

CITY OF PALM DESERT

73-510 FRED WARING DRIVE
PALM DESERT, CALIFORNIA 92260-2578
TEL: 760 346-0611
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January 13, 2020

Mr. Kevin Kalman
General Manager
Desert Recreation District
45305 Oasis Street
Indio, California 92201

Dear ~~Mr. Kalman~~: *Kevin,*

Subject: Contract No. C39690 - Lease Agreement for the Palm Desert Community Center Building Located at 43900 San Pablo Avenue (APN 622-250-016)

At its regular meeting of December 12, 2019, the Palm Desert City Council, by Minute Motion, authorized: 1) Mayor to execute subject Lease Agreement between the City of Palm Desert and Desert Recreation District; 2) City Attorney to make non-substantive changes to the Agreement prior to final execution.

Enclosed is a fully executed Lease Agreement for your records. If you have any questions or require additional information, please do not hesitate to contact us.

Sincerely,

RACHELLE D. KLASSEN, MMC
CITY CLERK

RDK/mgs

Enclosure (as noted)

cc/enc: Ryan Stendell, Director of Community Development
Finance Department

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is entered into as of January 1, 2020 ("Term Commencement Date"), by and between the CITY OF PALM DESERT, a California municipal corporation ("Lessor") and the DESERT RECREATION DISTRICT, a California special district ("Lessee"). Lessor and Lessee are sometimes referred to individually as "Party" and collectively as "Parties."

RECITALS

WHEREAS, Lessee previously owned certain real property in the City of Palm Desert, California, consisting of two (2) parcels of approximately thirty two (32) acres, including a recreation building and other improvements ("District Property"); and,

WHEREAS, the City of Palm Desert and the former Redevelopment Agency own a civic center site of approximately sixty three (63) acres on the northeast corner of Fred Waring Drive and San Pablo Avenue ("Civic Center Property"); and,

WHEREAS, pursuant to an Exchange Agreement and Transfer Instructions dated October 13, 1988, an Agreement for Cooperation dated October 13, 1988, and a Lease Agreement dated 1990, Lessee conveyed District Property to Lessor as consideration for the continued lease of operational facilities for Lessee on the Civic Center Property and a long term lease of a community recreation building constructed by Lessor for Lessee on the Civic Center Property ("Palm Desert Community Center"); and,

WHEREAS, the leased premises are located at 43900 San Pablo Avenue, Palm Desert, California 92260 ("Premises"), as legally described in **Exhibit "A"** attached hereto and incorporated herewith, and include all improvements located thereon, including capital improvements to the Premises as of the Term Commencement Date and as added or upgraded pursuant to the provisions of this Lease, including the City Improvements as defined in Section 5.2, along with the existing recreation building with dressing and activity rooms, reception area, storage, other usable space, and associated landscaping ("Improvements"); and,

WHEREAS, the Parties now wish to provide for the amendment and extension of their previous lease agreement and address future improvements and ongoing repairs to the Premises on the terms and conditions set forth in this Lease; and,

WHEREAS, upon the terms and conditions set forth hereinafter, Lessor desires to lease the Premises to Lessee, and Lessee desires to lease the Premises from Lessor for the specific use and purpose of providing a recreation center ("Specific Use"); and,

NOW THEREFORE, in consideration of the above recitals and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1

TERM OF LEASE

1.1 Term. The "Term" of this Lease shall be twenty-five (25) years, commencing on January 20, 2020 (the "Term Commencement Date") with an option to renew the Lease at the Parties' mutual discretion for five (5), five (5)-year terms, unless terminated earlier by Lessor or Lessee (subject to terms herein).

1.2 Date of Lease and Legal Effect. The terms, covenants, and conditions of this Lease shall become legally binding on the Term Commencement Date.

1.3 Termination. The Parties may not terminate this Lease during the first twenty five (25) years of the Term or during any of the five (5)-year renewals. With a minimum six (6) months' notice either Party may terminate this Lease prior to any subsequent renewal date. This provision shall not apply in the event of a breach of the Lease or the mutual written agreement of the Parties.

ARTICLE 2

RENT

2.1 Base Rent. During the term of this Lease, Lessee shall pay to Lessor for each year from the Term Commencement Date One Dollar (\$1.00) ("Base Rent"). The Base Rent owing for the full term of the Lease shall be payable in advance of the Term Commencement Date.

ARTICLE 3

USE OF PREMISES AND COMPLIANCE WITH LAW

3.1 Use and Continuous Operation Covenant. Lessor's primary purpose for entering into this Lease is to provide for the operation of the Premises for the general public for the usual and customary services and facilities provided by the Desert Recreation District, including athletic facilities, recreational programs, and activities. Lessee shall routinely report to the City of Palm Desert's Parks and Recreation Commission at its regular meetings, but not less than once a year, a schedule of the availability of all facilities and of all programs and activities to be conducted on the Premises, including the time, date, and duration of such programs and activities. The concept of wholesome, affordable family recreation shall be promoted. Should the Lessee wish to substantially change programs and activities available at the facility, Lessee will provide Lessor an explanation of the changes desired and agrees to meet and confer with Lessor with the goal of mitigating any Lessor concerns regarding those desired changes.

3.2 Fees and Charges. The Lessee shall be responsible for setting fees and charges for participation in its various programs and activities conducted on the Premises or for use of the Premises provided. It is the Lessor's and Lessee's goal to permit participation by all socio-economic groups in the programs and activities conducted on the Premises. Reasonable cost of operation shall include, but not be limited to, all direct or indirect costs, such as overhead and amortization of capital improvements as otherwise allowed by law. The Lessee's schedule of fees under this Section 3.2 shall be submitted to the Lessor for prior written approval and any substantial changes to or

deviations from such schedule thereafter must be approved in writing by the Lessor. Lessor's consent to any fees or charges will not be unreasonably withheld.

3.3 Reports and Records. The Lessee shall maintain accurate records of the costs and revenues associated with operation of the Premises and the various programs and activities conducted on the Premises. Such records shall be available to Lessor for inspection upon request.

