

# CITY OF PALM DESERT STAFF REPORT

---

MEETING DATE: February 27, 2025

PREPARED BY: Veronica Chavez, Director of Finance

SUBJECT: AMENDMENT NO. 2 TO CONTRACT NO. C39690 LEASE AGREEMENT  
WITH DESERT RECREATION DISTRICT TO FACILITATE NECESSARY  
BUILDING IMPROVEMENTS AT PALM DESERT COMMUNITY CENTER

---

## **RECOMMENDATION:**

1. Approve Amendment No. 2 to Contract No. C39690, the Desert Recreation District Lease Agreement.
2. Authorize City Manager to execute said amendment upon approval by the City Attorney.

## **BACKGROUND/ANALYSIS:**

Since 2016, the City of Palm Desert (City) and Desert Recreation District (DRD) have been working to update and improve the Palm Desert Community Center (43900 San Pablo Avenue). The City owns the facility, and the DRD operates it according to a lease agreement that was effective January 1, 2020.

In June of 2023, the City Council approved Amendment No. 1 to the existing lease agreement allowing the City to provide a Tenant Improvement Allowance to fund DRD's necessary improvements and amend the lease to include a bi-annual lease payment to recover costs plus interest associated with the tenant improvements, as well as extend the term to 35 years to accommodate the repayment of the allowance.

The original project schedule anticipated completion by October 2024. On October 3, 2024, the City was notified that Substantial Completion was expected by October 21, 2024, after which the contractor would begin demobilization.

Soon after, delays occurred due to unexpected inspection requirements from the Fire Marshal, which differed from the previously approved stamped plans. Both the contractor and DRD have communicated challenges in completing the fire inspection process, as well as the limited availability of the Fire Marshall during the holiday season causing further delay to progress.

Due to these delays, an amendment is necessary to grant DRD an additional six months to submit its final reimbursement request from the Tenant Improvement Allowance (TIA). As a result, all reimbursement requests must be submitted no later than April 1, 2025 with repayment set to begin July 1, 2025.

All other terms of the contract will remain in effect.

## **Legal Review:**

This report has been reviewed by the City Attorney's Office.

**FINANCIAL IMPACT:**

The change in lease terms will include a lease payment from DRD in accordance with the agreed upon terms. The improvements at the Palm Desert Community Center qualify for the intended use of funds pursuant to the Bond Proceeds Funding Agreement and therefore will not adversely impact the General Fund.

**ATTACHMENTS:**

1. C39690 Executed Lease Agreement
2. Amendment No. 1
3. Amendment No. 2