Fort Ord
Reuse Authority

Board Packet
For
Board Meeting
April 3, 2009
You're invited to come and join us for the

FORA/ESCA Field Trip

We will visit the ESCA Residential Quality Assurance Pilot Project sites

Friday – April 3, 2009
2:00 p.m.

Meet at FORA Conference Facility
Parking Lot
201 13th Street, Bldg. 2925
Marina, CA

RSVP to Charlotte at 883-3672 or e-mail - charlotte@fora.org
Transportation will be provided.
Please be prompt.
We will return in time for FORA Board Meeting which starts at 3:30
AMENDED

BOARD OF DIRECTORS MEETING
Friday, April 3, 2009 ~ 2:15 p.m. Field Trip and 3:30 p.m. Meeting
FORA Conference Facility/Bridge Center
201 13th Street, Building 2925, Marina (on the former Fort Ord)

2:15 - 3:15 pm FORA Board Field Trip to ESCA Residential Quality Assurance (RQA) Pilot Project sites near CSUMB and on Eucalyptus Road

1. CALL TO ORDER AND ROLL CALL at 3:30 P.M.

2. PLEDGE OF ALLEGIANCE

3. ACKNOWLEDGEMENTS

4. PUBLIC COMMENT PERIOD: Members of the audience wishing to address the Board on matters within the jurisdiction of the Authority but not on the agenda may do so during the Public Comment Period. You may speak for a maximum of three minutes on any subject. Public comments on specific agenda items will be heard at the time the matter is being considered by the Board.

5. CONSENT AGENDA
   a. March 13, 2009 board meeting minutes
   b. General Jim Moore Boulevard Improvement Project (Phase IV) - Contract Amendment
   c. Memorandum of Understanding among County of Monterey, City of Seaside and Fort Ord Reuse Authority regarding the Central Coast Veterans Cemetery

6. OLD BUSINESS
   a. Habitat Conservation Plan approval process
   b. Regional Urban Water Augmentation Project - status reports
      i. Memorandum of Understanding between Marina Coast Water District and Monterey Regional Water Pollution Control Agency
      ii. California Public Utilities Commission project approval process
c.  Imjin Office Park Project
   i.  Approval of lease agreement with Marina Coast Water District  ACTION/ INFORMATION
   ii. Resolution authorizing property sale  ACTION

7.  EXECUTIVE OFFICER'S REPORT
    a.  Administrative Committee report  INFORMATION
    b.  Executive Officer's travel report  INFORMATION
    c.  Department of Toxic Substances Control Land Use Covenants annual reporting  INFORMATION
    d.  Rabobank debt consolidation / priority capital improvements loan  INFORMATION
    e.  Status update of outstanding receivables  INFORMATION

8.  ANNOUNCEMENTS AND CORRESPONDENCE

9.  ADJOURNMENT

(Information about items on this agenda is available at the FORA office at 100 12th Street, Building 2880, Marina, on the former Fort Ord or by calling 831-883-3672 or by accessing the FORA website at www.fora.org.)

I, Linda L. Stiehl, deputy clerk of the Fort Ord Reuse Authority ("FORA"), do hereby certify that a copy of the foregoing Amended Agenda was posted on the front door posting place at the FORA Main Office and in the public notice case at the entrance to the FORA Conference Facility at 1:30 p.m. on March 31, 2009.

Dated this 31st day of March 2009

Linda L. Stiehl, deputy clerk
Bus Tour Route

Tour begins at 2:15 PM
FORA Conference Center

Residential Quality Assurance Pilot Study Site
Field Activities by MRA

Current Field Activities
- CSUMB Residential Quality Assurance (RQA) Pilot Study Area
- Parker Flats Munitions Response Area (MRA)
- Seaside RQA Pilot Study Area

MRA Grouping
- Group 1
- Group 2
- Group 3
- Group 4
Site Preparation – Debris Removal

Collapsed latrine

Garbage

Household trash
Field Activities

CSUMB – Anomaly Investigation

Seaside – 6" Soil Scraping

Parker Flats – Surface Clearance

Seaside – Digital Geophysical Mapping (DGM)
What are finding?
Seaside

Cultural debris

Simulator projectile

Practice grenade, small arms, fuzes

RQA FEB-3

Cultural debris, small arms

SEA-4 RQA 2/19
ESCA RP 2009 Major Documents

- Final Group 2 RI/FS Work Plan, CSUMB Off-Campus and Development North MRA’s
  Targeted Release: Early April
- Draft Group 2 RI/FS Report, CSUMB Off-Campus and Development North MRA’s
  Targeted Release: Late April
- Draft Final Group 3 RI/FS Work Plan, Interim Action Ranges, MOUT, Laguna Seca Parking, Del Rey Oaks/Monterey MRA’s
  Targeted Release: Late April
- Draft Group 3 RI/FS Report, Interim Action Ranges, MOUT, Laguna Seca Parking, Del Rey Oaks/Monterey MRA’s
  Targeted Release: Late July
- Draft Final Group 2 RI/FS Report, CSUMB Off-Campus and Development North
  Targeted Release: Early August
- Draft Group 4 RI/FS Work Plan, Future East Garrison MRA
  Targeted Release: Late September
- Draft Group 2 Proposed Plan, CSUMB Off-Campus and Development North MRA’s
  Targeted Release: Early November
- Draft Final Group 3 RI/FS Report, Interim Action Ranges, MOUT, Laguna Seca Parking, Del Rey Oaks/Monterey MRA’s
  Targeted Release: Early November
- Draft Group 3 Proposed Plan, Interim Action Ranges, MOUT, Laguna Seca Parking, Del Rey Oaks/Monterey MRA’s
  Targeted release: Early December
FORA ESCA RP – We’re Wired!

