

# CITY OF PALM DESERT STAFF REPORT

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MEETING DATE: September 25, 2025

PREPARED BY: Shawn Muir, Community Services Manager

SUBJECT: AMENDMENT NO. 3 TO CONTRACT NO. C39690 – LEASE AGREEMENT WITH THE DESERT RECREATION DISTRICT TO FINALIZE NECESSARY BUILDING IMPROVEMENTS AT PALM DESERT COMMUNITY CENTER AND ADOPT AMORTIZATION SCHEDULE

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## **RECOMMENDATION:**

1. Approve Amendment No. 3 to Contract No. C39690 amending the lease agreement with the Desert Recreation District for the Palm Desert Community Center.
2. Authorize the City Attorney to make non-monetary changes to the amendment.
3. 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, located at 43900 San Pablo Avenue. The City owns the facility, and DRD operates it according to a lease agreement effective January 1, 2020.

In June 2023, the City Council approved Amendment No. 1 to the lease agreement, authorizing a Tenant Improvement Allowance to fund DRD's required improvements. The amendment also established a bi-annual lease payment to recover costs plus interest associated with the allowance and extended the lease term to 35 years to accommodate repayment.

The project was originally scheduled for completion in October 2024 but was delayed until January 2025 due to additional inspection requirements from the Fire Marshal. On February 27, 2025, the City Council approved Amendment No. 2 extending the deadline for DRD's final reimbursement request to April 1, 2025. DRD missed the deadline and instead submitted its request on June 26, 2025. Despite the delay, the repayment schedule began as planned on July 1, 2025.

DRD has requested that the City contribute additional funds for improvements that fall under the City's maintenance responsibilities. The original scope of services was estimated at \$35,000; however, this amount inadvertently excluded the City's full project costs, which total \$373,659. These costs cover foundation and civil work, including concrete, ADA compliance, demolition, and related repairs. A formal request to cover the complete City-related costs was submitted in a letter dated July 1, 2025 (attached).

The City Council's approval of the proposed Amendment No. 3 will result in:

- An updated amortization schedule for DRD's repayment of improvement costs (excluding the additional City related work); and
- Inclusion of a Final Project Close-Out Acknowledgement to be signed by DRD, which will:
  - Confirm all contracted improvements under IFB# 23-05-001-PW were completed to the satisfaction of the District;
  - Accept the quality and scope of work as final and complete; and
  - Acknowledge that no further disbursement requests will be made under the Tenant Improvement Allowance.

All other terms of the lease will remain unchanged.

**Legal Review:**

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

**FINANCIAL IMPACT:**

The change in lease terms will include an update to the lease payment from DRD in accordance with the agreed-upon terms, reducing the amount for City related work totaling \$373,659.

Description	Amount
<b>Original Estimate/Project NTE Approved</b>	<b>\$12,500,000</b>
Amendment No. 1 (Bid Award)	(\$6,671,701)
Amendment No. 2 (C/O's & Time)	\$1,443,445
<i>Amendment No. 3 (this request)</i>	<i>(\$373,659)</i>
<b>Final Amount Due for TI's</b>	<b>\$6,898,085</b>

The improvements at the Palm Desert Community Center qualify for the intended use and reimbursement of funds pursuant to the Bond Proceeds Funding Agreement. Therefore, these costs have no impact to the General Fund.

**ATTACHMENTS:**

1. C39690 Executed Lease Agreement
2. Amendment No. 1
3. Amendment No. 2
4. DRD Request Letter
5. Proposed Amendment No. 3, including final Amortization Schedule