

0602.350

Before the Board of Supervisors in and for the County of Monterey, State of California

Agreement No.: A-10907

- a. Approve and authorize the Purchasing Manager to execute a twenty-year Lease Agreement, effective on or around July 1, 2007, with the Low Income Family Enrichment Foundation, a non-profit public benefit corporation, for 79,848 square feet of space at 1000 South Main Street (the Quadrangle Building) in Salinas, for use by the Department of Social and Employment Services, subject to the Low Income Family Enrichment Foundation obtaining title to the property and financing through the City of Salinas within thirty days of approval of the Lease Agreement; and)
- b. Direct the Auditor-Controller to make lease payments of \$156,829 per month and in accordance with the terms of the Agreement; and)
- c. Authorize the extension of the Lease Agreement for an additional twenty years under specified terms and conditions if deemed by the Purchasing Manager to be in the best interest of the County.)
- d. In accordance with Section 25351 of the Government Code, direct the Clerk of the Board to transmit a copy of this action to the City of Salinas.)

Upon motion of Supervisor Salinas, seconded by Supervisor Calcagno, and carried by those members present, effective June 5, 2007, the Board hereby:

- a. Approves and authorizes the Purchasing Manager to execute a twenty-year Lease Agreement, effective on or around July 1, 2007, with the Low Income Family Enrichment Foundation, a non-profit public benefit corporation, for 79,848 square feet of space at 1000 South Main Street in Salinas (the Quadrangle Building) for use by the Department of Social and Employment Services, subject to the Low Income Family Enrichment Foundation obtaining title to the property and financing through the City of Salinas within thirty days of approval of the Lease Agreement; and
- b. Directs the Auditor-Controller to make lease payments of \$156,829 per month and in accordance with the terms of the Agreement; and
- c. Authorizes the extension of the Lease Agreement for an additional twenty years under specified terms and conditions if deemed by the Purchasing Manager to be in the best interest of the County.

MONTEREY COUNTY BOARD OF SUPERVISORS

MEETING: June 5, 2007 - Consent

AGENDA NO.:

SUBJECT:

- a. Approve and authorize the Purchasing Manager to execute a twenty-year Lease Agreement, effective on or around July 1, 2007, with the Low Income Family Enrichment Foundation, a non-profit public benefit corporation, for 79,848 square feet of space at 1000 South Main Street in Salinas (the Quadrangle Building) for use by the Department of Social and Employment Services, subject to the Low Income Family Enrichment Foundation obtaining title to the property and financing through the City of Salinas within thirty days of approval of the Lease Agreement;
- b. Direct the Auditor-Controller to make lease payments of \$156,829 per month and in accordance with the terms of the Agreement; and
- c. Authorize the extension of the Lease Agreement for an additional twenty years under specified terms and conditions if deemed by the Purchasing Manager to be in the best interest of the County.
- d. In accordance with Section 25351 of the Government Code, direct the Clerk of the Board to transmit a copy of this action to the City of Salinas.

DEPARTMENT: RMA - Public Works

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Purchasing Manager to execute a twenty-year Lease Agreement, effective on or around July 1, 2007, with the Low Income Family Enrichment Foundation, a non-profit public benefit corporation, for 79,848 square feet of space at 1000 South Main Street in Salinas (the Quadrangle Building) for use by the Department of Social and Employment Services, subject to the Low Income Family Enrichment Foundation obtaining title to the property and financing through the City of Salinas within thirty days of approval of the Lease Agreement;
- b. Direct the Auditor-Controller to make lease payments of \$156,829 per month and in accordance with the terms of the Agreement; and
- c. Authorize the extension of the Lease Agreement for an additional twenty years under specified terms and conditions if deemed by the Purchasing Manager to be in the best interest of the County.
- d. In accordance with Section 25351 of the Government Code, direct the Clerk of the Board to transmit a copy of this action to the City of Salinas.

SUMMARY:

Approval of this Lease Agreement will provide for continued occupancy of 79,848 square feet of space used by the Department of Social and Employment Services. The lease payments of \$156,829 per month will commence on or around July 1, 2007 and expire on or around June 30, 2027. The lease terms require the Low Income Family Enrichment Foundation to obtain title to the property and financing through the City of Salinas within thirty days of approval of the Lease Agreement. The Lease Agreement provides for two, ten-year extension options.

0602.350

*Before the Board of Supervisors in and for the
County of Monterey, State of California*

Resolution No.: 07-067

- a. Adopts a Resolution declaring intent to enter into)
a twenty-year lease agreement with the Low)
Income Family Enrichment (LIFE) Foundation, a)
non-profit public benefit corporation, for)
approximately 80,015 square feet of space at)
1000 South Main Street in Salinas (the)
Quadrangle Building) for use by the Department)
of Social and Employment Services, subject to)
the LIFE Foundation obtaining title to the)
property and financing through the City of)
Salinas; and)
- b. Authorizes the Public Works Director and)
County Counsel to finalize the proposed terms of)
the lease and return to the Board for execution)
upon completion of all conditions.....)

Upon motion of Supervisor Salinas, seconded by Supervisor Calcagno, and carried by those members present, effective March 13, 2007, the Board hereby:

Upon motion of Supervisor Salinas, seconded by Supervisor Calcagno, and carried by those members present, effective March 13, 2007, the Board of Supervisors of the County of Monterey hereby resolves:

That the County of Monterey Board of Supervisors declares its intent to enter into a twenty-year lease agreement with the Low Income Family Enrichment (LIFE) Foundation, a non-profit public benefit corporation, for approximately 80,015 square feet of space at 1000 South Main Street in Salinas (the Quadrangle Building) for use by the Department of Social and Employment Services, subject to the LIFE Foundation obtaining title to the property and financing through the City of Salinas.

