisco, California
- Lender

The Facilities Manager shall send written notice to new tenants prior to occupancy, reminding them of their insurance requirements, and informing them that they will not be allowed to occupy their unit until evidence of such insurance is provided in the form of certificates of insurance showing all named insured as required by lease.
Relations between property management and tenants or agency staff, shall be based on a policy of cooperation and communication. Occupants of commercial properties shall be encouraged to understand that their involvement is important and therefore their ideas, priorities, suggestions and concerns, are both sought and valued. The Facilities Manager shall work closely with the tenants and agency staff and shall enlist their support and participation in the following areas:

**Problem Solving:**
Facilities Manager shall solicit tenant participation in solving problems generated by other tenants, such as excessive noise or other disturbances. Facilities Manager will encourage tenants to act as a cohesive body to see that policies affecting the community as a whole are enforced. Tenants with a complaint against one another may present their situations to the Facilities Manager who can work directly with tenants.

**Ongoing Communication:**
Tenants and agency staff shall be encouraged to offer suggestions to the Management Staff in a variety of areas of concern, such as security, maintenance, and operations. Tenant and agency staff involvement in planning can result in more relevant, sensitive and effective management policies and also recognizes the principle that “participation brings commitment.” Facilities Manager shall schedule periodic meetings with tenants to encourage tenant involvement in the development of effective policies and procedures.

Tenants will be provided copies of the Rules and Regulations and other materials pertaining to policies governing their occupancy in a particular commercial property. Management Staff will provide the tenants and agency staff with a list of emergency numbers, as well as the phone number of the management office and back-up information in the event of emergencies when the office is closed. Tenants and agency staff will also receive information about energy conservation and what each tenant can do to reduce energy waste, along with information about recycling office materials.

A copy of the Emergency Response Plan which has been developed for the Commercial properties will be provided to all tenants. This plan is designed to maximize the health and safety of the tenants or agency staff in the event of an emergency such as a fire, earthquake, mudslide, or power outage. The plan will be distributed to all tenants and agency departments at the time of initial occupancy and periodic drills may be scheduled to give occupants the opportunity to practice their response to an emergency situation.

### 14 MAINTENANCE AND SECURITY

**Post-construction procedures**

Once Acme CDC has determined that construction is completed and that the commercial property is ready for occupancy, the Director of Management along with the Facilities Manager and the Development Manager, shall be responsible for a final punch list for each commercial unit and the common areas.

- All equipment shall be tested to assure it is functioning properly.
- Incomplete work and missing or non-functioning items will be duly noted.
- **Facilities Manager** shall notify the **Development Manager** of items to be completed or corrected. **Development Manager** shall refer the items to one of the following:
  - The general or sub-contractor (if under warranty);
  - An outside contractor or firm recommended by the general contractor;
  - In-house staff or contractor, if appropriate.

- Mechanics’ liens shall be resolved between Acme CDC’ **Development Manager** and the General Contractor and sub-contractors. The **Director of Management** shall be kept informed by the **Development Manager** regarding the resolution of these matters.

- The **Facilities Manager** shall work with the **Project Manager** and **General Contractor** to make sure that all warranty information and operating manuals for equipment and fixtures in the Project are delivered by the contractor. Such information shall be kept in an accessible location and access provided to Management Staff as needed. The **Facilities Manager** shall be responsible for maintaining the filing system for such warranty information and operating manuals.

### Ongoing Maintenance Program

The **Director of Management** shall develop a long term capital improvement and maintenance schedule which will act as a general outline for capital replacement and maintenance. The **Facilities Manager** shall review the long term capital improvement schedule to make sure it conforms to the manufacturers’ recommendations and the requirements of equipment operating manuals. The **Facilities Manager** shall use this schedule to prepare a five year plan for preventive maintenance and repair of installed equipment. This work will be performed by skilled contractors or **Maintenance Person** who has received training in the type of services required, including record-keeping of regular repairs and maintenance.

- Routine repairs of appliances, electrical, plumbing, and heating equipment will be performed by **Maintenance Person**, or independent contractors as needed.

- Preventive annual unit inspections shall be undertaken by **Maintenance Person** and **Facilities Manager** to regularly and consistently ascertain the condition of each occupied commercial unit. Maintenance problems discovered during these inspections shall be handled according to the work order procedures as described in Section X.

- Preventive regular inspections and inspections of common areas and equipment, shall be undertaken by **Facilities Manager**, and regular schedules (daily, weekly, monthly, quarterly, annually) for maintaining same shall be prepared by the **Facilities Manager** and submitted to the **Director of Management** for approval.
  - Maintenance of exterior areas shall include keeping grounds free of litter, trash and paper. Parking areas will be maintained in good repair and free from dirt and litter.
  - Common areas such as restrooms, lobbies, and interior corridors will be swept and cleaned daily and kept free of trash and other debris.
  - Garbage removal will be effected through arrangements with a contractor service company. The trash areas will be swept periodically and scrubbed with
disinfectant when necessary. Tenants will be instructed in the proper placement of rubbish in the bins provided.

- Extermination services will be contracted as necessary, so as to provide a high level of sanitation and cleanliness.
- The maintenance of the grounds, except landscaping, shall be provided by the Maintenance Person.

Security Systems

The security system for the Project incorporates standards applied to other high quality commercial projects. Specifically, the security system shall include:

Entries
Entry to the offices spaces of the building, and retail spaces with common entries shall be kept open to the public during regular business hours, but shall be locked at all other times. Each tenant will have a set of keys to the building, as well as to the tenant's offices. Visitors can gain access to the building after hours only if provided access by a tenant or Management Staff.

Locks
Doors to offices and industrial space shall have locks of steel construction with a five pin tumbler, and auxiliary burglar resistant dead bolts with cylinder ring guards. Acme CDC and Management Staff will have master keys, and the Facilities Manager will be responsible for a key schedule to monitor all keys issued. Doors to any balconies or decks will be equipped with dead bolt locks that can only be opened from the outside with a key.