3.4 Parking. The Lessor shall make available and maintain at acceptable standards sufficient public parking to serve the Premises within the Palm Desert Civic Center area, specifically including handicapped and bicycle parking. Lessee acknowledges it does not have exclusive use of the entire parking area.

3.5 Compliance with Law. Except as otherwise provided in Section 3.5.1 and Article 5 hereof as Lessee's specific obligations, Lessee, at Lessee's expense, shall promptly comply with all present and future laws, ordinances, orders, rules, regulations, and requirements of all governmental authorities having jurisdiction affecting the Premises (or the cleanliness, safety, occupancy, and use of the same), whether or not any such law, ordinance, order, rule, substantial or unforeseen, or ordinary or extraordinary, or shall necessitate structural changes of the Improvements or interfere with the use and enjoyment of the Premises. If any governmental license or permit shall be required for the proper and lawful conduct of the Premises, Lessee shall procure and thereafter maintain such license or permit at its sole cost and expense and shall submit the same for inspection by Lessor.

3.5.1 Notwithstanding the provisions of Section 3.5, the Parties acknowledge that the Premises require a new roof and HVAC system, and repair of the Foundation. Lessor will be responsible for the cost of such major repairs, as provided in Article 5, below. The provisions of Section 3.5 shall not be construed to require Lessee to make those City Improvements at its expense.

3.6 Hazardous Substances. Lessee shall ensure that there shall not be kept, used, or sold in, upon or about the Premises any hazardous or toxic materials, chemicals, gasoline, petroleum distillate or other petroleum products, or any other substance or material of any explosive, inflammable, hazardous, toxic, or radioactive nature which may endanger or damage any part of the Premises, its occupants or invitees, or present any unusual fire, explosion or other damaging or dangerous hazard, or present the possibility of contamination by toxic or hazardous waste.

3.7 Nondiscrimination. Lessee covenants and agrees for itself, its agents and assigns, and all persons or entities claiming under or through it and this Lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person, or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12936.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises nor shall the Lessee, itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of lessees, sublessees, sublessee or vendees in the Premises.

3.8 Liens. Lessee shall keep the Premises, including the Improvements, and the furniture, fixtures and equipment ("FF&E") and any and all parts thereof, free from any and all liens arising out of any work performed, materials furnished or obligations incurred by or for Lessee, and agree to cause to be discharged of record any mechanics' or materialmen's lien within twenty (20) calendar days after the lien has been filed or within ten (10) calendar days after receipt of written request from Lessor, whichever shall be the sooner. Lessee shall give Lessor at least fifteen (15) calendar days written notice prior to commencing or causing to be commenced any work on the Premises (whether prior or subsequent to the commencement of the Term), so that Lessor shall have reasonable opportunity to file and post notices of non-responsibility for Lessee's work. Lessor may condition its consent to work upon Lessee posting lien and material and/or completion bonds in amounts as may be necessary to cover the anticipated cost of such work and potential overruns. Lessee shall reimburse Lessor for any and all costs and expenses which may be incurred by Lessor by reason of the filing of any such liens and/or removal of same, such reimbursement to be made within ten (10) calendar days after receipt by Lessee from Lessor of a statement setting forth the amount of the costs and expenses.

3.9 CASp Disclosure. Lessee caused the Premises to be inspected by a Certified Access Specialist ("CASp") (as defined in California Civil Code section 1938) in 2011 and will cause an additional inspection during 2019.

ARTICLE 4

OWNERSHIP OF IMPROVEMENTS

During the Term of this Lease, all Improvements and FF&E that are provided by Lessee or purchased or paid for by Lessee shall remain the property of Lessee. During the Term of this Lease, all Improvements and FF&E that are provided by Lessor or purchased or paid for by Lessor shall remain the property of Lessor.

ARTICLE 5

EXPENSES AND IMPROVEMENTS

5.1 Payment of Expenses. Lessee shall pay all of the costs and expenses for the operation, management, and maintenance of the Premises. Such expenses shall include, without limitation, the following: (i) expenses incurred by Lessee in connection with the Premises for general maintenance, painting, lighting, cleaning, security, fire protection; (ii) subject to Section 3.5.1 and this Article, all charges, surcharges and other levies imposed by, and all costs (whether or not capital in nature) of compliance with the requirements of any federal, state, or local governmental agency regulating use of the Premises; and (iii) the actual cost of minor repairs to the Premises. As used herein, "minor repairs" means those repairs excluding the replacement of the roof, HVAC system, and repair of the Foundation as provided in Section 5.2 below, and includes interior modifications to improve the ability to provide recreational services. Minor repairs further include those needed for the ongoing upkeep and maintenance of the Premises after completion of Lessor's City Improvements.

5.2 City Improvements. Lessor shall fund the following necessary major improvements and repairs to the Premises: replacement of the entire roof and associated repairs; replacement of the HVAC and associated ducting; and repair of the Foundation as determined to be necessarily

structurally (“City Improvements”). The repairs to be done by Lessor must either occur before or at generally the same time as those to be performed by Lessee.

5.3 District Improvements. Lessee may design and fund a new front lobby, reconfigured weight room and office area, and a new preschool area to the rear of the Premises with an enclosed play area (“District Improvements”). As part of such work, Lessee may request and Lessor shall grant an additional area of the Civic Center Property and **Exhibit “A”** shall be amended accordingly.

5.4 Improvements Project. The Parties agree that economic efficiency and continued service to the public support the performance of both City and District Improvements as one project (“Project”), with one bid process and prime contractor. Lessor and Lessee each will bear its own costs. Lessee shall be the lead agency for the design and construction of the City and District Improvements and repairs provided in Section 5.2 and 5.3 as set out in **Exhibit “B”** attached and incorporated as if fully set forth herein.

ARTICLE 6

MAINTENANCE OF LEASED PREMISES

6.1 Lessee’s Obligations for Maintenance.

6.1.1 Lessee’s Obligations. Lessee shall be responsible for minor repairs, herein described as “District Improvements,” at Lessee’s expense without cost to Lessor, and shall maintain in good order, condition, quality, and repair, the Premises and every part thereof, and any and all appurtenances thereto wherever located, and all other repairs, replacements, renewals, and restorations, ordinary and extraordinary, foreseen and unforeseen.