The primary terms of the lease and conditions are as follows:

1. The Base Rent to commence at no more than \$1.30 per rentable square foot per month.
2. The Fixed Annual Rent Adjustment to be no more than 3.3%.
3. The County may terminate the lease with a 120 day written notification (without penalty) if financial conditions prevent the Board of Supervisors from budgeting funds for this lease. Such right of termination shall not be construed so as to permit the County to terminate the lease in order to lease another premises for a similar purpose within the County of Monterey.

0602.350
March 13, 2007

PASSED AND ADOPTED this 13th day of March 2007, by the following vote, to-wit:

AYES: Supervisors Calcagno, Salinas, and Potter

NOES: None

ABSENT: Supervisors Armenta, Smith

I, Lew C. Bauman, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 73 for the meeting on March 13, 2007.

Dated: May 1, 2007

Lew C. Bauman, Clerk of the Board of Supervisors,
County of Monterey, State of California

By  _____
Darlene Drain, Deputy

COUNTY OF MONTEREY STANDARD LEASE AGREEMENT

PREAMBLE

THIS LEASE ("Lease") is made this 5th day of June, 2007, by and between LIFE Foundation Monterey, LLC, Federal Identification Number 26-012611, ("LESSOR") and the COUNTY OF MONTEREY, ("LESSEE"), C/O Real Property Specialist, 855 East Laurel Drive, Building C, Salinas, CA, 93905. LESSEE'S current lease for the Premises (as defined below), which is a Lease Agreement with Hibert Trust, dated December 14, 2004, is replaced and superseded by this LEASE and terminates in its entirety on the Lease Commencement Date of this LEASE, subject to LESSOR obtaining title to the Premises. LESSOR and LESSEE hereby agree as follows:

ARTICLE 1 - PREMISES

1.1 **Description:** LESSOR hereby leases to LESSEE and LESSEE hereby leases from LESSOR, upon the terms and conditions herein set forth, that certain real property and its appurtenances, situated at **1000 South Main Street, Salinas, CA 93901** (the "Building") and described as follows: General offices consisting of approximately **79,848** rentable square feet of space, (the "Premises"), as designated in Exhibit A, which is attached and incorporated herein. "Rentable square feet" shall be computed by measuring to the inside finish of the permanent outer building walls, to the office side of corridors and/or other permanent partitions, and to the center of partitions that separate the Premises from adjoining rentable space.

1.2 **Non-Exclusive and Exclusive Use Areas:** LESSEE shall also have the non-exclusive right to use, in common with other tenants in the Building, any and all of the following areas which may be appurtenant to the Premises: Common entrances, lobbies, elevators, stairways and access ways, loading and unloading areas, visitor parking areas, ramps, drives, platforms, restrooms, and common walkways and sidewalks necessary for access to the Premises.

1.3 **Parking Areas:** The parking areas are managed and owned by the Valley Center Business District Association (the "Parking Association"). The LESSOR is a member and owns a percentage interest in the Parking Association. LESSOR shall ensure that all **1,381** spaces are made available for LESSEE'S use, along with the use of other Parking Association members, throughout the initial term or any extended term of the Lease, up to June 30, 2045. LESSOR and LESSEE shall reasonably determine the specific parking areas and number of parking spaces for its use under the Lease, provided that LESSEE'S use does not violate the rights of tenants under other leases at the Building or other Parking Association members. If the Parking Association ends in June 2045, LESSOR guarantees to LESSEE a right of first refusal for 90% of any parking spaces that are made available to LESSOR for the final years of the Second Extended Term of the Lease.

1.4 **Compliance with the "Americans with Disabilities Act of 1990" (ADA):** LESSOR shall ensure that the Premises and the non-exclusive areas of the Building as described in Article 1.2 are in compliance with the Americans with Disabilities Act of 1990 ("ADA"), as amended, and, if necessary, within a reasonable time after the Commencement Date, shall modify the same to comply with the Act and the regulations promulgated to implement the ADA.

1.5 **Compliance with "No Smoking Law" (2003 Assembly Bill 846):** LESSOR shall use its best efforts to ensure that the Premises and the non-exclusive areas of the Building as described in Article 1.2 are in compliance with Government Code Title 1, Division 7, Chapter 32 (commencing with section 7596), as amended, and, if necessary, within a reasonable time after the Commencement Date, shall modify the same to comply with the law and the regulations promulgated to implement 2003 Assembly Bill 846.

1.6 **Statement of Seismic Adequacy:** LESSEE shall provide the statement described in Exhibit B with respect to seismic adequacy clearance.

LESSEE shall have the right to request a premise improvement allowance from LESSOR of **Twenty Dollars (\$20) per rentable square feet** of the Premises at each renewal period. LESSEE shall pay LESSOR a monthly base rent of \$1.67 per rentable square feet of the Premises for said allowance for the first year of each renewal term with monthly rent reducing to the Expense Stop for years 2-10 of each renewal term. Premise improvement allowance is to be used in accordance with provisions specified in Articles 7.1 and 7.2 below. LESSEE shall give LESSOR a minimum of sixty (60) days prior written notice of its desire to have LESSOR provide said allowance. LESSOR shall provide said allowance within ninety (90) days after LESSEE gives its notice.

2.3 Option to Purchase Building: LESSOR hereby grants to LESSEE an option to purchase the Building on or after June 16, 2027 at a price and on such terms as shall be mutually agreeable to both LESSOR and LESSEE.