- The ESCA RP Team has launched a website to provide one-stop access.

- Archive documents can be downloaded and hyper-links offer access to the Administrative Record to view technical reports.

- Website will have information on the FORA ESCA RP activities including:
  - field activity status
  - community outreach
  - updated maps
  - access to technical documents
  - schedule
  - archive of past presentations, newsletters, and fact sheets.

- **http://fora-esca-rp.com**

- FORA will also continue to provide updates on the dedicated ESCA RP Hotline: 831-883-3506.
1. CALL TO ORDER AND ROLL CALL

Chair Rubio called the meeting to order at 3:36 p.m. and requested a roll call.

Voting members:

Chair/Mayor Rubio (City of Seaside)   Councilmember Selfridge (City of Monterey)
Mayor McCloud (City of Carmel)        Mayor Russell (City of Del Rey Oaks)
Councilmember Gray (City of Marina)  Councilmember Mancini (City of Seaside)
Councilmember Kampe (City of Pacific Grove)  Mayor Pendergrass (City of Sand City)
Supervisor Potter (County of Monterey)  Councilmember McCall (City of Marina)
Supervisor Parker (County of Monterey)  Jim Cook (alternate for Supervisor Calcagno)

Arriving after the roll call was Councilmember Barnes. A full quorum of voting members was present.

Ex-Officio members:

Graham Bice (UC MBEST)  James Main (CSUMB)
Vicki Nakamura (Monterey Peninsula College)  Dan Albert, Jr. (MPUSD)
Kenneth K. Nishi (Marina Coast Water District)  Rob Robinson (BRAC)
Debbie Hale (TAMC)  Gail Youngblood (BRAC Office)

Arriving after the roll call was Hunter Harvath (Monterey-Salinas Transit). Absent were representatives from the 17th Congressional District, the 15th State Senate District, the 27th State Assembly District, and the U.S. Army.

With a quorum present Chair Rubio called the meeting to order.

2. PLEDGE OF ALLEGIANCE

Chair Rubio asked Councilmember Ken Gray, who agreed, to lead the Pledge of Allegiance.

3. ACKNOWLEDGEMENTS

Chair Rubio announced that there was a quorum of board members present on the special board field trip to the ESCA Residential Quality Assurance (RQA) Pilot Project sites near CSUMB and on Eucalyptus Road. The group had met in the FORA Conference Facility parking lot, where a bus was waiting to take them to the sites. The tour was scheduled from 2:15 – 3:15 p.m.

4. PUBLIC COMMENT PERIOD - none
5. CONSENT AGENDA

There were three items on the Consent Agenda: Item 5a (March 13, 2009 board meeting minutes), Item 5b (General Jim Moore Boulevard Improvement Project (Phase IV) – Contract Amendment), and Item 5c (Memorandum of Understanding among County of Monterey, City of Seaside and Fort Ord Reuse Authority regarding the Central Coast Veterans Cemetery). Mayor McCloud asked if authority counsel had reviewed the contract amendment and Mr. Bowden replied yes. There were no public comments. Motion to approve Items 5a, 5b and 5c was made by Mayor Russell, seconded by Councilmember McCall, and carried.

6. OLD BUSINESS

Item 6a - Habitat Conservation Plan ("HCP") approval process: Executive Officer Houlemand guided the members through a PowerPoint slide show presentation, which included a background/summary of the approval process since it started in 1996. He said there had been five draft versions of the HCP since discussions began 13 years ago and eight changes in leadership of the regulatory agencies, which had delayed reaching resolution on a final document. He reported on the current status and outlined the key points in the Joint Powers Authority ("JPA") Agreement, the Implementing Agreement, and the Implementing Ordinance/Policy. He closed with a review of the current approval schedule, which anticipates final approval in early 2010, when the permits can be issued. Jim Cook thanked Mr. Houlemand and Mr. Endsley, on behalf of the County, for their hard work in moving this important approval process forward. Mr. Cook asked about the topics of discussion for the April 8th meeting, and Mr. Houlemand replied that projected development figures are needed from all parties before any meaningful calculations of the financial figures could determined. Mayor Russell asked about the duration/termination of the JPA, and Mr. Houlemand replied 50 years, but it could be extended if habitat requirements remain. Authority Counsel Bowden clarified that the parties are not obligated to remain members of the JPA and could terminate their membership, but the HCP requirements are obligatory and perpetual.

Item 6b – Regional Urban Water Augmentation Project ("RUWAP") – status report:

Item 6bi – Memorandum of Understanding ("MOU") between Marina Coast Water District ("MCWD") and Monterey Regional Water Pollution Control Agency ("MRWPCA"): MCWD General Manager Jim Heitzman reported that there is plenty of winter water and a three-agency draft agreement is out that will ensure water availability for all who qualify. He reported good progress reaching agreement on the MOU had been made, adding that he would be meeting again with MRWPCA General Manager Keith Israel on Monday to finalize the RUWAP agreement. He said he expects to have all parties on board by mid-April. Mr. Heitzman announced that Congressman Farr had managed to insert $3 million for the RUWAP in an appropriations bill, which will strengthen the regional water plan being considered by the California Public Utilities Commission.

Item 6bii – CPUC project approval process: Mr. Heitzman reported that CPUC had opened the hearings on the regional project and the Environmental Impact Report ("EIR") public comment period had been extended 15 days. He stressed the importance of getting all the necessary agreements signed before the CPUC would approve the project and added that CalAm is moving forward in approving their agreement. He said there is a lot of optimism that the RUWAP will be selected by the CPUC commissioners.