6.1.2 Standard of Maintenance. Subject to Section 3.5.1, Lessee shall keep and maintain the Premises, including the Improvements thereon, and all FF&E, in a clean, sanitary, and safe condition in accordance with the laws of the State of California and in accordance with all directions, rules, and regulations of the health officer, Fire Marshal, building inspector, or other property officials of the governmental agencies having jurisdiction, and Lessee shall comply with all requirements of laws and ordinances affecting the Premises and the Improvements, all at the sole cost and expense of Lessee. At the time of the expiration of the tenancy created herein, Lessee shall surrender the Premises and the Improvements thereon in the same order, condition, and repair as when received, reasonable wear and tear excepted.

6.1.3 Lessor’s Substitute Performance. In the event Lessee fails, refuses, or neglects to commence and complete promptly and adequately any of Lessee’s obligations pursuant to this Section, or to remove any lien, to pay any cost or expense relating to the matters described in Section 3.8, Lessor may, but shall not be required to, make or complete any such repairs, remove such lien, or pay such cost and expense, and Lessee shall reimburse Lessor for all costs and expenses of Lessor thereby incurred within fifteen (15) calendar days after receipt by Lessee from Lessor of a statement setting forth the amount of such costs and expenses which shall be deemed to be additional rent and subject to the same consequences as herein provided for failure to pay rent. If reasonably possible under the circumstances, Lessor shall give Lessee written notice fifteen (15) calendar days prior to commencement of any substitute performance. Any failure by Lessor to give such notice, however, shall not prejudice Lessor’s rights hereunder or alter Lessee’s obligations

hereunder. Lessor's rights and remedies shall be in addition to any and all other rights and remedies provided under this Lease or at law.

6.2 Lessor's Obligations For Maintenance. Lessor shall maintain, repair, and replace the parking areas located adjacent to the Premises.

ARTICLE 7

INSURANCE AND INDEMNITY

7.1 Lessee's Insurance.

7.1.1 Types. Lessee, at no cost and expense to Lessor, shall procure and keep in full force and effect during the Term or cause to be procured and kept in full force and effect for the mutual benefit of Lessor and Lessee, insurance policies or self-insurance meeting the minimum requirements set forth below or such greater requirements that are generally obtained from time to time for properties, improvements, activities, and operations similar to those on the Premises in the Southern California area.

Commercial general liability insurance with respect to the Premises and the operations of or on behalf of Lessee or its agents, officers, directors, and employees in, on or about the Premises in an amount not less than Three Million Dollars (\$3,000,000) per occurrence combined single limit for bodily injury, personal injury, death and property damage, Three Million Dollars (\$3,000,000) in aggregate subject to such increases in amount as Lessor may reasonably require from time to time. Coverage shall include, but not be limited to personal injury liability, premises and operation, blanket contractual, cross liability, severability of interest, broad form property damage, and independent contractors. Lessee shall cause Lessor and its officers, employees, and agents to be named as additional insureds on such policy or policies.

Worker's compensation coverage as required by the laws of the State of California together with employer's liability coverage.

With respect to the Improvements, FF&E, and other items of personal property located on or in the Premises, insurance against fire, flood, extended coverage, vandalism and malicious mischief, and such other additional perils, hazards and risks as now are or may be included in standard "all risk" forms in general use in Riverside County, California, for an amount equal to not less than the full current actual replacement cost thereof.

Such insurance shall include endorsements for the leasehold improvements, inflation coverage, plate glass, business interruption, sprinkler leakage and changed conditions. Lessor shall be an additional insured under such policy or policies and such insurance shall contain a replacement cost endorsement.

Standards. All policies of insurance required to be carried by Lessee under this Lease shall be written by responsible and solvent insurance companies authorized to do business in the State of California and rated no less than A VII by A.M. Best's Key Rating Guide. With Lessor's prior written approval of the insurance coverage, any insurance required of Lessee hereunder may be furnished by Lessee under any blanket policy carried by Lessee. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer (if approved by Lessor), certifying that such policy has been issued, providing the coverage

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required by this Section and containing provisions specified herein, shall be delivered to Lessor prior to the date Lessee is given possession of the Premises or as Lessor may otherwise require, and upon renewals, not less than thirty (30) days prior to the expiration of such coverage. Lessor may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Lessee hereunder. In no event shall the limits of any policy be considered as limiting the liability of Lessee under this Lease.

Specific Provisions in Policy. Each policy evidencing insurance required to be carried by Lessee pursuant to this Article shall contain the following provisions or clauses:

a provision that the insurer will not cancel or materially change the coverage provided by such policy without first giving Lessor thirty (30) days prior written notice; and

a waiver by the Lessee's insurer of any right to subrogation against Lessor, its agents, employees or representatives which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of Lessor, its agents, employees or representatives.

If the services provided in relation to this Agreement relate in any way to minors, then this policy shall also include an endorsement for abuse and sexual molestation covering damages arising out of actual or threatened physical abuse, mental injury, sexual molestation, negligent: hiring, employment, supervision, investigation, reporting to proper authorities, and retention of any person for whom Lessee is responsible including, but not limited to, its employees and volunteers. Coverage shall be written on an occurrence basis in an amount of not less than \$1,000,000 per occurrence, with an annual aggregate limit not less than \$3,000,000.

Primary/noncontributing. Coverage provided by Lessee shall be primary and any insurance or self-insurance procured or maintained by Lessor shall not be required to contribute with it. The limits of insurance required herein may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of Lessor before the Lessor's own insurance or self-insurance shall be called upon to protect it as a named insured.

Enforcement of contract provisions (non estoppel). Lessee acknowledges and agrees that any actual or alleged failure on the part of the Lessor to inform Lessee of non-compliance with any requirement imposes no additional obligations on the Lessor nor does it waive any rights hereunder.

Prohibition of undisclosed coverage limitations. None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to Lessor and approved of in writing.