ARTICLE 3 – RENT

In consideration of the continuing right of use, quiet enjoyment and possession of the Premises, LESSEE shall pay to LESSOR as monthly rent for the Premises the initial sum of no more than **One Hundred Fifty-Six Thousand Eight Hundred Twenty-Nine Dollars and 40/100 (\$156,829.40)**, payable on or before the first day of each month. LESSEE shall commence rental payments upon occupancy (“Rent Commencement Date”). If the Rent Commencement Date is other than the first day of a calendar month, then the rent for that month shall be prorated on a daily basis, based on a thirty (30) day month. Rent shall be payable to LESSOR at the address specified in Article 6 or at such other address as LESSOR may from time to time designate in writing. In addition, LESSEE shall contract and pay directly to its vendors for its responsibilities as outlined in Exhibits D and E. Monthly rent shall include LESSEE’S proportional share of expenses as identified in Article 3.3 below. *[Initial monthly rent is computed as follows: \$1.96 (maximum amount) per rentable square foot per month consisting of Base Rent set at \$1.31 (maximum amount) per rentable square foot per month and an Expense Stop set at \$0.65 (maximum amount) per rentable square foot per month].*

In the event that federal and state funding for LESSEE’S operations decreases by 25% or more of the combined funding for the previous year, or reduced by more than 25% of combined funding calculated cumulatively over the prior years of the Lease, and LESSEE does not want to reduce its space in the Premises, then all “Net Proceeds” (as defined below), up to the total amount of the funding losses, from the Premises, shall be used by LESSOR to reduce rent due from LESSEE during such period of reduced funding. By way of example only, if (i) LESSEE’S rent is \$100,000 per month, (ii) federal and state funding are collectively cut by 25%, and (iii) the Net proceeds after payment of all Premises expenses, bond payments and payments to LESSOR is \$30,000 per month (the “Net Proceeds”), then LESSEE’S rent shall be reduced to \$75,000 per month (which is the total amount of the funding losses). In no case will the rent be reduced by more than the Net Proceeds. For example, if the Net Proceeds in the previous examples are only \$20,000 per month, then the rent will only be reduced to \$80,000 per month. This rent reduction (and the application of Net Proceeds to pay LESSEE’S rent) will only go on for so long as the collective federal and state funding has been reduced by more than 25% of the prior year’s combined funding, or reduced by more than 25% of combined funding calculated cumulatively over prior years of the Lease.

In addition to LESSEE’S remedy detailed above, in the event that federal and state funding for LESSEE’S operations decreases by 25% or more of the combined funding for the previous year or reduced by more than 25% of the combined funding calculated cumulatively over the previous years of the Lease and LESSEE determines that it no longer needs or wants part of its space, then LESSEE may choose to either (i) put any other Monterey County operations in the space, or (ii) otherwise sublease such space in accordance with Article 1.7, or (iii) continue to pay rent on such space (less the Net Proceeds) in the hope that Federal and/or State funding will return to previous levels. If LESSEE elects to sublease the unused portion of the Premises, then LESSEE’S rent shall be decreased by the following amount: the Net Proceeds less the amount of the sublease payments.

If applicable, LESSOR'S designated property management shall be vested with such power and authority as is reasonably necessary or incidental to the performance of this Lease and the accomplishment of its purpose.

ARTICLE 7 - PREMISE IMPROVEMENTS

7.1 ***Premise Improvements:*** LESSOR shall construct Premise Improvements and make installations in the Premises (collectively "Premise Improvements") in accordance with plans and specifications as prepared by third-party vendors ("Plans and Specifications"), approved by LESSEE and LESSOR, and in accordance with those provisions of the attached Exhibit C ("Premise Improvement Agreement"), which describe construction.

7.2 ***Cost of Premise Improvements:*** LESSOR, at LESSOR'S sole cost and expense, shall provide LESSEE with a **One Million One Hundred Thousand Dollar (\$1,100,000)** Premise Improvement Allowance to construct Premise Improvements in accordance to the Plans and Specifications. Said costs shall not include LESSEE specific trade fixtures, furniture and equipment provided by LESSEE at its sole expense. LESSOR and LESSEE shall be in agreement of all Premise Improvement costs (presented in itemized format), and construction schedule (presented in Gant Chart format) prior to commencement of construction. Premise Improvement costs shall include costs associated with architectural, engineering, building permits and inspections and signage. LESSOR shall deposit the entire **One Million One Hundred Thousand Dollar (\$1,100,000)** Premise Improvement Allowance into an interest-bearing escrow account approved by LESSEE on or before the Lease Commencement Date, which deposit shall be a material term of this Lease. The funds shall be deposited in a bank account and the funds shall only be used for the Premise Improvements. Disbursements shall require LESSOR and LESSEE to jointly notify the property manager to make a disbursement and the property manager shall then authorize the bank to make the respective disbursements. LESSOR shall be entitled to use the Premise Improvement Allowance only for Premise improvements requested by LESSEE and approved by LESSOR, which approval will not be unreasonably withheld. LESSOR will obtain a minimum of three (3) bids from reputable contractors for any such improvements, and LESSOR and LESSEE will jointly select the contractor to do the work. Upon LESSEE'S written direction, which direction shall evidence LESSEE'S approval of expenditures from the Premise Improvement Allowance Account, LESSOR will enter into an agreement with the contractor for the work, and LESSOR will submit the contractor's invoice to the property manager and a copy to the LESSEE. The property manager will pay the contractor out of the Premise Improvement Allowance Account. LESSEE shall be responsible for any costs incurred above the Premise Improvement Allowance that are either approved by LESSEE or caused by LESSEE change orders.

7.3 ***Future Premise Improvements:*** Separate and distinct from maintenance, repairs and improvements set forth in Articles 7.1, 7.2, 34 and 35, LESSEE and LESSOR shall agree upon the actual dollar amount of Future Premise Improvements done by LESSOR on behalf of LESSEE prior to commencement. LESSOR and LESSEE acknowledge that the responsibility of Future Premise Improvement costs will be subject to negotiation between both parties. LESSOR and LESSEE further acknowledge that Future Premise Improvements shall utilize an agreement and terms consistent with Article 7.1 above, which describe such construction. LESSOR shall not be responsible for the cost or expense of any future alteration or addition to the Premises not contemplated herein other than the **\$1,100,000** Premise Improvement Allowance, unless agreed to in writing.