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Mayor McCloud asked that FORA staff send a specific mailing address for sending project support letters. Mr. Heitzman said he would send the address as well as drafts of proposed text to all who want them. Councilmember Gray asked if the CEQA document out for public review would be sufficient for all the regional water projects, and Mr. Heitzman replied no, because more project specific work needs to be done. Executive Officer Houlemand recognized MRWPCA General Manager Keith Israel, who commented that Mr. Heitzman’s report provided a good summary. He added that they are down to finalizing the last two agreements and that three or four agreements are expected to be finalized within two weeks. He said this action will move the CPUC approval process forward significantly.

Item 6c – Imjin Office Park Project

Chair Rubio recused himself from the discussion of this item, and 1st Vice Chair Potter assumed the chair’s position.

Item 6ci – Approval of lease agreement with Marina Coast Water District: Executive Officer Houlemand provided the background of this agreement, including the current terms and conditions. He said it comports with the Board’s previous lease approvals. A handout was distributed showing payments owed to FORA by AMBAG, which totaled $220,855.92. Mr. Houlemand requested flexibility to use some of these financial charges on interest owed as credits in order to take advantage of energy efficiency programs that AMBAG has currently undertaken. Mayor Russell asked how FORA would benefit from any energy benefits, and Mr. Endsley replied that AMBAG had plans to develop an energy conservation center in the new building, which FORA would like to participate in via FORA’s Sustainable Base Reuse Institute. There were no public comments.

Item 6cii – Resolution authorizing property sale: There were no board comments or questions.

Motion to (1) authorize the Executive Officer to execute a lease agreement with Marina Coast Water District (“MCWD”), (2) approve Resolution No. 09-03 authorizing the Executive Officer to execute the sales contract with MCWD and AMBAG, and (3) authorize the Executive Officer flexibility in resolving AMBAG’s outstanding finance fees due to FORA was made by Councilmember Mancini, seconded by Councilmember Kampe, and carried.

Mayor Rubio assumed the Chair’s position at this time.

7. EXECUTIVE OFFICER’S REPORT

There were five items in this report: Item 7a (Administrative Committee report), Item 7b (Executive Officer’s travel report), Item 7c (Department of Toxic Substances Control Land Use Covenants annual reporting), Item 7d (Rabobank debt consolidation/priority capital improvements), and Item 7e (Status update of outstanding receivables). Re Item 7a: Executive Officer Houlemand encouraged all to read the Administrative Committee meeting minutes, calling them “illuminating.” Re Item 7b: He provided an oral travel report, noting his many meetings in Washington, DC, and his efforts to participate in the federal stimulus funds and any additional revenues in the FY 2010 budget. He reported that Congressman Farr had been able to insert $3 million for treatable (recycled) water in a Department of the Interior’s FY 2010 appropriation budget bill. He also reported several leads for funding affordable housing, General Jim Moore
Blvd. ("GJMB") road improvements and installation of the water pipelines. Re Item 7d: Mr. Houlemard said that staff is pursuing several options to open up more funding opportunities for GJMB improvements. Re Item 7e: He summarized the board report and said staff is making every effort to reach reasonable resolution within the FORA board policies and rules to collect debts owed to FORA.

8. ANNOUNCEMENTS AND CORRESPONDENCE

A copy of the invitation to the ceremony commemorating the official opening of the Fort Ord Dunes State Park at 11:00 a.m. on April 15th was in the meeting packet. All were encouraged to attend.

9. ADJOURNMENT

Chair Rubio adjourned the meeting at 4:12 p.m., following a motion that was made without objection.

Minutes prepared by Linda Stiehl, Deputy Clerk.

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Approved by
Michael A. Houlemard, Jr., Executive Officer/Clerk
RECOMMENDATION:

Authorize an amendment to the Fort Ord Reuse Authority's ("FORA"s) existing construction contract with Raminha Construction, to be funded by Marina Coast Water District ("MCWD"), to provide for the modification of the potable water pipeline in General Jim Moore Boulevard ("GJMB").

BACKGROUND/DISCUSSION:

At its meeting of October 2008, the FORA Board of Directors authorized a construction contract with Raminha in the amount of $3,987,480 (plus 10% contingency) to perform earthwork and utility installation for the realignment of GJMB from Coe Avenue to the Del Rey Oaks northerly city limit. The contract documents originally included the installation of a potable water pipeline as a part of the MCWD distribution system. Subsequent to contract award, MCWD provided modifications to its original design, resulting in an increased cost and the need for this contract amendment.

The resultant price increase is $331,157, with a prior reduction of $73,837, for a net increase of $257,320. The MCWD Board of Directors has approved, by resolution (copy attached), the increased funding obligation plus a contingency on the entire MCWD obligation to the two MCWD schedules contained in the FORA contract.

FISCAL IMPACT:
Reviewed by Controller

None to FORA. The requisite contract amendment cost to accommodate the work will be $331,157. MCWD will provide the funds for payment to FORA's contractor.