Separation of Insureds. A severability of interests provision must apply for all additional insureds ensuring that Lessee's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability. The policy(ies) shall not contain any cross-liability exclusions.

Pass Through Clause. Lessee agrees to ensure that its subconsultants, subcontractors, and any other party involved with the project who is brought onto or involved in the project by Lessee, provide the same minimum insurance coverage and endorsements required of Lessee. Lessee agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Lessee agrees that upon request, all agreements with consultants, subcontractors, and others engaged in the project will be submitted to Lessor for review.

Self-insured retentions. Any self-insured retentions must be declared to and approved by Lessor. Lessor reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by Lessor.

Additional insurance. Lessee shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection. Lessee's personal property, fixtures, equipment, inventory and vehicles are not insured by Lessor against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause.

Lessor's Substitute Performance. In the event that Lessee fails to procure, maintain and/or pay for at the times and for the durations specified in this Section 7.1, any insurance required by this Section, or fails to carry insurance required by law or governmental regulation, Lessor may (but without obligation to do so) at any time or from time to time, after 3 days written notice to Lessee, procure such insurance and pay the premiums therefor, in which event Lessee shall repay Lessor all sums so paid by Lessor together a 10% handling charge, plus interest thereon as provided elsewhere herein, within fifteen (15) days following Lessor's written demand to Lessee for such payment.

Covenant to Indemnify and Hold Harmless. Lessee shall indemnify, defend, protect and hold harmless Lessor, its officers, public officials, contractors, volunteers, attorneys, agents and employees, and save them from and against any and all claims, actions, losses, damages, liabilities, and expenses, including attorneys' fees, in connection with the loss of life, bodily injury and/or damage to property arising from or out of or in connection with any occurrence in, upon or at the Premises, or the occupancy or use by Lessee of the Premises or any part thereof, or arising from or out of Lessee's failure to comply with any provision of this Lease or otherwise occasioned wholly or in part by any act or omission of Lessee, its officers, public officials, contractors, volunteers, attorneys, Agents and employees, servants, invitees or licensees, excepting that the foregoing indemnification and hold harmless provision shall not apply in the event of any uninsured willful or actively negligent misconduct on behalf of Lessor or any of its agents, representatives, or employees, or in the event any such claims, actions, losses, damages, liability, costs, or expenses arise out of a breach by Lessor of its obligations under this Lease.

If Lessor is made a party to any litigation commenced by or against Lessee, then Lessee shall indemnify, protect, defend and hold Lessor harmless and shall pay all costs, expenses and reasonable attorneys' fees incurred or paid by Lessor in connection with such litigation. Lessor may, at its option, require Lessee to assume Lessor's defense in any action covered by this Section 7.2 through counsel selected by Lessor and reasonably satisfactory to Lessee. Except for that arising from the failure to make major repairs as defined herein, Only as provided in this Lease, Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises and Improvements from any cause whatsoever, and Lessee hereby waives all its claims in respect thereof against Lessor excepting only damage or injury arising out of (i) the uninsured willful or actively negligent misconduct of Lessor or any of its, public officials, contractors, volunteers, attorneys, agents and employees, or (ii) a breach by Lessor of its obligations under this Lease.

Waiver of Subrogation. Each party hereto does hereby waive, remise, release and discharge the other party hereto and any officers, public officials, contractors, volunteers, attorneys, agents and employees of such other party, of and from any liability whatsoever hereafter arising from loss or damage for which Lessee has purchased a policy of "all risk" insurance. Lessee shall, upon obtaining the policy of "all risk" insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

Exemption of Lessor from Liability. Except as provided herein and as arising from the failure to make major repairs, Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's officers, public officials, contractors, volunteers, attorneys, agents and employees, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not.

ARTICLE 8

UTILITY CHARGES

Lessee shall pay all charges for gas, water, sewer, electricity, telephone, security and other utility services used on or in the Premises together with any taxes or penalties thereon.

ARTICLE 9

ALTERATIONS AND ADDITIONS

Without Lessor's prior written consent, which consent may be withheld or granted in Lessor's sole discretion, except as provided in Articles 5 or 6 or as needed to make minor repairs as required under this Lease, Lessee shall not have the right to make major changes or alterations to the Premises or the Improvements whether structural or non-structural, systemic or non-systemic. If Lessor approves any alterations or additions, then before the commencement of any work, Lessee shall pay the amount of any increased premiums on insurance policies provided for hereunder. Except as otherwise provided in Article 5, Lessor shall in no event be required to make any

alterations, rebuilding, replacement, changes, additions or improvements or repairs to the Premises. If Lessee wishes to make any alteration or addition, or make any repairs to the Premises which would result in an alteration or addition to the Premises not otherwise addressed in this Lease, Lessee shall submit to Lessor for its approval documentation which describes the desired repairs, including floor plans, building sections, building materials and components, samples of proposed exterior building materials, and the like, to the extent relevant to the particular repair. All changes, alterations, rebuilding, replacements, additions, improvements and repairs to the Premises made by Lessee shall be deemed to have attached to the realty and to have become the property of Lessor upon the expiration of the Term or the sooner termination of this Lease.

ARTICLE 10

DAMAGE OR DESTRUCTION; CASUALTY LOSS AND RESTORATION

10.1 Non-Termination. Except as provided herein, no destruction or damage to the Improvements or the Premises by fire, windstorm, or other casualty whether insured or uninsured shall entitle Lessee to terminate this Lease. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Improvements with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent it is inconsistent herewith.

10.2 Repair of Damage.

10.2.1 Obligation to Repair Damage Due to Casualty Covered by Insurance. If the Premises are partially destroyed or rendered partially un-leasable by fire or other casualty required to be insured against by Lessee, Lessee shall promptly proceed to obtain insurance proceeds. The Premises shall be deemed partially destroyed if the cost of reconstruction exceeds fifty percent (50%) of the replacement cost of the Improvements. Upon adjustment of the loss and delivery of funds, Lessor shall commence taking the steps necessary to begin reconstruction and shall complete the same as soon as possible so that Lessee may continue in occupancy.