7.4 ***Premise Improvement Warranties:*** LESSOR warrants to LESSEE that all materials and equipment furnished by LESSOR in its improvement of the Premises shall be new unless otherwise specified in the Premise Improvement Agreement or other written agreement by LESSOR and LESSEE, and that all of LESSOR'S work to be performed under the Premise Improvement Agreement shall be of good and workmanlike quality, free from faults and defects, and in accordance with the final requirements of the Premise Improvement Agreement. Any of LESSOR'S work not conforming to the above standards shall be considered defective.

For **one (1) year** after the date of substantial completion of Premise Improvements, LESSOR shall, following written notice from LESSEE, make any repair, replacement, correction or other alteration of any nature necessary by virtue of any defective construction of the Premise Improvements or defective materials used therein. Thereafter, LESSOR shall promptly make or cause to be made all repairs, replacements, corrections or alterations, at no expense to LESSEE, to correct latent defects in the Premise Improvements.

11.4 **Environmental Hazards:** LESSOR hereby warrants and guarantees that the Premises and the non-exclusive areas of the Building as described in Article 1.2 will be maintained in compliance with all applicable environmental laws and regulations and agrees to survey, test, and abate as applicable and in accordance with Environmental Protection Agency, "EPA" guidelines. In the event that asbestos, lead, toxic mold spores or PCBs are found in the Premises, such materials will be remediated forthwith. A qualified industrial hygienist approved by LESSOR and LESSEE shall perform all testing with the test results/reports forwarded to LESSOR and LESSEE upon completion. LESSOR further agrees to contract with a qualified remedial contractor to provide remedial services as specified in Exhibit H on an as needed basis. LESSOR specifically agrees that any costs related to abatement of Environmental Hazards shall be the LESSOR'S responsibility unless caused by LESSEE, its agents, employees, invitees or guests.

11.5 **Acceptance of Premises:** By entry hereunder, LESSEE accepts the Premises as being in good and sanitary order, condition and repair, except as specified in Article 7.1 and Article 14.5 of this Lease.

ARTICLE 12 - SIGNS AND FIXTURES

LESSEE may place such signs and advertisements (including temporary banners, flyers, and notices) upon the Premises that is consistent with similar signs and advertisements in the Building. Such placement of signs and advertisements shall be subject to approval by the LESSOR which consent shall not be unreasonably withheld provided, however, that at the expiration of the term hereof or any renewal or extension of this Lease, LESSEE will remove said signs and will restore the Premises to their original conditions. Any trade fixtures, equipment, furniture, demountable walls, and other property installed in the Premises by and at the expense of the LESSEE shall remain the property of the LESSEE, and the LESSOR agrees that the LESSEE shall have the right at any time, and from time to time, to remove any and all of its trade fixtures, equipment and other property which it may have stored or installed in the Premises, provided the Premises are restored to acceptable condition. The LESSOR agrees not to mortgage or pledge the LESSEE'S trade fixtures, equipment and other property.

ARTICLE 13 - SERVICES AND UTILITIES

Services and utilities shall be furnished and the cost borne as outlined in Exhibit D. In the event of failure by LESSOR to furnish, in a satisfactory manner, any of the services and utilities to the Premises and the non-exclusive areas of the Building as described in Article 1.2 for which LESSOR is responsible, LESSEE may furnish the same if LESSOR has not undertaken to correct such failure within five (5) days after written notice, and, in addition to any other remedy LESSEE may have, may deduct the amount thereof, including LESSEE'S service costs, from rent or other remuneration due LESSOR hereunder. Such LESSEE'S right to furnish the same will take in consideration situations beyond the LESSOR'S control in which event a reasonable amount of time given the circumstances will be permitted for the provision or correction of service after written notice by LESSEE. As stated in Exhibit D, the term "adequate" shall mean sufficient enough to not impair the professional working environment, health or safety of the occupants or invitees of the Premises; the term "deemed necessary" shall mean that LESSOR and LESSEE are in agreement that appropriate action needs to be taken so as to not impair the professional working environment, health or safety of the occupants and or invitees of the Premises. The services and utilities to be furnished by LESSOR in Exhibit D shall be for normal office use associated with LESSEE'S use of the Premises. The term "normal office use" shall mean activities that are typically found in office buildings in the area by users who conduct administrative, professional and office functions that are consistent with the zoning for which the Building is located. Normal office hours for the Building shall be 6:00 am to 6:00 pm, Monday through Friday, excluding recognized County Holidays. In the event that LESSEE should require additional services and utilities after-hours, other than as stated above, LESSEE shall pay LESSOR for the cost of such additional services or utilities needed within thirty (30) days of invoice by LESSOR. LESSOR and LESSEE acknowledge that HVAC units for the Building will not be in operation after normal office hours unless mutually agreed to in writing.

ARTICLE 14 - REPAIR AND MAINTENANCE

14.1 **LESSOR and LESSEE Obligations:** The respective repair and maintenance responsibilities of LESSOR and LESSEE are set forth in Exhibit E, Summary of Repair and Maintenance Responsibilities, which by this reference is incorporated herein. As stated in Exhibit E, the term "deemed necessary" shall mean that LESSOR and LESSEE are in agreement that appropriate action needs to be taken so as to not impair the professional working environment, health or safety of the occupants and or invitees of the Premises.

16.2 **Condition at Termination:** LESSEE may remove any fixtures, machinery and equipment installed in the Premises by LESSEE upon the termination of this Lease, if LESSEE is not then in default under this Lease and if LESSEE repairs any damage to the Premises caused by such removal. Upon termination of this Lease, LESSEE shall return the Premises in the same condition as when delivered to LESSEE, reasonable wear and tear, damage by casualty, and alterations approved by LESSOR excepted.