COORDINATION:

MCWD, FORA Administrative and Executive Committees

Prepared by: James A. Feeney, PE

Approved by: Michael A. Houlemard, Jr.
Resolution No. 2009-03
Resolution of the Board of Directors
Marina Coast Water District

Authorizing Expenditure of an Increased Amount of Construction Costs to
Install a 30-inch Potable Waterline within the Fort Ord Reuse Authority’s
General Jim Moore Boulevard Phase IV Improvement Project Alignment

March 10, 2009

RESOLVED by the Board of Directors (“Directors”) of the Marina Coast Water District
(“District”), at a regular meeting duly called and held on March 10, 2009 at the business office of
the District, 11 Reservation Road, Marina, California as follows:

WHEREAS, the Board of Directors approved Resolution 2008-34 on August 13, 2008
Adopting the Ord Community Budget and Compensation Plan for FY 2008/2009; and,

WHEREAS, the Board of Directors approved Resolution 2008-53 on October 14, 2008
authorizing an expenditure to fulfill the District’s financial obligation for funding construction
costs for the 30-inch diameter potable waterline in the General Jim Moore Boulevard Phase IV
Improvement Project and the total authorized amount was to be $2,650,000, including a 12.4%
contingency amount; and,

WHEREAS, the funding of this project will come from the 2006 series of bond proceeds; and,

WHEREAS, the GJMB contractor, FORA, and the District have negotiated an increase in
the cost of the project based on modifications to the design for a total amount, including a
10.89% contingency, to not exceed $2,935,000.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Marina
Coast Water District does hereby authorize the expenditure of an increase in construction costs to
install a 30-inch potable waterline within the Fort Ord Reuse Authority’s General Jim Moore
Boulevard Phase IV Improvement Project alignment and directs the General Manager to take all
actions and execute all documents as may be necessary or appropriate to give effect to this
resolution, for which the total authorized value for the project shall not exceed $2,935,000.

PASSED AND ADOPTED on March 10, 2009, by the Board of Directors of the Marina
Coast Water District by the following roll call vote:

Ayes: Directors Nishi, Moore, Burns, Lee, Gustafson

Noes: Directors None

Absent: Directors None

Abstained: Directors None
CERTIFICATE OF SECRETARY

The undersigned Secretary of the Board of the Marina Coast Water District hereby certifies that the foregoing is a full, true and correct copy of Resolution No. 2009-03 adopted March 10, 2009.

Jim Heitzman, Secretary
CONSENT AGENDA

Subject: Memorandum of Understanding among County of Monterey, City of Seaside and Fort Ord Reuse Authority regarding the Central Coast Veterans Cemetery

Meeting Date: April 3, 2009
Agenda Number: 5c

RECOMMENDATION(S):

Authorize the Executive Officer to execute a Memorandum of Understanding among County of Monterey, City of Seaside and Fort Ord Reuse Authority ("FORA") regarding Central Coast Veterans Cemetery ("CCVC") endowment funding ("Attachment A").

BACKGROUND/DISCUSSION:

FORA has long supported establishment of the CCVC on former Fort Ord. Over the past several years, FORA has:

1. Supported adoption of AB 3035, authored by former Assemblymember Laird, which allows creation of an endowment fund into which donations would be deposited to fund cemetery operations and maintenance costs. Once the endowment fund reaches $3.3 million, the State of California would apply for federal veterans cemetery grant funding to build the CCVC.

2. Appointed Seaside Councilmember Tom Mancini to be FORA’s representative to the Monterey County Cemetery Citizen’s Advisory Committee ("CAC").

3. Advanced $191,000 toward preparation of a CCVC Master Development Plan through a reimbursement agreement with the County of Monterey.

4. Obtained a total of $35,500 in pledges and $163,000 in loans from local jurisdictions/ agencies for the $191,000 advance to the County of Monterey.

5. Approved use of $15,000 remaining from the $191,000 advance to solicit and select an endowment parcel purchaser and agreed to invest a portion of FORA’s 50% share of land sales revenue to be realized from sale of the endowment parcel to help fund the state-enacted endowment fund.

The attached agreement is consistent with previous Board action regarding the CCVC.

FISCAL IMPACT:

Reviewed by FORA Controller

FORA reimbursed the County of Monterey for about $175,000 to date. If there are any remaining funds, the agreement with Seaside and the County states that they will be applied to the solicitation and selection of a buyer/developer for the 28 to 30-acre endowment parcel. When the money has been raised and a purchaser is selected for the endowment parcel, FORA’s $191,000 contribution could be reimbursed from endowment parcel sales or lease proceeds. There is potential for recovery of all or a portion of FORA’s monies advanced should the solicitation process prove successful.

COORDINATION:

Monterey County Redevelopment Agency and City of Seaside staff, Royston Hanamoto Alley & Abey, Executive Committee, Administrative Committee, Authority Counsel

Prepared by Jonathan Garcia
Reviewed by Steve Endsley
Approved by Michael A. Houlihan, Jr.
DRAFT TERMS FOR MEMORANDUM OF UNDERSTANDING BETWEEN THE COUNTY OF MONTEREY, THE CITY OF SEASIDE AND THE FORT ORD REUSE AUTHORITY REGARDING DEVELOPMENT OF THE CALIFORNIA CENTRAL COAST VETERANS CEMETERY

This Memorandum of Understanding (MOU) is entered into by and among the County of Monterey (County), the City of Seaside (City), and the Fort Ord Reuse Authority (FORA), collectively referred to hereinafter as the Parties. This MOU is dated for reference on April ___, 2009.

RECITALS
A. The Parties seek to cooperate in the development of the California Central Coast Veterans Cemetery (Cemetery). The Cemetery will be located on the former Fort Ord. The site is identified on Exhibit 1. Portions of the Cemetery are within the jurisdiction of the City and the County.

B. This MOU establishes a program to fund an Endowment for the operation of the Cemetery. The Parties expect the Endowment funding to be in place by June 1, 2010. The Endowment is estimated to be $3.4 million. This MOU should be interpreted to carry out that goal.