10.2.2 Obligation to Repair Damage Due to Casualty Not Covered by Insurance or Following a Total Destruction. If the Premises are totally or partially destroyed or rendered wholly un-leasable by a casualty not required to be insured against by Lessee, then either Lessee or Lessor shall have the right to terminate this Lease. Lessee may provide alternative sites for the programs provided before the loss so that they may continue to serve the residents of the City and Lessor shall provide reasonable compensation therefor.

10.3 Continued Operations. During any period of repair, Lessee may, to the extent it is safe or Lessee is able to do so, continue, or cause the continuation of, the operation of its Specific Use on the Premises and use of the Premises by the Lessee to the extent reasonably practicable. However, irrespective of the continued operation during such period of repair, the rent and other charges payable hereunder shall not be deferred and shall not be abated. Upon completion of such repair and restoration, Lessee shall promptly refixture and restock the Improvements and all FF&E, if necessary, substantially to the condition prior to the casualty, or as otherwise required by this Lease, whichever is greater, and shall reopen if closed by the casualty.

10.4 Assignment of Insurance Proceeds. If for any reason this Lease is terminated by reason of a casualty, all insurance proceeds covering the Improvements, the Premises, or the FF&E,

and any personal property used in the operation of the Premises, shall be the property of Lessor, and Lessee hereby assigns such insurance proceeds to Lessor.

ARTICLE 11

ASSIGNMENT AND SUBLETTING

11.1 Lessor's Consent Required. Notwithstanding any provision herein to the contrary, Lessee agrees and covenants (which covenants shall be binding upon the successors and assigns of Lessee) that Lessee shall not, either voluntarily or by operation of law, assign, sell, encumber, pledge or otherwise transfer all or any part of Lessee's leasehold estate hereunder, or permit the Premises to be occupied by anyone other than Lessee, Lessee's employees or invitees, or sublet the Premises, or any portion thereof, without Lessor's prior written consent. No assignment, whether voluntary or involuntary, by operation of law, under legal process or proceedings, by receivership, in bankruptcy, or otherwise, and no subletting shall be valid or effective without such prior written consent, and at Lessor's election, shall constitute a default. Lessor's consent to any proposed transfer of Lessee's leasehold estate will not be unreasonably withheld.

11.2 Lessee Remains Obligated. No subletting or assignment, even with the consent of Lessor, shall relieve Lessee of its obligation to pay rent and to perform all of its other obligations hereunder. The acceptance by Lessor of any payment due hereunder from any person or entity other than Lessee shall not be construed as a waiver by Lessor of any provision of this Lease or as a consent to any assignment or subletting. Consent by Lessor to an assignment of the Lease or to a subletting of the Premises shall not operate as a waiver or estoppel to the future enforcement by Lessor of its rights pursuant to this Lease to approve other assignments or sublettings.

ARTICLE 12

DEFAULT

12.1 Events of Default. The word "default," as used in this Section, shall mean and include any one or more of the following events or occurrences:

12.1.1 The failure by Lessee to make any payment of Base Rent, additional rent, or other payment required to be made by Lessee hereunder, when due and the continuance of such failure for a period of ten (10) calendar days after Lessor has given Lessee written notice specifying the same;

12.1.2 The failure of Lessee to perform any other term, condition, covenant or agreement of this Lease not previously described, and the continuation of such failure for a period of thirty (30) calendar days after Lessor shall have given Lessee written notice specifying the same, or in the case of a situation in which the default cannot reasonably be cured within thirty (30) calendar days, if Lessee shall not promptly, within thirty (30) calendar days after receipt of such notice, commence to remedy the situation by a means that can reasonably be expected to remedy the situation within a reasonable period of time, and diligently pursue the same to completion;

12.1.3 The abandonment by Lessee of the Premises or a substantial portion thereof;

12.2 Remedies.

12.2.1 General. In the event of any default by Lessee, including the expiration of any applicable cure period, Lessor may terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor.

12.2.2 In such event Lessor shall be entitled to recover from Lessee:

12.2.2.1 The worth at the time of award of the unpaid rent which had been earned at the time of termination;

12.2.2.2 The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such loss that Lessee proves could have been reasonably avoided;

12.2.2.3 The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such loss that Lessee proves could be reasonably avoided; and

12.2.2.4 Any other amount deemed necessary and/or allowable by applicable statute or decision to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which, in the ordinary course of events, would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Premises, expenses of reletting, expenses of restoring the Premises to the condition required hereunder (if applicable), reasonable attorneys' fees, and any other reasonable costs.

12.2.2.5 The "worth at the time of award" of the amounts referred to in the subparagraphs, above, shall be computed by allowing interest at a rate equal to ten percent (10%) from the dates such amounts accrued to Lessor until the date of payment by Lessee.

12.3 Cumulative Remedies. Except as may be specifically provided herein, the rights and remedies reserved to Lessor and Lessee herein, including those not specifically described, shall be cumulative and, except as provided by California statutory or case law in effect at the time, either Lessor or Lessee may pursue any or all of such rights and remedies at the same time or otherwise.

12.4 Lessor's Non-Waiver. No delay or omission of Lessee or Lessor to exercise any right or remedy shall be construed as a waiver of any right or remedy or of any default by Lessee or Lessor hereunder. The acceptance by Lessor of rent or any other charge hereunder shall not be a waiver of any preceding breach or default by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent accepted, regardless of Lessor's knowledge of such preceding breach or default at the time of acceptance of such rent, or a waiver of Lessor's right to exercise any remedy available to Lessor by virtue of such breach or default. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Lessee or Lessee's estate shall not waive or cure a default under this Section.

12.5 Lessor's Reentry. Lessee hereby irrevocably consents to Lessor's peaceable reentry, if Lessor so elects, to the Premises upon the occurrence of any of the events of default specified above, including the expiration of any applicable cure period.