16.3 **Mechanic's Liens:** LESSOR and LESSEE shall keep the Premises free from any liens arising out of any work performed by, materials furnished to, or obligations incurred by the parties.

ARTICLE 17 - ASSIGNMENT AND SUBLETTING

LESSEE shall not assign or sublet all or any portion of the Premises, except to a subdivision of the County of Monterey, without the prior written consent of LESSOR, which consent shall not be unreasonably withheld. Subletting shall be subject to use or uses stated in Article 11. LESSEE acknowledges and consents to the Building being financed with proceeds of "qualified 501(c)(3) bonds," the payments of principal of and interest on which will be secured by the rental payments made by LESSEE hereunder. LESSEE'S consent to the Building being financed in this manner is expressly limited to the purpose of compliance with the requirements of Government Code Section 5951 and in absolutely no way obligates LESSEE in connection with such financing in any way. LESSEE'S obligations are absolutely limited to those set forth in this Lease. Accordingly, LESSEE understands that it, its agents, invitees or assigns cannot conduct a for-profit business in the Building.

ARTICLE 18 - ENTRY BY LESSOR

LESSEE shall permit LESSOR and LESSOR'S agents to enter the Premises, with reasonable advance notice (except in the case of emergency), provided such entry is made in a reasonable manner and does not unreasonably interfere with the conduct of LESSEE'S business.

ARTICLE 19 - CONFIDENTIALITY OF LESSEE'S SERVICES/CLIENTS/RECORDS

LESSOR recognizes and understands that LESSEE'S services, identity of clients, and records relate to a confidential relationship between the LESSEE and its clients, and LESSOR agrees that, in its interaction with LESSEE, its clients and records, whether through itself, its employees, and or its agents, it will maintain such confidences as might become available to it and not release or divulge such confidential identities, information, or records.

ARTICLE 20 - INSURANCE AND INDEMNIFICATION

LESSEE, during the term hereof, shall indemnify and hold harmless the LESSOR from and against any and all claims and demands whether for injuries to persons or loss of life, or damage to property, occurring within the demised Premises and arising out of the use of the demised Premises and the non-exclusive areas of the Building as described in Article 1.2 by the LESSEE, excepting however, such claims and demands whether for injuries to persons or loss of life, or damage to property, caused by acts or omissions of the LESSOR.

LESSEE shall maintain public liability and property damage coverage or program of self insurance with liability limits of not less than \$1,000,000 for injury or death to one or more persons and property damage limits of not less than \$50,000 per occurrence insuring against all liability of LESSEE and its authorized representatives arising out of and in connection with LESSEE'S use or occupancy of the Premises. LESSOR, during the terms hereof, shall indemnify, defend and save harmless the LESSEE from and against any and all claims and demands whether for injuries to persons or loss of life, or damage to property, arising out of acts or omissions of the LESSOR.

LESSOR agrees that it will keep insured against loss or damage by fire, to at least eighty percent (80%) of the full fair insurable value thereof, the Building on the demised Premises or of which the demised premises are a part.

ARTICLE 24 - DEFAULT BY LESSOR

24.1 **Default:** LESSOR shall not be in default unless LESSOR fails to perform its obligations under this Lease within a reasonable time, but in no event later than **fifteen (15) days** after written notice by LESSEE to LESSOR specifying wherein LESSOR has failed to perform such obligations. If the nature of LESSOR'S obligation is such that more than **fifteen (15) days** are required for performance, then LESSOR shall not be in default if LESSOR commences performance within such **fifteen (15) day** period and thereafter diligently prosecutes the same to completion. LESSEE'S obligation to provide written notice to LESSOR of a default by LESSOR is limited to those instances where knowledge of LESSOR'S default is within the actual knowledge of LESSEE.

24.2 **Remedies:** If LESSOR fails to cure a prospective default within the time periods outlined above, LESSEE shall have the option to cure the default or to terminate this Lease, in addition to any other remedies at law not inconsistent herewith. Should LESSEE elect to cure the default itself, all costs associated with such cure, including reasonable attorneys' fees (if any), shall be reimbursed by LESSOR to LESSEE within **thirty (30) days** of receipt of LESSEE'S invoice for said costs. However, upon LESSOR'S failure to so reimburse or, at LESSEE'S option, said costs shall be held from rent due hereunder. If LESSOR'S default hereunder prevents LESSEE'S use of the Premises, there shall be an abatement of rental payments for the period of such non-use.

ARTICLE 25 - CONDEMNATION

If more than ten percent (10%) of the floor space area of the Premises is taken or condemned for a public or quasi-public use, or the part taken renders the entire Premises insufficient for the conduct of LESSEE'S business and operations, then this Lease shall terminate at the option of LESSEE as of the date title shall vest in the condemner. If only part of the Premises is taken and the remainder of the Premises is sufficient for the conduct of LESSEE'S business and operations, then LESSOR shall restore the Premises to a single architectural unit and the Lease shall continue as to the part not taken, but the monthly rent shall be reduced in proportion that the usable area of the Premises taken bears to the usable area of the Premises before the taking.

ARTICLE 26 - HOLDING OVER

If LESSEE, with LESSOR'S written consent, remains in possession of the Premises after the Lease Term or any Extended Term, this Lease shall automatically be extended on a **two month-to-two month** basis at the monthly rent applicable to the last month of the Lease Term or Extended Term, subject to termination upon **sixty (60) days written notice** by either party. All other terms and conditions shall remain in full force and effect.

ARTICLE 27 - WAIVER

The waiver by LESSOR or LESSEE of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or condition, nor shall either party's consent to any breach of any term, covenant or condition be deemed to constitute or imply its consent to any subsequent breach of the same or other term, covenant or condition herein contained.