Lighting
Security lighting shall be provided for all parking lots, entry doors, alcoves, hallways, and adjacent outdoor areas. Such lighting shall operate at a minimum $\frac{1}{2}$ hour prior to opening or commencing operations and 1 hour after closing or ending operations, when these times fall before sunrise or after sunset. It is recommended that all security lighting be operated from dusk until dawn, independent of the operating hours of the building.

Window
All accessible windows will be secured on the inside with a locking device capable of withstanding prying or wrenching.

Alarms
Acme CDC shall determine whether or not to provide entry alarm systems within office or industrial space for tenant use.

The Facilities Manager will consult regularly with tenants and agency staff to discuss the need for any special security provisions which may arise.

Preventive Maintenance Schedule

Interior painting of individual units shall occur as occupancy changes, as required by lease terms or as the Facilities Manager may otherwise deem necessary. Such painting shall be pre-approved by Director of Management, if it does not accompany an occupancy change.

All items needing repair or replacement, whether reported by the tenants or agency staff, or discovered by Management Staff, shall be recorded on a Maintenance Work Order form by the Maintenance Person or Facilities Manager.
The form shall be completed in *triplicate*, one copy each shall be given to the tenant or agency staff person, one copy to the service provider (*Maintenance Person* or outside contractor), and one copy shall be retained by the *Facilities Manager* in a suitable ledger for follow-up as the work proceeds.

The Maintenance Work Order form shall indicate the costs of labor and materials and the *Facilities Manager* shall determine any charges to tenant or agency for damages beyond normal wear and tear. *Facilities Manager* will bill tenants or agency promptly for damages they cause, and tenant or agency will be required to reimburse the Project within the time period stipulated in the lease or operating agreement.

Once the work is completed and the tenant or agency staff person has acknowledged this by signing a copy of the work order, the ledger copy shall be placed in the permanent file assigned to the tenant's or agency's commercial unit.

**Maintenance Response Schedule**

Routine maintenance requests will be completed within *72 hours*, unless prevented by unavailability of parts, disaster, or Act of God.

All emergency repairs or replacements, regardless of the time of day they occur, shall be handled promptly. Emergency needs shall be defined as those situations posing immediate threat to the health and safety of tenants or agency staff and/or the integrity of the grounds, buildings, and equipment, including: the interruption of services, hot or cold running water, electricity, gas, adequate heat and plumbing; glass breakage which deprives tenants or agencies of security or heat; or repairs that if not performed would expose them to injury. In case of an emergency after business hours, a 24-hour answering or paging service will be maintained to notify the *Facilities Manager*.

The Facilities Manager will establish a system that assures tenants and agency staff will have the ability to reach an individual from the Management Staff during all hours in the event of an emergency related to the properties.

**Major Projects and Capital Improvements**

Major redecorating of common areas, exterior painting and projected replacements to building infrastructure, heating and ventilation systems shall be integrated into a capital improvements schedule which shall serve as a basis for computing and establishing the Replacement Reserve Fund and adequate contributions from the annual operating budget.
15 LEASE ADMINISTRATION

The Facilities Manager will keep a "Tickler File" with the lease termination date or anniversary of the commencement date for all tenants and for leases in which Acme CDC or its affiliates are lessees.

Ninety (90) days prior to a tenant’s lease termination date, Facilities Manager shall notify Director of Management of such upcoming termination date. Upon such notification, Director of Management shall review tenant status and shall instruct Facilities Manager to proceed with negotiations to renew lease, or to pursue other activities.

Sixty (60) days prior to a tenant’s lease termination date, Facilities Manager will send a letter to the tenant, advising tenant of its impending lease termination date and outlining options for requesting a renewal, or in the absence of such a request, the policies and procedures for move-out.

LEASE ADMINISTRATION

While everyday lease administration is typically handled by property management staff, planning for commercial tenant leasing and turnover is typically undertaken by development and/or asset management staff.

LEASE TERMINATION NOTIFICATION

This time period should be established to give the appropriate staff time to review and evaluate a course of action.
The **Facilities Manager** shall enforce the terms of each tenant lease as they apply to eviction policies and procedures.

Cases involving nonpayment of rent shall be handled as follows:

- As stated above in Section V.F., tenants having financial problems that affect payment of their rent or other charges shall be referred to the **Facilities Manager** for consideration of its problems. Any rent payment workouts resulting from the above will be in writing and signed by **Director of Management** and the tenant. Such documentation will become part of the tenant's permanent file.

- Notwithstanding the above, tenants who do not pay their rent by the tenth (10th) of the month shall receive a three (3) day notice to pay or quit. Such notice shall be in accordance with the California Code of Civil Procedures. If the tenant does not comply with such notice and Management Staff is unable to work out a suitable payment program with the tenant, an unlawful detainer action will be filed and the matter will be referred to a professional eviction service or attorney specializing in this area of the law.

Cases involving a violation of the Lease, including Rules and Regulations shall be handled as follows:

- **Facilities Manager** will keep tenants and agency staff advised, through newsletters, reminders or written warning notices, of policies in place at the commercial properties. **Facilities Manager** will work with tenants and agency staff and enlist their support as required to prevent recurrent violations. Tenant evictions will take place as a last resort.

- Tenants shall receive written notice of minor infractions of the Lease, including Rules and Regulations. The initial notice shall advise tenants that such infractions are violations of the Lease. Upon issuance of the third warning notice of the same violation, **Facilities Manager** will issue a 30-day notice of Intent to Terminate Tenancy.

Any notice of termination or eviction shall contain a statement of the facts constituting the cause of the termination or eviction and a statement of the tenant's rights under the Grievance Procedures.