AGREEMENT
1. The Project. The Parties agree to implement the California Central Coast Veterans Cemetery Master Plan (Plan). The Plan envisions development of a 178-gross acre site (Project) into six planned land use areas. These areas include: 1) the approximately 78.7-acre Cemetery, 2) three separate parcels for ancillary use, 3) habitat mitigation areas, and 4) two development parcels along with related rights-of-way and 5) other public improvement areas. FORA agrees to incorporate this project into their Capital Improvement Program.

Project’s areas are described as follows. These areas are designated on the Map attached as Exhibit 2:

a. Cemetery Burial Grounds including Ancillary Uses
   Approximately 31.1 acres within City
   Approximately 47.6 acres within County
   • Ancillary Uses Adjacent to Burial Grounds:
   • Approximately 1.8 acres in the northwestern border of the Cemetery
   • Approximately 1.1 and .9 acres on the south border of the Cemetery.

b. Northern Endowment Fund Opportunity Parcel
• Approximately 28.7 acres within City
• Approximately 1.7 acres within County

c. Southern Development Area with Habitat Restoration Opportunity Area

• Approximately 30.4 acres within City
• Approximately 15.5 acres within County

2. State Cemetery Grant. The Veterans Cemetery is anticipated to be funded by a grant from the State Cemetery Grant Program offered by the U.S. Department of Veterans Affairs (VA) through the National Cemetery Administration. The grant can finance administration and design costs, cemetery features, and related equipment.

3. Endowment. The Parties collectively commit up to $3.4 million to an Endowment to fund the long term operation and maintenance of the Cemetery, which shall be funded by sale of either the Northern Endowment Fund Opportunity Parcel by the Parties or portions of the Southern Development Area with Habitat Restoration Opportunity Area within the City. Any excess revenue generated by that land sale shall be paid to the Parties as defined in the Implementing Agreement between FORA and the City or FORA and the County, as may be applicable, based on percentage of land ownership within their jurisdictions. FORA will retain fifty-percent (50%) of any such excess revenue and will use such excess revenue to reimburse FORA’s $191,000 loan to Monterey County, if not otherwise repaid by the grant mentioned in number 2 herein, to complete the California Central Coast Veterans Cemetery planning effort. The City and County may agree to use their individual share of the excess revenue from that sale, if any, to fund the cost of public infrastructure needed for the potential developments. That infrastructure includes the transportation system around the cemetery.

The City agrees to meet the funding date of June 1, 2010. To that end, the City agrees to comply with the development milestones outlined in Section 12 of this MOU. Those milestones pertain to the Northern Endowment Fund Opportunity Parcel. The County and City agree to work collaboratively to designate the Northern Endowment Fund Opportunity Parcel for future commercial/industrial/private cemetery use. The land use designation will depend on the level of cleanup proposed by FORA and the ability to sell the property by June, 2010.

The City may sell the Southern Development Area with Habitat Restoration Opportunity Area lying within the City of Seaside. That sale option is conditioned on reaching agreement with a developer to meet the required date and sales price necessary to fund the Endowment. The City may control the use of this portion of the southern development parcel.

The County agrees to reserve its portion of the Southern Development Area with Habitat Restoration Opportunity Area to meet future habitat designation requirements or as otherwise determined appropriate by the County. If the County sells fee title to this portion of the southern development area, it must first offer it to the City on the same terms as the best offer received by the County. If the County develops this portion of the southern development area, the County agrees to use its best efforts to coordinate the type of
4. **Water Allocation.** The City, the County, and FORA agree to request that the U.S. Department of the Army provide up to 10 acre-feet per year (AFY) of potable water for the Veterans Cemetery, ancillary uses adjacent to the Veterans Cemetery, and the Northern and Southern development parcels. Water demand has been estimated to be 2.2 AFY for the Veterans Cemetery burial grounds. If necessary, the County agrees to allocate up to this amount of water (2.2 AFY) for the Veterans Cemetery burial grounds. Further, the Parties will work with the Marina Coast Water District (MCWD) to secure sufficient interim water necessary to establish Cemetery landscaping.

5. **Infrastructure.** The Parties agree to contribute land sale revenues generated from sale of the Northern Endowment Fund Opportunity Parcel in excess of $3.4 million to support off-site infrastructure related to the Veterans Cemetery project. Improvements shall include, without limitation, the Eastside Parkway, Parker Flats Road, Parker Flats Cut-off, Eucalyptus Road, and storm water design, landscaping, bike lanes, pedestrian and water and sewer improvements within the roadways. The parties also agree to explore the use of tax increment financing to support the Veterans Cemetery Project’s off-site infrastructure.

6. **Environmental Disclosures.** The Agency for Toxic Substances and Disease Registry (ATSDR) was established under the mandate of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) of 1980. CERCLA, also known as the "Superfund" law, authorized the U.S. Environmental Protection Agency (EPA) to conduct clean-up activities at hazardous waste sites. EPA was directed to compile a list of sites considered hazardous to public health. This list is termed the National Priorities List (NPL). The 1986 Superfund Amendments and Reauthorization Act (SARA) directed ATSDR to perform a public health assessment for each NPL site. In 1990, federal facilities were included as sites to be proposed for or listed on the NPL. EPA placed Fort Ord on the National Priorities List (“NPL”) on February 21, 1990. The US Army, in consultation with EPA, is implementing groundwater and munitions and explosives of concern (MEC) remediation on former Fort Ord. FORA has entered into an Environmental Services Cooperative Agreement (ESCA) to complete a portion of the US Army’s MEC remediation work on certain portions of former Fort Ord, which includes the California Central Coast Veterans Cemetery parcel, to be transferred from the US Army to FORA under the Finding of Suitability for Early Transfer 5 (FOSET 5). As FORA completes MEC remediation work through the ESCA on former Fort Ord and transfers this property to local jurisdictions, groundwater and soil Land Use Covenants (LUC) restricting certain property uses will transfer with the property to future owners.