ARTICLE 28 - QUIET POSSESSION

As long as LESSEE keeps and performs the covenants in this Lease, LESSEE shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the Premises, without suit, trouble or hindrance from LESSOR or any person claiming under LESSOR. LESSOR, to the best of LESSOR'S ability, shall also be responsible for ensuring that all other tenants in the Building do not interfere with the quiet enjoyment of the LESSEE.

ARTICLE 29 - SUBORDINATION

This Lease shall be subject and subordinated to the lien of any mortgages and deeds of trust which are hereafter placed against the LESSOR'S interest or estate in the property provided that the mortgage or beneficiary under such mortgage or deed of trust shall agree in writing that, in the event of a foreclosure of same or of any other such action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease shall not be barred, terminated, cut off, or foreclosed, nor will the rights and possession of LESSEE hereunder be disturbed if LESSEE shall not then be in default

ARTICLE 32 - MAJOR APPLIANCES

Installation of major appliances such as vending machines, refrigerators, stoves, etc., must be approved by LESSOR prior to installation. The LESSOR will grant installation approval for new appliances only. Such approval shall not be unreasonably withheld. No vending machines shall be placed around the exterior of the Building by LESSEE.

ARTICLE 33 - EXPENSE STOP

LESSOR and LESSEE acknowledge that LESSEE'S proportional share of the Building operational cost (the "Expense Stop") which is equal to **78.30%** of the total Building operational cost (based upon LESSEE'S current occupancy), is currently set at **\$0.65** per rentable square foot. LESSEE shall be entitled to a monthly review of the operational costs for the Building, as set forth in Exhibits D and E (itemized in standard accounting practices and support documents provided upon LESSEE'S request). On a monthly basis, the LESSEE as additional rent shall pay to LESSOR any actual expenses in excess of the Expense Stop within thirty (30) days of receipt of request from LESSOR. LESSOR shall credit back to LESSEE any actual monthly expenses totaling less than the Expense Stop within thirty (30) days of receipt of request from LESSEE. Said credit to be deposited into the Building Maintenance Account for use as identified in Article 34 below. The Expense Stop shall be adjusted annually at the same adjustment rate as specified in Article 4 above. The LESSEE'S proportional share of the operational expenses, identified in Article 3 above, may include the following: a proportional amount for professional property management, electrical and gas services to exclusive and non exclusive areas, water, trash disposal, sewer, elevator service, telephone, fire/security alarm, patrolled security, janitorial (labor and supplies), city utility taxes, real property taxes (if applicable), insurance (liability & fire at a cost related to a facility in good standing with customary underwriting practices), landscape maintenance, parking lot maintenance and fees of any parking association, general building maintenance (excluding major repairs, replacements and improvements or facility costs considered "capital improvements" by the Internal Revenue Service). The Expense Stop shall also include one hundred percent of the amount necessary for LESSOR to make the Building Maintenance Account and Capital Improvement Account contributions. In addition, operational expenses shall include one hundred percent of the costs of providing the following services or equipment to LESSEE within the Premises: paper supplies, dispensers, and waste and recycling containers, interior/exterior pest control, telephone and data service (including connection charges), and intrusion/security alarm system, appliances and communication systems (including data/telephone cabling connection and equipment). LESSOR shall use its best efforts to eliminate real property taxes payable on the Building, saving LESSEE such expenses to the degree LESSOR is successful in this endeavor. LESSEE shall reserve the right to approve or disapprove the property management company and or its respective scope of service for the Building, which the Premises is a part of.

ARTICLE 34 - FUTURE GENERAL BUILDING MAINTENANCE ACCOUNT

Separate and distinct from any other obligations of LESSOR to fund the Premise Improvement Allowance (as detailed in Article 7) and the Capital Improvement Account (as detailed in Article 35), LESSOR, at LESSOR'S sole cost and expense, shall place an initial sum of **Sixty Thousand Dollars (\$60,000)** into an interest-bearing account ("Building Maintenance Account") approved by LESSEE on or before the Lease Commencement Date, which deposit shall be a material term of this Lease. LESSOR shall be entitled to use the Building Maintenance Account for future general maintenance items such as repainting and recarpeting/flooring of the Premises. In addition to the initial sum deposited into the Building Maintenance Account and so long as LESSEE is not in default under Articles 3 and 33 herein, LESSOR shall deposit a portion of the Expense Stop funds, in the amount of **\$0.026** per rentable square feet of the Premises per month into an interest bearing account approved by LESSEE, to be used for future general maintenance items such as repainting and recarpeting/flooring of the Premises.

The amount of funds going into the Building Maintenance Account shall be adjusted annually at the same adjustment rate as specified in Article 4 above. Use of funds in the Building Maintenance Account shall be under the sole discretion of the LESSEE. The professional property management company for the Premises shall be in charge of the monthly accounting for said account and provide LESSOR and LESSEE with accounting reports upon request. Disbursements shall require LESSOR and LESSEE to jointly notify the property manager to make a disbursement, and the property manager shall then authorize the bank to make the respective disbursement. LESSOR will obtain three (3) bids from reputable contractors for any such improvements, and LESSOR and LESSEE will jointly select the contractor

EXHIBIT A

DESCRIPTION OF PREMISES

1000 South Main Street, Salinas, CA (DSES Master Lease)

<u>Suites</u>	<u>Rentable Square Feet</u>
106, 107, 108, 109, 110, 111, 105A2, Conference A/B, and Conference C	12,492
112, 113, 114, 115, and 116	8,119
101, 102, 103, and 104	3,466
202, 220, and 219	3,305
204	1,309
206B1	1,183
208	3,841
209	2,063
211	4,008
216	10,063
301 and 320	3,120
303, 304, 305, 306, and 308	10,142
310	2,393
314, 315, and 317	7,038
117	<u>7,306</u>
Total Rentable Square Feet =	79,848

DESCRIPTION OF ADDITIONAL SPACE

1000 South Main Street, Salinas, CA (Health Department Suites)

<u>Suites</u>	<u>Rentable Square Feet</u>
105A-C, 210, 311	9,480

EXHIBIT C

PREMISE IMPROVEMENT SPECIFICATIONS

1000 South Main Street, Salinas, CA

This Premise Improvement Agreement is made by and between **LIFE Foundation Monterey, LLC**, ("LESSOR"), and **COUNTY OF MONTEREY**, ("LESSEE").