Tenant complaints shall be processed according to the Grievance Procedure attached as Appendix II. This procedure allows for both informal and formal hearings, while not waiving the rights of either the tenant or management to any judicial resolution of the matter.

Tenants in violation of the Lease will be subject to the eviction procedures as described above.
III. SAMPLE APPENDICES

1. Example Emergency Response Plan
2. Example Grievance Procedures
3. Example Inspection Report
4. Example Job Descriptions
5. Example Preventative Maintenance Schedule
6. Example Procedures for Vacancy Preparation
7. Example Service Request
8. Tenant Welcome letter and Tenant Information
1 EXAMPLE EMERGENCY RESPONSE PLAN

The following emergency response plan has been developed with the idea of maximizing the health and safety of all tenants in the event of an emergency such as a fire, earthquake or power outage.

Please review these instructions periodically with your employees so that you, and they, will be prepared to respond quickly and effectively should an emergency occur.

We may occasionally schedule fire drills so that you have the opportunity to practice evacuating the building. You will be notified prior to these drills which will be conducted in cooperation with the Fire Department.

FIRE PLAN - What to do in case of a fire

If you spot a fire you should:
A. Pull the nearest fire alarm
B. Leave the building immediately.
C. Notify the Fire Department (call 911).
D. Walk to the pre-arranged meeting place for emergencies.
E. Wait for roll call and other instructions.

If a fire alarm sounds while you are in your office:
A. Go to your door and feel the top of the door.
B. If the door feels cool, open slowly and exit.
C. Do not use elevator in case of fire. Exit via stairways.
D. Walk to the pre-arranged meeting place for emergencies.
E. Wait for roll call and other instructions.

If a fire alarm sounds while you are in your store:
A. Exit through the most easily accessible door. If you can tell where the fire is located, exit through the door furthest from this location.

In case of smoke filled rooms or corridors:
A. If you find yourself in a smoke filled room, crawl on hands and knees.
B. If possible, cover nose and mouth with a damp cloth. Take short breaths.
C. Check door and crawl outside.

In case of minor electrical fire:
A. Unplug the appliance and switch off power.
B. If fire is out, notify Facilities Manager; or
   If fire is not out, follow steps indicated above.

In case of clothing on fire:
A. Do not panic.
B. Lie on floor and roll over and over.
C. If a blanket or rug is nearby, wrap around body.
D. Call 911 for medical help and notify Facilities Manager.

**In case of kitchen/restaurant fire:**
A. Turn off stove.
B. Cover pan with large lid or wet towel.
C. If oven fire, keep oven door closed.
D. If fire is out, notify Facilities Manager; or
   If fire is not out, follow steps indicated above.

**Fire Safety Precautions**
- No smoking is allowed anywhere inside the building, in corridors or on decks.
- Do not store flammable materials in your office/store. Never overload electrical outlets, or use extension cords.

**Other Emergencies**

Should it become necessary to evacuate the area, you will be instructed accordingly. All tenants should cooperate by following the instructions of the management staff or police and fire personnel.

**In case of earthquake:**
A. Do not panic. The buildings have been constructed to withstand large earthquakes.
B. Stay away from windows and large, unsecured furniture or fixtures.
C. After the quaking has stopped, leave the building and walk to the pre-arranged meeting place for emergencies.
D. Do not re-enter the building until instructed to do so by staff, police or fire personnel.
E. Staff members may turn off electricity, gas and water if necessary.
F. Be prepared for aftershocks. They are usually smaller, but may cause additional damage.
G. An earthquake may trigger the fire alarm system. If it rings there may be a fire.

**In case of natural gas leak (if you smell the strong odor of natural gas):**
A. Notify the Facilities Manager and await further instructions.
B. If you are unable to reach the Facilities Manager, notify Pacific Gas & Electric (PG&E) on their emergency response telephone number.
C. Follow the instructions given by PG&E, staff or police and fire personnel.

**In case of a power outage:**
A. If only the power in your office/store has gone out, it is probably the result of a breaker having been tripped. Either re-set the breaker, or call the Facilities Manager, who will locate the tripped breaker and re-set it. You should then check use of all appliances in your store/office to determine why the breaker capacity was exceeded. Reduce load immediately.
B. If all building electricity goes off, call Pacific Gas & Electric (PG&E) to determine if there is an area power failure or if it is a site specific problem.
C. If it is a site specific problem, notify the Facilities Manager immediately.

**Maintenance emergencies:**
If there is a maintenance problem which poses a threat to persons or property (i.e. burst water pipe), observe the following procedures:
A. Call the office and notify Facilities Manager.
B. If you do not receive an immediate response from the Facilities Manager, contact the Maintenance Contractor directly.
C. If you do not receive an immediate response from the Maintenance Contractor, contact one of the approved contractors from the list provided by the Facilities Manager.

**In case of a major disturbance**
A. If a customer or visitor causes a disturbance on the premises and refuses to leave, avoid physical contact and notify Facilities Manager immediately.
B. If an individual threatens physical harm to any person or property, call the police by dialing 911.

**Special instructions for our disabled tenants**
If you are disabled in some way, you may be unable to follow some of the instructions listed in this plan. If you feel that you will require special assistance in case of emergency, please ask the management staff for a special sticker that will signal rescue personnel that you need assistance. Please attach it to the outside of your store/office door. Also, a whistle should be worn around your neck or wrist at all times so that can easily signal for help.

**In the case of fire, earthquake or other emergency which may require building evacuation**
A. If you are in your office or store, stay there. Members of the rescue squad and/or the staff will tend to you as their first priority.
B. If you are not in your office or store, signal for help by blowing on your whistle, or asking for assistance.
2 EXAMPLE GRIEVANCE PROCEDURES

Dispute between Management Staff and a tenant

In the event of a dispute between the Management Staff and a tenant regarding the implementation of Policies and Procedures, the following procedures shall be followed. Nothing contained herein shall preclude either party to any legal action available under the terms of tenant's lease.