7. **Munitions Response Sites.** Based on the uses as proposed in the 1997 Base Reuse Plan, FORA agrees to meet the requirement of the Administrative Order on Consent and receive regulatory site closure before transferring the property to Seaside or the County. FORA anticipates the portion of the Veterans Cemetery site that was remediated by the US Army and has an approved Record of Decision will be ready to transfer to the jurisdictions no later than June, 2010, after the regulatory agencies have confirmed that site closure is
complete in this area. In addition, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) covenant will need to be granted by the Army. The remainder of the Veterans’ Cemetery site is anticipated to transfer in the 2012 to 2013 timeframe.

The FORA ESCA Team will have on-going remediation activities adjacent to the Veterans Cemetery which may require the removal or on-site detonation of any potentially explosive munitions found. This activity may impact construction and/or operations at the Veterans Cemetery site. If intrusive activity is to occur in an area where MEC is expected, and for all MEC demolition operations, an exclusion zone will be established to ensure public safety. During any intrusive activity (e.g., excavations) in areas where MEC is likely to be present, the only personnel authorized to be inside the exclusion zone are personnel essential to the operation. When an exclusion zone includes public roads, businesses, residences, or ongoing construction projects, the affected entities or individuals will be notified and asked to temporarily relocate outside the exclusion zone.

8. **Land Conveyance.** FORA agrees to convey title to the land described in Exhibit 1 in multiple conveyance events once the regulatory agencies have confirmed site closure. The land will be conveyed with applicable conveyance documentation, land use controls and deed restrictions. These include but are not restricted to the FOSET 5, Monterey County Ordnance Ordinance (Chapter 16.10 of the County Code), City of Seaside Ordnance Ordinance (Chapter 15.34 of the Seaside Municipal Code), and the Remedial Design/Remedial Action, Land Use Controls Implementation, and Operation and Maintenance Plan - Parker Flats Munitions Response Area Phase I.

9. **Coordination and Cooperation.** City will be the lead agency for disposition of property to generate funds for the Endowment. The State of California Department of Veterans’ Affairs will be lead agency for the proposed Veteran Cemetery. The County will be lead agency for its portion of the southern development area. The Parties shall cooperate in good faith and diligently proceed using all reasonable means available to accomplish the sale of land assets to a selected developer for the purposes of funding the Endowment prior to June 1, 2010.

10. **Annexation.** The entire Veterans’ Cemetery area with the exception of the County’s portion of the southern development area with habitat restoration opportunity area (approx. 15.5 acres), shall be annexed to, and be included within City's corporate limits. If the County sells its portion of the southern development area to the City, this land sale area shall be annexed to the City. The Parties shall cooperate fully to accomplish annexation.

11. **Environmental Review.** Parties shall cooperate with City as lead agency relating to the disposition of property to generate funds for the Endowment, including environmental review.

12. **Milestones**
The Parties agree to comply with the following schedule:
   a. Execute Memorandum of Understanding (MOU) 4/8/09
No Lead Agency)
  b. Issue Request for Qualifications/Proposals (RFP/Q) 6/1/09
      (City Of Seaside Lead Agency-PMC Consultant Assistance)
  c. Approve Exclusive Negotiating Agreement (ENA) 8/1/09
      (City of Seaside Lead Agency-relating to parcel funding the Endowment)
  d. Complete Habitat Conservation Plan (HCP) 12/1/09
      (FORA Lead Agency)
  e. Complete annexation to City of Seaside 4/1/10
      (City of Seaside Lead Agency)
  f. Complete environmental review 5/1/10
      (City of Seaside Lead Agency – relating to parcel funding Endowment)
  g. Execute Disposition and Development Agreement 5/1/10
      (City of Seaside Lead Agency –relating to parcel funding Endowment)
  h. Convey land to developer 6/1/10
      (City of Seaside Lead Agency –relating to parcel funding Endowment)

13. **County and Agency Approvals.** The Director of Housing and Redevelopment, or his or her designee, is authorized to act on behalf of the County and the Agency as to matters of administration and interpretation of this MOU, except for matters expressly required in this MOU to be acted upon by the County’s Board of Supervisors or the Agency’s Board of Directors. The Director of Housing and Redevelopment, or designee, at his or her sole discretion, may refer any matter under this MOU to the County Board of Supervisors or the Agency Board of Directors for action in a timely manner under this MOU.

14. **Termination.** The purpose of this MOU is to facilitate the June, 2010, funding of an endowment for the operation of the California Central Coast Veterans Cemetery. The endowment needs to be funded by this date in order to seek funds for the construction of the cemetery under the State Cemetery Grant Program. If this purpose is frustrated by the failure to fund the endowment by the time stated, then this MOU may be terminated on thirty (30) days’ notice by action of one or more of the legislative bodies of the County, City or FORA.

15. **Amendment by Written Recorded Instrument.** This MOU may be amended or modified in whole or in part, only by a written instrument executed by all of the parties.

16. **Governing Law.** This MOU shall be governed by and interpreted by and in accordance with the laws of the State of California.

17. **Entire MOU.** This MOU, along with any exhibits and attachments hereto, constitutes the entire MOU between the parties hereto concerning the subject matter hereof.