12.6 Lessor's Advances. In the event of any default by Lessee in the payment of money or default by Lessee in the performance of Lessee's obligations required under this Lease, and the

expiration of any period expressly provided for herein for Lessee to cure said default after the delivery of notice by Lessor, in addition to the other remedies herein granted to Lessor, Lessor may, but shall not be obligated to do so, and without waiving or releasing Lessee from any obligations of this Lease make any payment and perform any other act on Lessee's part to be made or performed as provided in this Lease. All sums paid by Lessor and all necessary incidental costs, together with interest thereon at the rate of ten percent (10%) per annum from the date of the payment by Lessor shall be payable by Lessee to Lessor on demand. The sums shall be deemed to be additional rent and subject to the same consequences as herein provided for failure to pay rent.

12.7 Default by Lessor. Lessor shall not be deemed to be in default in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligation within thirty (30) calendar days after written notice by Lessee to Lessor specifying in reasonable detail the nature and extent of any such failure; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) calendar days are required for its performance, then Lessor shall not be deemed to be in default if it shall commence such performance within such thirty (30) calendar day period and thereafter diligently prosecutes the same to completion.

12.8 Legal Expenses and Collection Costs. If either Party incurs any expense, including actual costs of collection, reasonable attorneys' fees, expenses of discovery, preparation for litigation, expert witness fees and litigation expenses and costs, in connection with any action or proceeding instituted by either Party by reason of any default or alleged default of the other Party hereunder, the party prevailing in such action or proceeding shall be entitled to recover its reasonable expenses from the other Party. For purposes of this provision, in any unlawful detainer or other action or proceeding instituted by Lessor based upon any default or alleged default by Lessee hereunder, Lessor shall be deemed the prevailing party if (a) judgement is entered in favor of Lessor or (b) prior to trial or judgement Lessee shall pay the rent and charges claimed by Lessor, or eliminate the condition(s), cease the act(s) or otherwise cure the omission(s) claimed by Lessor to constitute a default by Lessee hereunder.

ARTICLE 13

HOLDING OVER

This Lease shall terminate and become null and void without further notice upon the expiration of the Term herein specified, and any holding over by Lessee after such expiration shall not constitute a renewal or extension hereof or give Lessee any rights under this Lease, except when in writing signed by both Parties hereto. If Lessee holds over at the Premises, Lessee shall be liable to Lessor for the fair rental value of the Premises during such period.

ARTICLE 14

ACCESS BY LESSOR

In addition to the right of Lessor to reserve use of the Premises under Article 3, Lessor and its agents, contractors, servants, and employees of Lessor shall have the right, after reasonable notice to Lessee, to enter the Premises during normal business hours to (a) examine the Premises, to perform any obligations of Lessor or to exercise any right or remedy reserved to Lessor

in this Lease; (b) exhibit the Premises to prospective purchasers, mortgagees or lessees of Lessor's interest therein; (c) make such repairs as Lessor may be entitled to make after a default by Lessee under Article 12, above; and (d) take all materials into and upon the Premises that may be required in connection with such repairs, provided that any such entry shall be performed in such a manner that does not unreasonably interfere with Lessee's use of the Premises. If Lessor exercises its rights of entry in compliance with this Article 14, such entry shall not constitute a constructive or actual eviction of Lessee, in whole or in part, and the rent and other charges hereunder shall not abate while any such repairs are being made. If, during the last month of the Term, Lessee shall have removed all or substantially all of Lessee's property therefrom, Lessor may immediately enter and alter, renovate and redecorate the Premises without elimination or abatement of rent or other charges and without other compensation and such action shall have no effect upon this Lease. Nothing herein contained, however, shall be deemed or construed to impose upon Lessor any obligation, responsibility or liability whatsoever for the care, supervision or repair of the Premises.

ARTICLE 15

LESSEE'S OBLIGATIONS AT THE END OF THE TERM

Upon the expiration or sooner termination of this Lease, if the Lessee has faithfully and fully performed all of the terms, conditions, and covenants of this Lease to be performed by the Lessee, but not otherwise, the Lessee shall, at its sole cost and expense, remove from the Premises all of its movable trade fixtures and equipment, and such other items the Lessee has installed or placed on the Premises, and the Lessee shall repair all damage to the Improvements resulting from such removal. The Lessee shall thereupon surrender the Premises and the Improvements in the same condition as they were when the Improvements were first completed, reasonable wear and tear and damage by any casualty excepted, clean and free of debris. The Lessee shall repair any damage to the Improvements occasioned by the installation or removal of the Lessee's trade fixtures, furnishings and equipment. If the Lessee has not fully and faithfully performed all terms, conditions, and covenants of this Lease to be performed by the Lessee, the Lessee shall nevertheless remove its personal property from the Premises in the manner aforesaid within fifteen (15) calendar days after receipt of written direction to do so from the Lessor. In the event the Lessee shall fail to remove any of its personal property as provided herein, the Lessor may, but is not obligated, at the Lessee's expense and with interest at the highest rate then allowed to be charged by non-exempt lenders under the usury laws of the State from the date of payment by the Lessor, remove all such personal property not so removed and repair all damage to the Improvements resulting from such removal and may, but is not obligated to, at the Lessee's expense, store the same in any public or private warehouse, and the Lessor shall have no liability to the Lessee for any loss or damage to the Lessee's property caused by or resulting from such removal. To the extent that Lessor has provided the major repairs, and subject to reasonable wear and tear, the Lessee shall leave the airlines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and fencing on the Premises in good operating condition.

ARTICLE 16

QUIET ENJOYMENT

Upon payment by Lessee of the rents provided herein, and upon the observance and performance of all of the covenants, terms, and conditions on the part of Lessee to be performed hereunder, Lessor covenants and warrants that Lessee may peaceably and quietly hold and enjoy the

Premises for the Term.