A. In the event that a tenant has a dispute with actions taken by the Management Staff, tenant shall first try to resolve the dispute through direct discussions with the appropriate staff member.

B. In the event that tenant has completed Step A, and the dispute has not been resolved to tenant's satisfaction, tenant may notify the Director of Management in writing of the existence of such dispute. Director of Management shall meet individually with the tenant and with Management Staff, and will consult with others as necessary. Based on these discussions, the Director of Management will render a decision for the disposition of such dispute.

C. In the event that tenant has completed Step A & B, and the dispute has not been resolved to tenant's satisfaction, tenant may request mediation by the Conflict Resolution Program. Tenant and Acme Community Development Corporation shall cooperate with such proceedings and each party shall pay their portion of the costs associated with such proceedings. The disposition of the dispute by the Conflict Resolution Program shall be binding upon both parties, except in the case of disputes about lease terms, for which both parties shall maintain their rights to legal remedies as provided in tenant's lease.

Dispute between the tenants

In the event of a dispute between the tenants regarding the implementation of Policies and Procedures or conformance with Rules and Regulations, the following procedures shall be followed. Nothing contained herein shall preclude any legal action available to Owner under the terms of tenant's lease.

A. In the event that a tenant has a dispute with another tenant, they shall notify Facilities Manager. If such dispute is caused by any tenant's failure to meet requirements under tenant's lease or Rules and Regulations, Facilities Manager shall notify tenant of such failure, and the actions which must be taken to cure such failure. If dispute is not the result of any tenant's failure to meet such requirements, Facilities Manager shall have the option of working directly with tenants or referring the issue to the Merchant's Association for consideration.

B. In the event that Facilities Manager refers the dispute to the Merchant's Association, such issue shall be placed on the agenda for the next scheduled meeting of the Merchant's Association. The Merchant's Association may, but is not obligated to, consider the dispute between tenants, and render an opinion regarding a method for resolution.

C. In the event that tenant has completed Step A & B, and the dispute has not been resolved to tenant's satisfaction, tenant may request mediation by the Conflict Resolution Program. If both tenants agree to such request, they shall cooperate with such proceedings and each party shall pay their portion of the costs associated with such proceedings. The disposition of the dispute by the Conflict Resolution Program shall be binding upon both parties, except in the cases regarding lease terms, for which all remedies available to any tenant and Owner, shall be determined by tenant's lease terms.
EXAMPLE INSPECTION REPORT

Inspector Name: ___________________________________________

Unit Address: ___________________________________________

Today's Inspection Date: __________________ Permission to enter granted by: ____________________________

Type of Inspection

☐ Pre-Occupancy  ☐ Periodic  ☐ Annual  ☐ Post-Occupancy

Symbols

OK:  Good  S/C:  See Corrections Noted
F:  Fair  T/D:  Tenant Caused Damage
N:  None

1. Exterior Doors _______________________________________________________
2. Windows __________________________________________________________
3. Interior Doors ______________________________________________________
4. Walls ______________________________________________________________
5. Ceilings ____________________________________________________________
6. Floor Coverings ____________________________________________________
7. Window Coverings _________________________________________________
8. Electrical Panel ____________________________________________________
9. Electrical Outlets __________________________________________________
10. Lighting Fixtures __________________________________________________
11. Plumbing __________________________________________________________
12. Plumbing Fixtures _________________________________________________
13. Hot Water Heater _________________________________________________
14. HVAC _____________________________________________________________
15. Mail Box __________________________________________________________
16. Pest Problems _____________________________________________________
17. Other _____________________________________________________________

# Keys Given (itemize) __________________________ Date Given ______________

# Keys Returned (itemize) __________________________ Date Returned ______________

Inspector Signature: __________________________ Date: ____________________

I hereby acknowledge that the unit and equipment described above is in the condition described in this report as of this date and that I will pay for the repair of any items identified in this report as Tenant Caused (T/D).

Tenant Signature: __________________________ Date: ____________________
Having up-to-date and accurate job descriptions for every staff person with ongoing responsibilities related to the management of a commercial project is essential. Some of the most common positions include:

- Director of Property Management
- Facilities Manager
- Commercial Properties Bookkeeper
- Maintenance Person
- Asset Manager

Sample position descriptions for each position follow.

**Director of Management Job Description**

The Director of Management shall devote part-time to the administration and other activities required for commercial properties owned and or leased by Acme CDC or its affiliates. The person holding this position shall be an employee of Acme CDC. Nothing in this description shall preclude the individual holding this position from filling other part-time requirements of Acme CDC.

**Skills and Knowledge**

- Director of Management shall have good organizational skills and an understanding of the basic tenets of commercial property operations and tenant relations.
- Director of Management shall develop a thorough understanding of operational and reporting requirements imposed by Acme CDC and any regulatory agencies which hold an interest in the properties.
- Director of Management shall have supervisorial and management skills, and shall have the capacity to providing training in relevant skills to the Facilities Manager.

**Responsibilities**

- Director of Management shall train and supervise Facilities Manager and shall report directly to the Executive Director of Acme CDC.
- Director of Management shall work with Facilities Manager to develop an Annual Operating Budget for the Project. Such Annual Operating Budget shall include projected sources of revenues, vacancy rates, operating expenses, reserve requirements, debt service, and other expenses associated with the operation of the property.
- Director of Management shall review all monthly financial reports prepared by Facilities Manager, and shall analyze such reports to anticipate problems with cash flow or overruns and deficiencies within specific categories itemized in the Annual Operating Budget.
- Director of Management will meet regularly with Facilities Manager for the purpose of reviewing policies and management procedures, and discussing problems or concerns related to the property.
- Director of Management will monitor and assure compliance with the reporting requirements of...
any regulatory agencies and funding sources as outlined in the regulatory agreements with those entities.