18. **Interpretation.** It is agreed and understood by the parties hereto that this MOU has been arrived at through negotiation and that no party is to be deemed the party which prepared this MOU within the meaning of Civil Code Section 1654.
By:

CITY OF SEASIDE,
a municipal corporation

COUNTY OF MONTEREY,
a political subdivision of the State of California

FORT ORD REUSE AUTHORITY,
a public corporation of the State of California
RECOMMENDATION(S):

Receive status report regarding preparation of Habitat Conservation Plan ("HCP") and State of California 2081 Incidental Take Permit ("2081 permit") process.

BACKGROUND/DISCUSSION:

Recent Developments:

On November 14, 2008, staff advised the Fort Ord Reuse Authority ("FORA") Board regarding comments made by U.S. Fish and Wildlife Service ("USFWS") and California Department of Fish and Game ("CDFG") that caused concern that there might be further delay to the HCP process. FORA staff contacted USFWS and CDFG regional executives to address outstanding issues and secured agreement to reinvigorate the process to close on remaining issues. FORA, its HCP consultant ICF Jones & Stokes ("Jones & Stokes"), and FORA member agencies and jurisdictions held working meetings on December 3, 2008 and on December 17, 2008. The HCP working group reviewed several outstanding issues, including:

a) Defining the role of a future Joint Powers Authority,
b) Determining HCP costs and identifying an entity to hold HCP endowments,
c) Determining borderlands management costs and responsible parties,
d) Developing a framework to integrate existing 2081 permits into the basewide HCP and 2081 permit, and
e) Determining the HCP revisions to accommodate USFWS requirements for a "self-regulating" HCP.

A follow-up conference call was held on January 12, 2009 and an in-person meeting on February 4, 2009. Conference calls were also held with Bureau of Land Management ("BLM"), USFWS, and CDFG on January 15, 2009 and with Monterey County on January 21, 2009. Jones and Stokes indicated that there could be a "submittable" document ready to turn over to USFWS and CDFG solicitors by mid-March 2009 as the February meeting was successful and narrowed remaining issues significantly. Since that time, USFWS and CDFG did not meet deadlines for submittal of feedback causing Jones & Stokes to revise their timetable for submittal. Revised draft timeline will be presented to the Board on April 3, 2009.

In addition, FORA staff and counsel completed drafts of a Joint Powers Agreement, Implementing Agreement, and jurisdictional implementing ordinances/policies that would serve as the governing agreements for the overall HCP. These documents have been circulated to all parties with numerous comments received to date that have
strengthened the documents. Staff welcomes further input as these important ancillary documents are readied for review by USFWS and CDFG solicitors. FORA held a special Administrative Committee meeting on March 11, 2009 to provide an HCP update and facilitate review of these ancillary documents. The Administrative Committee met on March 25, 2009 and discussed outstanding issues and work products. These will be summarized and listed for the Board on April 3, 2009. The Administrative Committee will hold a follow up discussion at its April 8, 2009 meeting.

Previous developments:

On September 30, 2008, a conference call including representatives from FORA, USFWS, Denise Duffy ("DD&A") [National Environmental Policy Act ("NEPA")/California Environmental Quality Act ("CEQA") consultant], BLM, and others was held and the schedule noted in #3 below was endorsed.

HCP working group meetings were held on September 9 and 16, 2008 to discuss the steps to complete the Public Draft HCP and schedule. At the September 9 meeting, representatives of the FORA Administrative Committee were given an opportunity to engage FORA's consultant about issues related to schedule and content. At the September 16 meeting, FORA's jurisdictions discussed the remaining chapters with USFWS and confirmed that the project schedule remains on target for release of a review draft document by January 2009.

On June 18, 2008, the HCP working group reviewed the revised Monitoring Chapter and provided feedback to Jones & Stokes on the Implementation and Funding Chapters.


FISCAL IMPACT:
Reviewed by FORA Controller

Funding for this item was included in the FY 07 and 08 budgets and was carried over to the FY 09 budget. The Board increased the contract for Jones & Stokes by $81,023 at its March 13, 2009 meeting, using previously approved budget authority.

COORDINATION:

Executive Committee, Administrative Committee, Legislative Committee, Coordinated Resources Management and Planning Team, City of Marina, County of Monterey, U.S. Army, USFWS and CDFG personnel, Jones & Stokes, DD&A, UC, BLM, and various development teams.

Prepared by: ___________________________  Approved: ___________________________
Steve Endsley                                Michael A. Houlemaud, Jr.

FORA Board Meeting
April 3, 2009
Item 6a – Page 2
Fort Ord Reuse Authority

Fort Ord Habitat Conservation Plan Approval Process

FORA Board Meeting
April 3, 2009

Habitat Conservation Plan (HCP) Background/Summary

➢ Since 1996, 5 versions of HCP
➢ Wildlife Agencies staffing/review changes
➢ 2006: Agencies recommend new course
➢ 2007: New consultant team/approach
➢ 2008: Agencies comment on 2nd Draft
➢ 2009: Agencies comment on 3rd Draft
➢ 2010: HCP Authorization
Current Status Report

- Special Administrative Committee 3/11:
  - HCP cost model and endowment
    (tied to FORA CFD fee revenue projections)
  - HCP endowment funding scenario model
  - Refined Borderlands matrix
  - Habitat and species matrix acreage-based
  - Implementing Agreement language
    (permit revocation authority)

Joint Powers Authority Agreement

- “Fort Ord Regional Habitat Cooperative”
- Cooperative – 12 voting entities:
  - FORA, County, Marina, Seaside, Del Rey
  - Oaks, Monterey, State Parks, UC, CSU,
  - MPC, MPRPD, and MCWD
- HCP Implementation Authority
- FORA staffing through 2014
Implementing Agreement

- HCP Permittees/BLM commit resources to conserve/manage special-status species.
- Agencies authorize basewide permits.
- Implementing Agreement executed prior to Permit issuance.