ARTICLE 17

TAXES

Lessee shall be responsible for, and agrees to pay, as additional rent, prior to delinquency, any and all real estate or property taxes and assessments, special assessments, possessory interest taxes, levies, fees, and other governmental charges of every kind or nature (hereinafter collectively called "Taxes") in the event such Taxes are levied or assessed by municipal, county, state, federal, or other taxing or assessing authorities or governmental agencies or entities upon, against, or with respect to (i) the Premises or any portion thereof; (ii) all fixtures, equipment, and any other property of any kind owned by Lessee or placed, installed, or located within, upon, or about the Premises for which Lessor might be assessed or which might become a lien on the Premises if not paid by Lessee; (iii) all alterations, additions, and improvements of whatsoever kind or nature, if any, made to the Premises or the Improvements; (iv) rentals or other charges payable by Lessee to Lessor (other than state and federal income taxes applicable to Lessor); and (v) any other interest in the Premises (including the leasehold interest created by this Lease), irrespective of whether any of the items described in clauses (i) through (v) above are assessed as real or personal property, and irrespective of whether any of such items are assessed to or against Lessor, Lessee or any other person.

ARTICLE 18

FORCE MAJEURE

In the event the performance by either Party of any of its obligations hereunder is delayed by reason of the act or neglect of the other Party, act of God, stormy or inclement weather, strike, labor dispute, boycott, lockout or other like defensive action by such Party, inability to obtain labor or materials, governmental restrictions, riot, insurrections, war, catastrophe, casualty, act of the public enemy, or any other cause (financial inability excepted), whether similar or dissimilar, beyond the reasonable control of the Party from whom such performance is due, the period for the commencement or completion thereof shall be extended for a period equal to the period during which performance is so delayed.

ARTICLE 19

MISCELLANEOUS

19.1 Assumption of Risk, Waiver, and Lessor's Non-liability. To the maximum extent allowed by law, except for Lessor's or Lessor's officers, employees, and agents willful or actively negligent acts, Lessee assumes any and all risk of loss, damage or injury of any kind to any person or property which is in, on or about the Premises. Lessee's assumption of risk shall include, without limitation, loss or damage caused by defects within the Premises or any fixture therein, accident, fire or other casualty on the Premises. To the maximum extent allowed by law, except for Lessor's willful or actively negligent acts, Lessee hereby waives all claims and demands against Lessor, its respective officials, officers, employees, volunteers and agents for injury to persons, damage to property or any other interest of Lessee sustained by Lessor or any person claiming to be Lessee resulting from any occurrence on or about the Premises.

19.2 Notices. All notices, demands, or other writings to be made, given or sent hereunder, or which may be so given or made or sent by either Lessor or Lessee to the other shall be deemed to have been given when in writing and personally delivered or if mailed on the third (3rd) day after being deposited in the United States mail, certified or registered, postage prepaid, and addressed to the respective Parties at their addresses set forth below:

To Lessor:

City of Palm Desert

73-510 Fred Waring Drive

Palm Desert, California 92260

Attn: City Manager

To Lessee:

Desert Recreation District

45-305 Oasis Street

Indio, California 92201

Attn: General Manager

19.3 Relationship of Parties. Nothing contained herein shall be deemed or construed by the Parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the Parties hereto, it being understood and agreed that neither the method of computation of rent, nor any other provision contained herein, nor any acts of the Parties herein, shall be deemed to create any relationship between the Parties hereto other than the relationship of Lessor and Lessee.

19.4 Accord and Satisfaction. No payment by Lessee or receipt by Lessor of a lesser amount than the rent or other charges herein stipulated shall be deemed to be other than on account of the earliest due stipulated rent or other charges, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charges be deemed an accord and satisfaction, and Lessor shall accept such check or payment without prejudice to Lessor's right to recover the balance of such rent or other charges or pursue any other remedy in this Lease provided.

19.5 Time of Essence. Time is hereby expressly declared to be of the essence of this Lease and of each and every term, covenant, and condition hereof which relates to a date or period of time.

19.6 Remedies Cumulative. The remedies herein given to Lessor and Lessee shall be cumulative and are given without impairing any other rights or remedies given Lessor and Lessee by statute or law now existing or hereafter enacted, and the exercise of any one remedy by Lessor or Lessee shall not exclude the exercise of any other remedy.

19.7 Effect of Invalidity. If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of its terms and provisions to persons and circumstances other than those to which it has been held invalid or unenforceable shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. No acquisition by Lessor of all or any of the interest of Lessee in or to the Premises or the Improvements, and no acquisition by Lessee of all or any interest of Lessor in or to the Premises shall constitute or work a merger of the respective interest, unless expressly provided for.

19.8 Successors and Assigns. This Lease and the covenants and conditions contained herein shall be binding upon and inure to the benefit of and shall apply to the successors and assigns of Lessor and to the permitted successors and assigns of Lessee, and all references in this Lease to "Lessee" or "Lessor" shall be deemed to refer to and include all permitted successors and assigns of such Party.

19.9 Entire Agreement. This Lease and the Exhibits hereto contain the entire agreement of Lessor and Lessee with respect to the matters covered hereby, and no other agreement, statement of promise made by either Lessor or Lessee which is not contained herein, shall be valid or binding. No prior agreement, understanding, or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by Lessor and Lessee.

19.10 Interest on Past-Due Obligations. Any amount due from Lessee to Lessor hereunder which is not paid when due (including, without limitation, amounts due as reimbursement to Lessor for costs incurred by Lessor in performing obligations of Lessee hereunder upon Lessee's failure to so perform) shall bear interest at the rate of ten percent (10%) from the date due until paid, unless otherwise specifically provided herein, but the payment of the interest shall not excuse or cure any default by Lessee under this Lease.

19.11 Controlling Law. This Lease shall be governed by and construed in accordance with the laws of the State of California.

19.12 Specific Performance. Nothing contained in this Lease shall be construed as or shall have the effect of abridging the right of either Lessor or Lessee to obtain specific performance of any and all of the covenants or obligations of the other Party under this Lease.