- Director of Management shall work with Facilities Manager to make decisions affecting the operation of the property or tenant relations, in cases where other specific methods for such decision making is not stipulated in the tenant lease, Grievance Procedures, or the Management Plan.

- Upon notification by Facilities Manager, Director of Management shall develop a course of action to address required expenditures which either were not budgeted or which would bring the Project over budget.

- Upon notification by Facilities Manager, Director of Management shall determine the desirability of granting extensions to the lease terms of specific tenants.

- Director of Management shall review and approve maintenance schedule for properties as prepared by the Facilities Manager.

**Facilities Manager Job Description**

The position of Facilities Manager shall be a part-time position (20 hours/week) and the person holding this position shall be an employee of Acme CDC. The Facilities Manager shall be supervised by, and report to the Director of Management. Nothing in this description shall preclude the individual holding this position from filling other part-time requirements of Acme CDC.

**Skills and Knowledge**

- Facilities Manager shall have excellent organizational skills and knowledge of bookkeeping and accounting.

- Facilities Manager shall have excellent interpersonal skills and the ability to work with commercial tenants and agency staff to resolve issues and disputes.

- Facilities Manager shall have a thorough understanding of financial reporting, and be able to accurately review and interpret property management reports prepared by the Commercial Properties Bookkeeper.

- Facilities Manager shall have a thorough understanding of facilities maintenance the importance of following a regular schedule of preventative maintenance. Further, Facilities Manager shall have the ability to manage the Maintenance Person in the implementation of such a preventative maintenance plan.

**Responsibilities**

- Facilities Manager shall meet regularly with the Director of Management for the purpose of reviewing policies, management procedures and discussing problems or concerns related to the Project.

- Facilities Manager shall maintain the Project’s files and records in accordance with reporting and accounting requirements established by Acme CDC.

- Facilities Manager shall be responsible for sending courtesy notices regarding tenant nonpayment of rent and/or breaches of lease terms. Under the direct supervision of an attorney, Facilities Manager shall be responsible for sending tenant notices required under eviction proceedings.

- Facilities Manager shall develop property and emergency informational materials for new tenants and agency staff and shall make sure that all tenants receive such materials prior to move-in.

- Facilities Manager shall conduct tenant/agency staff tours of the property to acquaint
tenants/agency staff with the facilities and emergency systems and procedures.

- Facilities Manager shall be responsible for maintaining records on lease terms and for monitoring lease expiration dates. Facilities Manager shall be responsible for communication with tenants regarding expiration of lease terms.

- Facilities Manager shall inspect properties upon completion of initial construction, and shall prepare a final punch list for each commercial unit and the common areas.

- Facilities Manager shall monitor the receipt of warranties and operating manuals for equipment, fixtures and other items from general contractor relating to initial construction.

- Facilities Manager shall prepare and revise as necessary, a schedule for preventative maintenance and capital repairs and replacement. Such plan shall be used to develop the Annual Operating Budget, and to direct the activities of the Maintenance Person.

**Commercial Properties Bookkeeper Job Description**

The position of Commercial Properties Bookkeeper shall be assigned to an individual bookkeeper within the Accounting Department of Acme CDC. The Commercial Properties Bookkeeper shall report directly to the Accounting Manager, but shall be responsible for providing reports as described to the Facilities Manager and/or Director of Management. Nothing in this description shall preclude the individual holding this position from filling other part-time requirements of Acme CDC.

**Skills and Knowledge**

**Responsibilities**

- Commercial Properties Bookkeeper shall collect and record all rent and tenant charges and shall implement a system for maintaining records for multiple tenant accounts.

- Commercial Properties Bookkeeper shall make daily deposits of receipts.

- Commercial Properties Bookkeeper shall implement a system for payment of invoices associated with the operation of the property, and shall be responsible for all disbursements related to property operations, including loan payments which may not be on a monthly schedule. All invoices shall be reviewed and approved by Facilities Manager prior to payment.

- Commercial Properties Bookkeeper shall prepare monthly financial reports on project operations in a timely manner, and in such form as required by Director of Management. Such monthly property reports shall be provided on or before the 15th day of the month following the reporting period.

- Facilities Manager shall be responsible for all bookkeeping functions for various accounts related to Project operations (General Operating Account, Operating Reserve Account, Replacement Reserve Account, Security Deposit Account).

- Facilities Manager shall be responsible for reconciling accounts, and generating billings to tenants for Utility Surcharge, Common Area Maintenance Charges, and Specially Allocated Expenses. Such tenant billings shall be reviewed and approved by Facilities Manager prior to being sent to tenants.

**Maintenance Person Job Description**

The position of Maintenance Person shall be a full time position, and the individual filling this position shall divide his/her time between activities for residential and for commercial properties. The Maintenance Person shall report to the Residential Property Manager and the Facilities Manager. Nothing in this description shall preclude the individual holding this position from filling other part-time requirements of Acme CDC.
Skills and Knowledge

- The Maintenance Person must possess a thorough knowledge of equipment, machinery and building systems (including HVAC, electrical, plumbing) and must have the ability to perform minor repair work on such systems.

- The Maintenance Person shall have the capacity to understand and implement a schedule of routine maintenance as established by the Facilities Manager. This person shall have the ability to differentiate between activities that may be undertaken by in-house staff and those that require the services of an outside contractor.

Responsibilities

- The Maintenance Person shall review all of the warranty and service materials provided with new equipment or systems to determine the requirements for preventative maintenance and activities required to maintain warranties in full force and effect.

- The Maintenance Person shall work with the Facilities Manager to develop a regular preventative maintenance schedule and shall then undertake and implement this schedule of activities.