1. Premise Improvements:

- a. LESSOR shall construct all Premise Improvements in accordance with the Plans and Specifications as approved by LESSOR and LESSEE and as further defined in Article 7 of the County of Monterey Standard Lease Agreement to which this Exhibit is attached. Premise Improvements must satisfy the Federal Americans with Disabilities Act of 1990, as and if applicable.
- b. Premise Improvements are generally described as follows: the improvement of existing [*general office space*] as to conform to LESSEE'S approved program for the use of the Premises.
- c. If applicable, LESSOR shall commence construction of the Premises Improvement work at the earliest opportunity, but not more than 5 days following issuance of building permit. Plans and Specifications shall be approved by LESSOR and LESSEE prior to submittal to the local jurisdiction's Building and Planning Department.
- d. LESSOR shall diligently pursue construction of approved Premises Improvement work and deliver the Premises to LESSEE in a condition suitable for occupancy no later than a date certain, that will be mutually established by LESSOR and LESSEE on or before the date LESSOR'S contractor commences construction of the Premise Improvements.

2. Construction Plans and Specifications, Change Orders and Delay:

- a. LESSOR shall provide for LESSEE'S approval the complete and detailed proposed Plans and Specifications for the Premises Improvements, the design of which shall conform to LESSEE'S approved program for use of the Premises.
- b. LESSEE shall provide LESSOR with written notice of its approval or disapproval of the Plans and Specifications within five (5) business days after receipt of such Plans and Specifications.
- c. During construction, LESSOR and LESSEE'S Representative (as defined below) shall confer periodically regarding the progress of the work and the approximate cost of the work completed. LESSEE'S Representative may request changes, modifications or alterations to the Plans and Specifications by written change order delivered to LESSOR, but no such change shall be made without the written approval of LESSOR, which approval shall not be unreasonably withheld. LESSOR shall approve or deny each LESSEE change order within four (4) business days, and LESSOR shall also provide to LESSEE'S Representative, by written notice to LESSEE, an estimate of the maximum cost of each change order within five (5) business days after the delivery of the change order to LESSOR. No work based upon a change order shall be undertaken unless and until LESSEE'S Representative shall have approved (by notice to LESSOR) LESSOR'S cost estimate.
- d. If LESSOR determines that a change proposed by LESSEE will delay completion of the construction beyond the period allocated for such construction, LESSOR shall, within four (4) business days, notify

reasonably determined that LESSOR must complete or correct prior to LESSEE'S acceptance of possession in order for the work to conform to the Plans and Specifications. LESSOR shall immediately commence to complete or correct the items listed by LESSEE, except those it contends are not justified. If LESSEE fails to deliver such a list within the five (5) business day period, LESSEE shall be deemed to have accepted the Premises subject to completion of the corrections on LESSOR'S list of corrections and to have approved the construction.

c. Acceptance by LESSEE shall not be unreasonably withheld.

7. Notices: All notices required or permitted hereunder shall be in writing and shall be delivered as follows:

14 If to LESSOR, to: LIFE Foundation Monterey, LLC (LESSOR'S Representative)
19850 Pacific Coast Highway
Malibu, California 90265

a. If to LESSEE, to: County of Monterey (LESSEE'S Representative)
Public Works Department
Real Property Specialist
855 E. Laurel Drive, Building C
Salinas, CA 93905

8. Notice of Non-Responsibility: LESSOR may post such notices of non-responsibility as it reasonably deems appropriate in the Premises during the construction provided for herein.

9. Responsibility for Damage: If LESSEE installs equipment in the Premises prior to completion of the work hereunder; LESSEE shall bear the risk of loss to such equipment other than loss that is a result of negligence or willful misconduct by LESSOR, its agent or contractors.

10. Approval of Agreement: Approval of this Agreement will result in a construction of a facility suitable for the LESSEE'S program. This agreement specifically includes the installation of necessary telecommunications/data processing linkages, and alarm systems. Specification for telecommunications/data processing linkages and alarm systems will be developed and provided by the Monterey County Information Technology Department. See Exhibit G.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date above written.

LESSOR:

By: [Signature]

Title: Chairman

Date: 6/11/2007

LESSEE:

By: [Signature]

Title: PURCHASING MANAGER
COUNTY OF MONTEREY

Date: 6-12-07

EXHIBIT E

SUMMARY OF REPAIR AND MAINTENANCE RESPONSIBILITIES

The following is a summary of maintenance and repair responsibilities of LESSOR and LESSEE for the proposed use of the Premises:

	N/A	LESSOR	LESSEE
Common Areas		x	
Foundations and Floor Slabs		x	
Elevators and/or Dumb Waiters		x	
Exterior and Bearing Walls		x	
Exterior Doors and Hardware		x	
Exterior Windows and Window Frames		x	
Roofs (including replacement if deemed necessary)		x	
Gutters, Drains and Downspouts		x	
Parking Lots		x	
Ceilings (damage due to roof leaks only)		x	
Fire Sprinkler Systems		x	
Fire Alarm Systems		x	
Intrusion/Security Alarm Systems (excluding common areas)		x	
Heating, Ventilation and Air Conditioning (HVAC) Systems (including replacement if deemed necessary)		x	
Heating, Ventilation and Air Conditioning (HVAC) control switches, sensors and thermostats		x	
Electrical Systems (including electrical outlets, panels, circuit breakers and wiring)		x	
Plumbing Systems (including sewer and drain stoppages, and fixtures)		x	
Exterior Lighting (including starters, ballasts, transformers and light switches)		x	
Interior Lighting (including starters, ballasts, transformers and light switches)		x	
Interior Light Bulbs and Fluorescent Light Tubes (replacement)		x	
Interior Walls		x	
Interior Wall Surfaces (including repainting every 5 years or if deemed necessary and if Premises wall surfaces are made accessible by LESSEE)		x	
Interior Doors and Hardware		x	
Interior Windows and Window Frames		x	
Carpet, VCT, and Linoleum Flooring (including replacement if deemed necessary and with the understanding LESSEE pays for moving office furniture and equipment unless otherwise agreed to in writing)		x	
Base and/or Moldings (including replacement if deemed necessary)		x	
Appliances (excluding common area)		x	
Communication Systems (data/telephone cabling, connections and equipment)		x	

***Notwithstanding the forgoing, LESSEE will pay to LESSOR the reasonable cost of any repairs or maintenance required as a direct result of negligent acts or omissions of LESSEE, its agents, employees, or invitees. LESSEE will also pay to LESSOR the reasonable cost of any repair or maintenance required for LESSEE installed improvements to the Premises, such as phone/data cabling, support equipment, trade fixtures, special door locks, and any other equipment used to meet LESSEE'S operational needs that are considered above normal general office space improvements.**

CUSTODIAL SERVICE SPECIFICATIONS (Page 2 of 3)

WEEKLY SERVICE (Fridays)
A. General Cleaning
1. Remove fingerprints from doors, walls, and light switches
2. Remove marks/clean door kick plates
3. Wash wastebaskets/trash receptacles inside and out
4. Wash all handrails
5. Clean around door knobs/push plates
B. Floor and Carpet Care (including stairways)
1. Damp mop all hard surface floors
2. Buff all hard surface floors using a high speed buffing machine
3. Spot clean all carpeted floors
C. Restroom Cleaning
1. Scrub all sinks with abrasive cleaner
2. Scrub inside toilets and urinals with acid-type bowl cleaner
D. Dusting
1. All windows and door sills
2. Ledges, baseboards, and partitions
3. All chairs
4. Remove cobwebs from ceilings, corners and crevices, etc.
BI-WEEKLY SERVICES (Fridays)
Dry shampoo all carpeted areas.
MONTHLY SERVICE (Last Weekend of the Month)
A. Floor and Carpet Care
1. Scrub and refinish all hard surface floors using an acrylic finish
2. Edge out all carpet areas (areas that are out of reach during normal vacuuming)
B. Restroom Cleaning (including non-exclusive areas of the Building)
1. Wash all walls and partitions
C. Dusting
1. Vacuum all upholstered furniture
2. Clean all blinds, drapes and window shades
D. Additional requirements specific to Premises
1. Shampoo all upholstered furniture

EXHIBIT G

COUNTY OF MONTEREY INFORMATION TECHNOLOGY CABLING STANDARDS (Page 1 of 3)

This document is to be used as a guide for voice and data cabling in all Monterey County facilities with the exception of Natividad Medical Center. Some of the requirements are dependent on specifications that are specific to a particular job and this information will be made available as necessary.

1. The cable plant shall be star configured, unshielded twisted pair (UTP) system capable of supporting data rates of 350 MBPS.
2. All riser and closet-to-closet voice wiring shall be unshielded twisted pair PVC rated, Outside Plant (OSP) rated for underground use, Riser rated, or Plenum rated as required by local Fire Marshall, and shall be EIA/TIA 568, 569 and TSB-36 Category 3 certified cable. This cable shall be tested for opens, shorts and reversals.
3. All riser and closet-to-closet data wiring shall be color coded tight tube 62.5/125 multimode fiber optic cable PVC, Outside Plant, Riser or Plenum rated as required by specific project specifications or the local Fire Marshall.
4. Only existing communications closets may be used for the termination of voice and data cable. Additional cable consolidation points and intermediate distribution frames will be added only with prior approval from the Monterey County Telecommunications Department.
5. All fiber optic cable shall be terminated on ST or SC connections as required by specific project specifications.
6. All fiber optic cable shall be installed in appropriate fiber optic interduct PVC, Outside Plant, Riser or Plenum rated as required by specific project specifications or the local Fire Marshall.
7. All Fiber optic cable shall be terminated in the equipment rooms in approved fiber optic LIU cabinets Leviton Part # 5R330-OAB or the equivalent with sufficient density to accommodate all fiber optic cable as specified in the project specifications.
8. The cable plant shall meet EIA/TIA-568 "Commercial Building Telecommunications Wiring Standard" and the maximum length of any UTP data drop SHALL NOT exceed 100 meters (322 feet) including patch cables and future jumper cables.
9. All data drop cabling shall be EIA/TIA 568, 569 and TSB-36 Category 5 enhanced certified (5E) cable.
10. All data drop cabling shall be 4 pair unshielded twisted pair, PVC rated, (Outside Plant (OSP) rated for underground use) (Plenum rated as required by local Fire Marshall), and Category 5 enhanced certified cable.
11. Approved cable supplier: Belden enhanced Data Twist CAT-5 #1700A (Blue color for data-1 Black color for data-2 unless otherwise requested) or it's equivalent or data and Belden CAT-5 #1583A (Grey color for voice-1 White color for voice-2 unless otherwise requested) or it's equivalent for voice.
12. All wiring closet data connecting hardware shall be EIA/TIA TSB-40 Category 5 enhanced certified cable.