19.13 Survival of Indemnities and Warranties. The obligations of the indemnifying Party under each and every indemnification and hold harmless provision contained in this Lease shall survive the expiration or earlier termination of this Lease to and until the last to occur of (a) the last date permitted by law for the bringing of any claim or action with respect to which indemnification may be claimed by the indemnified party against the indemnifying party under such provision or (b) the date on which any claim or action for which indemnification may be claimed under such provision is fully and finally resolved, and, if applicable, any compromise thereof or judgement or award thereon is paid in full by the indemnifying party and the indemnified party is reimbursed by the indemnifying party for any amounts paid by the indemnified party in compromise thereof or upon judgment or award thereon and in defense of such action or claim, including reasonable attorneys' fees incurred. The representations, warranties, and covenants of the Parties contained herein shall survive the termination of this Lease without regard to any investigation made by the Parties.

19.14 Severability. If any provision of this Lease is held to be invalid or void by a court of competent jurisdiction, the balance of the provisions shall, nevertheless, remain in full force and effect.

19.15 Counterparts. This Lease may be executed in multiple counterparts each of which shall be deemed an original.

19.16 Recitals Incorporated. The recitals shown on the first page of this Lease are hereby incorporated into the Lease, and the Parties agree to the truth and accuracy of the facts contained therein.

[Signature provision on following page.]

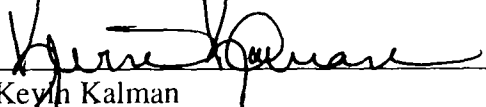
IN WITNESS WHEREOF, the Parties hereto have executed this Lease as of the Term Commencement Date.

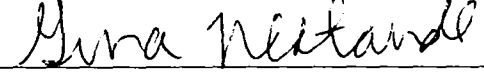
LESSEE

LESSOR

**DESERT RECREATION DISTRICT,
A California special district**

**CITY OF PALM DESERT,
A California municipal corporation**

By: 
Kevin Kalman
General Manager

By: 
Gina Nestande
Mayor

Dated: 3 JANUARY 2020

Dated: 1-10-2020

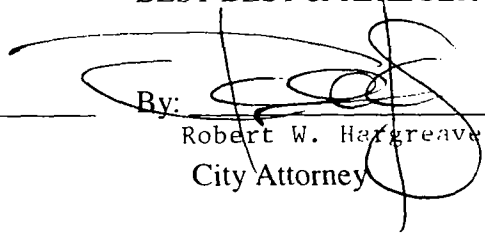
ATTEST:

By: 
Rachelle D. Klassen
City Clerk

APPROVED AS TO FORM:

**APPROVED AS TO FORM:
BEST BEST & KRIEGER LLP**

By: _____
Betsy Martyn, Esq.

By: 
Robert W. Hargreaves
City Attorney

IN WITNESS WHEREOF, the Parties hereto have executed this Lease as of the Term Commencement Date.

LESSEE

LESSOR

**DESERT RECREATION DISTRICT,
A California special district**

**CITY OF PALM DESERT,
A California municipal corporation**

By: _____
Kevin Kalman
General Manager

By: _____
Gina Nestande
Mayor

Dated: _____

Dated: _____

ATTEST:

By: _____
Rachelle D. Klassen
City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:
BEST BEST & KRIEGER LLP

By: Betsy Martyn
Betsy Martyn, Esq.

By: _____
Robert W. Hargreaves
City Attorney

CALIFORNIA ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Riverside }
On January 3, 2020 before me, Delia Granados, Notary
Date Here Insert Name and Title of the Officer
personally appeared Kevin Kalman
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



Place Notary Seal and/or Stamp Above

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Lease Agreement - Palm Desert C C
Document Date: January 1, 2020 Number of Pages: 23
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____
 Corporate Officer – Title(s): _____ Corporate Officer – Title(s): _____
 Partner – Limited General Partner – Limited General
 Individual Attorney in Fact Individual Attorney in Fact
 Trustee Guardian or Conservator Trustee Guardian or Conservator
 Other: _____ Other: _____
Signer is Representing: _____ Signer is Representing: _____

EXHIBIT "A"

Legal Description

That certain real property situated in the City of Palm Desert, County of Riverside, State of California, as described as follows:

43900 San Pablo Avenue (APN: 622-250-016)

PARCEL 4 OF PARCEL MAP NO. 37347, IN THE CITY OF PALM DESERT, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 245, PAGES 100 THROUGH 110, INCLUSIVE, OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Exhibit "B"

Project Improvements Agreement

The Parties (individually referred to as "City" and "District") agree as follows as the design, plans, specifications, public works bidding process and project management for the Improvements set out in Article 5 of the Lease.

1. City Responsibility.

a. City will pay for the cost of HVAC replacement, new roof and foundation repair as set out in Section 5.2 of the Lease ("City Improvements").

2. District Responsibility.

a. District shall pay to reconfigure the Premises' interior ("District Improvements").

b. District shall pay for the Project design (including City and District Improvements), if required, including plans, specifications, public works bidding process, and Project management for as set out in Sections 5.3 and 5.4 of the Lease.

(i) The Project design shall be subject to review and reasonable approval by City prior to the commencement of any construction, and shall be finalized in consultation with City. Upon approval of the Project design by the District and City, funds shall be authorized and budgeted by City for payment for construction associated with the Project.

(ii) District shall issue a request for proposals for the construction management services for the Project and contract with the successful firm for these management services or shall determine itself to provide such services. District shall bear the cost of such management services.

(iii) District shall seek bids for the construction of the Project.

(a) The format used for all bids solicited by District for the Project shall require itemization sufficient to allow quantities of each bid item to be easily discernible. If requested by City prior to the award of the bid, it shall be the responsibility of District to determine what, if any, portion of the work is an enhancement to any specifications by City for City Improvements, for which there shall be no City reimbursement.

(b) The District shall use bidding procedures as required by state law for both parties.

c. Upon review and approval of the apparent low bidder costs by City, District shall contract with the successful bidder for the construction of the Project. The City Foundation Improvements shall be Phase 1 of the Project and the City HVAC and roof repair along with the District Improvements shall be Phase 2.

3. Payment Obligations: Notwithstanding any other provisions herein, neither District nor City shall be obligated for any monetary contributions that have not been approved and budgeted for this Project. The budget for this Project will be based on the Engineer's Estimate, and approved by City and District based on the lowest responsive bid received. Should the lowest responsive