- The Maintenance Person shall undertake an annual inspection of all properties and commercial spaces either owned or occupied by Acme CDC or its affiliates, and shall identify repairs which may be required to such space or buildings. The cost for such repairs shall be included in the preparation of the Annual Operating Budget and the activities shall be added to the maintenance and repair schedule.

Asset Manager Job Description

The position of Asset Manager shall be a part-time position (20 hours/week) and the person holding this position shall be an employee of Acme CDC. Nothing in this description shall preclude the individual holding this position from filling other part-time requirements of Acme CDC.

Skills and Knowledge

- Asset Manager shall have good organizational skills and an understanding of the basic tenets of commercial property operations and tenant relations.

- Asset Manager shall develop a thorough understanding of operational and reporting requirements imposed by Acme CDC and any regulatory agencies which hold an interest in the Project.

- Asset Manager shall have supervisorial and management skills, and shall have the capacity to providing training in relevant skills to the Property Administrator.

Responsibilities

- Asset Manager shall train and supervise Property Administrator and shall report directly to the Executive Director of Acme CDC.

- Asset Manager shall work with Property Administrator to develop an Annual Operating Budget for the Project. Such Annual Operating Budget shall include projected sources of revenues, vacancy rates, operating expenses, reserve requirements, debt service, and other expenses associated with the operation of the Project.

- Asset Manager shall review all monthly financial reports prepared by Property Administrator, and shall analyze such reports to anticipate problems with cash flow or overruns and deficiencies within specific categories itemized in the Annual Operating Budget.

- Asset Manager will meet regularly with Property Administrator for the purpose of reviewing policies and management procedures, and discussing problems or concerns related to the Project.
Asset Manager will monitor and assure compliance with the reporting requirements of any regulatory agencies and funding sources as outlined in the regulatory agreements with those entities.

Asset Manager shall work with Property Administrator to make decisions affecting the operation of the property or tenant relations, in cases where other specific methods for such decision making is not stipulated in the tenant lease, Grievance Procedures, or the Management Plan.

Upon notification by Property Administrator, Asset Manager shall notify and advise Owner regarding required expenditures which either were not budgeted or which would bring the Project over budget.

Upon notification by Property Administrator, Asset Manager shall notify Owner of tenant lease term expirations, and advise Owner regarding the desirability of granting extensions to the lease terms.

Asset Manager shall inspect Project upon completion of initial construction, and shall prepare a final punch list for each unit and the common areas.

Asset Manager shall review and approve maintenance schedule for Project as prepared by Maintenance Staff.

Asset Manager shall monitor the receipt of warranties and operating manuals for equipment, fixtures and other items from general contractor relating to initial construction.

**Property Administrator Job Description**

The position of Property Administrator shall be a part-time position (20 hours/week) and the person holding this position shall be an employee of Acme CDC. The Property Administrator shall be supervised by, and report to the Asset Manager. Nothing in this description shall preclude the individual holding this position from filling other part-time requirements of Acme CDC.

**Skills and Knowledge**

- Property Administrator shall have excellent organizational and bookkeeping skills.
- Property Administrator shall have excellent interpersonal skills and the ability to work with commercial tenants to resolve issues and disputes.
- Property Administrator shall have a thorough understanding of financial reporting, and be able to implement reporting systems in the format required.

**Responsibilities**

- Property Administrator shall collect and record all rent and tenant charges and shall implement a system for maintaining records for multiple tenant accounts.
- Property Administrator shall make daily deposits of receipts.
- Property Administrator shall implement a system for payment of invoices associated with the operation of the property, and shall be responsible for all disbursements related to property operations, including loan payments which may not be on a monthly schedule.
- Property Administrator shall prepare monthly financial reports on project operations in a timely manner, and in such form as required by Asset Manager.
- Property Administrator shall meet regularly with the Asset Manager for the purpose of reviewing policies, management procedures and discussing problems or concerns related to the Project.
- Property Administrator shall be responsible for all bookkeeping functions for various accounts.
related to Project operations (General Operating Account, Operating Reserve Account, Replacement Reserve Account, Security Deposit Account).

- Property Administrator shall maintain the Project's files and records in accordance with reporting and accounting requirements established by Acme CDC.

- Property Administrator shall be responsible for sending courtesy notices regarding tenant nonpayment of rent and/or breaches of lease terms. Under the direct supervision of an attorney, Property Administrator shall be responsible for sending tenant notices required under eviction proceedings.

- Property Administrator shall develop Project and emergency informational materials for new tenants and shall make sure that all tenants receive such materials prior to move-in.

- Property Administrator shall conduct tenant tours of the Project to acquaint tenants with the facilities and emergency systems and procedures.

- Property Administrator shall be responsible for maintaining records on tenant lease terms, and for monitoring lease expiration dates. Property administrator shall be responsible for communication with tenants regarding expiration of lease terms.

- Property Administrator shall be responsible for reconciling accounts, and sending billings to tenants for Utility Surcharge, Common Area Maintenance Charges, and Specially Allocated Expenses.
## Annual Routine Schedule

<table>
<thead>
<tr>
<th>Activity</th>
<th>Freq.</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<tbody>
<tr>
<td>Heaters: Clean &amp; Inspect</td>
<td>1X/YR</td>
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<tr>
<td>A/C &amp; Heater Motors: Oil</td>
<td>2X/YR</td>
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<td>Water Heaters: Drain Residue</td>
<td>2X/YR</td>
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<td>Storm Drains: Clean</td>
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<td>Roofs: Inspect &amp; Repair</td>
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<tr>
<td>Rain Gutters: Clean</td>
<td>2X/YR</td>
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<td>Screens: Inspect &amp; Repair</td>
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<td>Windows: Inspect &amp; Repair</td>
<td>1X/YR</td>
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<tr>
<td>Exterior Lighting: Inspect &amp; set timer</td>
<td>4X/YR</td>
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<td>A/C &amp; Heat Filters: Clean &amp; replace</td>
<td>4X/YR</td>
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<td>Circulating Pumps: Oil</td>
<td>1X/MO</td>
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<td>Fire Equipment: Inspect &amp; service</td>
<td>4X/YR</td>
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<tr>
<td>Fences/Buildings: Paint/inspect for damage</td>
<td>1X/MO</td>
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<td>Pest Control: Inspect &amp; spray</td>
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<tr>
<td>Trees &amp; Shrubs: Water</td>
<td>4X/MO</td>
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<tr>
<td>Trees &amp; Shrubs: Trim</td>
<td>1X/YR</td>
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</tbody>
</table>

## Weekly Routine Schedule

<table>
<thead>
<tr>
<th>Activity</th>
<th>Freq.</th>
<th>Mon</th>
<th>Tues</th>
<th>Wed</th>
<th>Thur</th>
<th>Fri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exterior &amp; Common Area Lighting</td>
<td>1X/WK</td>
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<tr>
<td>Garbage Areas: Clean</td>
<td>1X/WK</td>
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<tr>
<td>Parking Areas &amp; Walks: Clean</td>
<td>5X/WK</td>
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<tr>
<td>Security Hardware: All working</td>
<td>1X/WK</td>
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<tr>
<td>Other Common Areas: Clean &amp; safe</td>
<td>5X/WK</td>
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</tbody>
</table>
After the tenant vacates, the Facilities Manager and maintenance personnel should prepare the office/retail space in the order below:

- Change locks
- Remove all debris
- Exterminate entire space if any sign of pests exists. Wallplates should be left off during extermination.
- If the condition warrants, and new tenant will not be undertaking construction of any tenant improvements, the walls should be painted. Alternatively, enameled walls should be washed down wherever possible.

**Check and repair as follows:**

- All wall receptacles and switches
- All light fixtures and bulbs
- Check all windows
- Inspect and check HVAC operation
- Inspect water heater and check setting
- Insure that key operates front door, building door and mailbox properly before giving to tenant.
- Inspect exterior and clean up or repair as needed

**Clean thoroughly as follows:**

- If the condition warrants, and new tenant will not be undertaking construction of any tenant improvements, carpets should be shampooed and/or floors professionally cleaned.
- Spot clean for any remaining finger prints or smudges
- All windows
- All wallplates

**Preparation Standards**

**Painting**

An office/retail space must be vacant in order to paint. Judge the paint condition. Whether to partially or completely paint the space is a judgment call on the part of the Facilities Manager. Enameled walls should be washed down whenever possible.

- Switch plates and plug plates must be taken off before painting and cleaning.
- Nail holes must be spackled and sanded before painting.
- Entire space (including storage areas) must be evaluated for repainting.
- Doors and door jambs must be painted as specified (most likely with enamel paint).

**Shampooing Carpets**

- Vacuum carpets thoroughly
- Shampoo carpet
- Vacuum carpet after it has dried
The vacant space should be "turned around" in no more than 5 days.
7 EXAMPLE SERVICE REQUEST

Request Date ____________________________ Assigned Request Number ____________________________

Requested By ____________________________ Telephone ____________________________

Address for Service: ________________________________________________________________

Permission to enter if tenant not present
☐ Yes ☐ No

Work Requested
☐ Preventative ☐ Repair ☐ Emergency ☐ Clean
☐ Electrical ☐ Plumbing ☐ Other

Assigned To: Staff (Name) __________ Date Assigned ________________

Contractor (Name) __________ Contractor Telephone ____________________________

Describe Request
___________________________________________________________________________

Work Performed By
___________________________________________________________________________

Date Commenced ____________________________ Date Completed: ____________________________

Describe work performed
___________________________________________________________________________

Labor

<table>
<thead>
<tr>
<th>Code</th>
<th>Time</th>
<th>No. Hours</th>
<th>X rate</th>
<th>Total Labor Cost</th>
</tr>
</thead>
</table>

Materials

<table>
<thead>
<tr>
<th>Qty</th>
<th>Description</th>
<th>Unit Price $</th>
<th>Total Materials Cost</th>
</tr>
</thead>
</table>

CHARGE TO: ☐ Tenant ☐ Landlord ☐ Other

Work requested has been inspected, verified and found to be satisfactorily completed.

Signature of Tenant __________________________________________ Date ______________________

Signature of Manager ________________________________________ Date ______________________
WELCOME TO ACME COMMERCIAL BUILDING! We are pleased that you have chosen Acme Commercial Project for your business location. We are proud of Acme Commercial Project and we want to ensure its continued success, as well as prosperity for your business, through quality management services, mutual communication, and tenant involvement and participation.

Although courtesy and consideration of one's neighbors is always a good substitute for rules, we have established general policies we have found helpful in maintaining the satisfaction of all tenants. With your comfort and safety in mind, the following policies will assist our efforts to create a successful and productive relationship during your tenancy.

**Office Hours**

The office is located in Suite #218 on the second floor of Acme Commercial Building. It is open Monday through Friday from _____ a.m. to _____ p.m.. The office is closed on Saturdays, Sundays and holidays.

The telephone number for reaching the office is _________________. During the hours when the office is closed, a 24 hour answering service will take all calls and relay the message to persons on duty.

**Monthly Rent**

Your monthly rent is due on the first of the month. Cash cannot be accepted for any tenant payments, and rent should be paid by check or money order. Payments may be brought to the office during regular office hours, or may be mailed to: Acme CDC, 1234 Smith Street, San Francisco, California.

**Keys**

Two sets of keys are issued to each tenant. A separate key opens your front door, your mailbox, and the building entrance (in the case of office tenants).

Extra keys will be provided upon written request and a deposit of $10 per key. Charges for lost keys will be made at the rate of $2 per key.

There shall be no alterations or replacement of locks without prior written consent from the Landlord. You may request permission for alteration or replacement by contacting the Facilities Manager. **The Landlord must retain a master pass key for all leased spaces to be used in case of emergency.**

**Parking**

There is no on-site parking available for tenants of Acme Commercial Building. Tenants may park in the City Parking Garage by purchasing a permit from the City of San Francisco, or on the street in appropriately marked spaces. Short term parking for customers and business owners is available in the City parking lot adjacent to the project. The parking lot directly behind the project is privately owned, and should not be used for parking without obtaining permission from the owner of the parking lot.

**Bathrooms**

Common bathrooms are available for use by all tenants and their employees. Use by the general public and customers are allowed in some circumstances. Access to restrooms by the general public is only available with a key provided by a business tenant.
Toilets must have nothing put in them except human waste and toilet paper. If there is a blockage caused by foreign material being thrown or dropped into the toilet and a plumber needs to be called, the tenant will be charged for the call. Foreign objects removed from plumbing and/or appliances are not considered normal maintenance, and service and/or damage charges will be assessed.

**Windows**

Exterior window cleaning is the responsibility of the Landlord and will be performed on a regular schedule. Interior window cleaning is the responsibility of each tenant, and should also be performed on a regular basis.

Please close all windows and doors when necessary to avoid possible damage from storm, rain or other elements. Tenants shall be responsible for all damage resulting from failure to do so.

**Smoking**

Smoking is not permitted inside the building, or on any exterior walkways or decks.

**Maintenance Requests**

All needed maintenance work is to be reported to the office in person, and a work request signed. Please report all problems as soon as possible.

**Annual Maintenance Inspection**

Acme Commercial Project requires an annual maintenance inspection of all leased space. The purpose is to determine the repairs needed and review the general care of the facilities. Reasonable advance notice will be given.

**Rules and Regulations**

1) Tenant and Tenant's representatives, agents, and employees (which are collectively included in the term "Tenant" as used herein) shall not in any way obstruct the sidewalks, entry passages, pedestrian passageways, entrances and exits, or other common areas, and shall use the same only as passageways to and from Tenant's Leased Premises. This restriction does not apply to sidewalk areas and passageways which are included as a portion of Tenant's space. All public entrances and exits to the Leased Premises shall be kept unobstructed and open to the public at all times during established business hours.

2) All loading and unloading of goods shall be done only at such times, in the areas, and through the entrances designated for such purposes by Landlord. The delivery or shipping of merchandise, supplies and fixtures to and from the Leased Premises shall be subject to such rules and regulations as in the judgment of the Landlord are necessary for the proper operation of the Leased Premises or the Project.

3) All wet garbage, waste, rubbish, and trash ("refuse") shall be stored in proper containers within Tenant's Leased Premises until it is placed in the appropriate refuse collection receptacles designated by the Landlord. Removal of refuse from the Tenant's Leased Premises shall occur at such times and in a manner as may be prescribed by Landlord.

4) Tenant shall not erect, install, place, paint or attach materials (including but not limited to signs, posters, equipment, or fixtures) to the exterior of the building nor in Common Areas of the Project without the prior written consent of Landlord. Tenant shall not in any way deface the exterior of the building or common areas.
5) No awning or shade shall be affixed or installed over or in the show windows or exterior of the Leased Premises except with the written consent of Landlord. No signs shall be affixed to the exterior of the building or in the common areas of the Project without prior written consent of Landlord.

6) Tenant shall not do anything in the Leased Premises, or bring or keep anything therein, which will in any way increase or tend to increase the risk of fire or the rate of fire insurance, or which shall conflict with the regulations of any government agency or administrative body having jurisdiction, or the law or with any insurance policy on the Leased Premises.

7) Tenant shall not install, maintain or use any equipment or machinery, which causes unreasonable noise, vibration, or which by its weight may endanger or by its use harm any portion of the building or Leased Premises; this shall be enforced even though its original installation or presence may have been permitted.

8) Tenant shall not make, nor permit to be generated within the Leased Premises, any loud or improper noises, nor interfere in any way with other tenants' and the public's quiet enjoyment of the Project. No loudspeakers, televisions, phonographs, radios, CD players, or other devices shall be used in a manner so as to be heard or seen outside of the Leased Premises without prior written consent of Landlord. Such consent shall be at the sole discretion of Landlord. Tenant shall conduct its business in a quiet and orderly manner so as not to create unreasonable or unrelated noise.

9) Tenant shall not cause or permit any obnoxious or foul odors that disturb the public or other tenants. Should such odors be evident, Tenant shall be required to take immediate steps to remedy same upon written notice from Owner.

10) Plumbing facilities and fixtures shall not be used for any other purpose than that for which they are constructed, and no foreign substances of any kind shall be placed therein. The expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant who caused the same, or whose employees, agents or invitees caused same.

11) Tenant shall use, at Tenant's cost, such pest extermination contractor as Landlord may direct and at such intervals as Landlord may require.

12) Tenant is required to observe all security regulations issued by the Landlord.

13) Landlord reserves the right to exclude or expel from the Project, any persons who, in the judgment of Landlord, is intoxicated or poses a risk to the enjoyment of the Leased Premises or the safety of the public, other tenants and their employees.

14) Tenant shall maintain business hours established by Landlord, or by the Merchant's Association of the Project.

15) Tenant agrees to use, to the greatest extent possible, materials which are reusable or recyclable for the service of its customers.

16) Landlord reserves the right from time to time, for public welfare or tenant benefit, to amend or supplement the foregoing rules and regulations, and to adopt the promulgated additional rules and regulations applicable to the Leased Premises. Reasonable notice of such rules and regulations and amendments and supplements thereto, if any, shall be given to Tenant.

17) Tenant agrees to comply with all rules and regulations and amendments and supplements thereto, upon reasonable notice to Tenant from Landlord.