Implementing Ordinance/Policy

- Permittees ensure implementation by:
  - Collect Development Fees
  - Require development projects to apply for certificates of inclusion when take occurs.
Schedule

- April 8 – FORA Administrative Committee
- May 7 – HCP working group meeting at FORA
- May 15 – Agencies accept Administrative Draft
- August 14 – EIR/EIS to USFWS Solicitor
- October 23 – Solicitor's comments incorporated, EIR/EIS public review period opened (90 days)
- Early 2010 – HCP approved and permits issued

Questions
RECOMMENDATION:

1. Receive an update on the Memorandum of Understanding ("MOU") between Marina Coast Water District ("MCWD") and Monterey Regional Water Pollution Control Agency ("MRWPCA") regarding the Regional Urban Water Augmentation Project ("RUWAP").

2. Receive an update regarding the Water for Monterey County project ("WFMC") approval process with the California Public Utilities Commission ("CPUC"). Board members and jurisdictions are urged to write to the CPUC supporting the WFMC alternative during the public comment period (January 30, 2009 to April 15, 2009).

BACKGROUND:

The WFMC Coalition, formerly referred to as the Regional Plenary Oversight Group ("REPOG"), was formed during a process begun by the Division of Ratepayer Advocates ("DRA") of the CPUC, with the assistance of the University of California Santa Cruz ("UCSC"). DRA and UCSC engaged in developing a comprehensive water resource plan for the Monterey Region. To accomplish this goal, DRA facilitated a series of meetings with all interested parties for almost two years. The objective of the meetings was to achieve consensus through collaboration, for supplying the water needs of the Monterey Region in a cost-effective and sustainable way.

Lyndel Melton from RMC Water & Environment presented the WFMC proposal to the Fort Ord Reuse Authority ("FORA") Administrative Committee on January 30, 2008 and to the FORA Board on February 8, 2008. The project’s approach depends on regional cooperation among the various water management entities and land use jurisdictions to develop a sustainable, pragmatic, publicly and politically acceptable, and cost effective Regional Water Supply Plan.

WFMC is distinct from, but compatible with FORA and MCWD Boards of Directors’ “Hybrid Alternative” (June 10, 2005) to augment Fort Ord water resources. WFMC would reduce some infrastructure requirements of the hybrid project and may offer substantial savings to FORA, MCWD, jurisdictional developers, and other users. MCWD and FORA have proceeded with the Hybrid program, which includes both recycled water and desalinated water, and MCWD has completed California Environmental Quality Act ("CEQA") documentation for this augmented water program. MCWD must enter into an MOU with MRWPCA to proceed with the RUWAP or similar approach. MCWD approved a draft agreement prior to MRWPCA’s consideration of the agreement on February 23, 2009, and there was staff level agreement by the general managers prior to the MRWPCA meeting. At its February 23, 2009 meeting, MRWPCA did not approve the MOU, but chose to put together a Board member negotiating committee to resolve the final differences with MCWD. On March 23, 2009, the MRWPCA Board of Directors met jointly with representatives from MCWRA and MCWD and endorsed moving forward with a version of the regional project that will likely be compatible with FORA-MCWD’s hybrid project and the
preferred alternative denoted in the PUC's EIR. As of this writing, details are being worked out.

**DISCUSSION:**

WFMC Coalition's initial planning goal was to identify a regional solution to Monterey's water supply and environmental problems that satisfied a set of planning criteria. The identification timeline for the regional project corresponded to the Coastal Water Project Environmental Impact Project process, with a due date for submission to the CPUC Energy Division Environmental Impact Report ("EIR") Project Manager by June 1, 2008. The EIR work on WFMC was completed and submitted on time, with funding from MCWD, California American Water, and MRWPCA. The project uses 100% of the region's recycled water, meets proposed State Water Resources Control Board ("SWRCB") Ocean Plan regulations, meets urban water needs, meets agricultural water constraints, protects the National Marine Sanctuary, and provides a carbon neutral energy source.

On November 14, 2008 the FORA Board endorsed WFMC. On January 30, 2009, the State CPUC released its Draft EIR for the Coastal Water Project, comparing the three main alternatives in addition to undertaking additional environmental analysis required under CEQA. The WFMC alternative was deemed the preferred alternative as it induces more inter agency cooperation and provides for reduced costs to the region. It was also deemed more regionally compact than the Moss Landing Project alternative, and preferable to the North Marina project alternative because the latter relies on the untested technology of slant wells and also preferred because it better alleviates potential for salt water intrusion.

On the other hand, the North Marina project alternative was preferred by the CPUC staff to the Moss Landing project alternative because the latter relies on a "once-thru-cooling system" which endangers marine life and may be prohibited in the near future. In addition, CPUC staff indicated that if the North Marina project alternative eliminated the use of slant wells and used vertical wells similar to that proposed for WFMC it would be designated the "environmentally superior alternative" under CEQA. It is unclear whether such a redesign of the North Marina project is technically or financially feasible; therefore, it is likely that the EIR findings will focus new attention and potential for implementation on WFMC.

It is appropriate that FORA, its member jurisdictions, and other interested parties provide the CPUC with letters of support for the WFMC alternative stressing its emphasis on regional cooperation and other strengths. The CPUC comment period is scheduled to close on April 15, 2009.

**FISCAL IMPACT:**

Reviewed by FORA Controller

Significant savings could be realized by FORA, FORA members, jurisdictional developers, and other users should the WFMC move ahead.

**COORDINATION:**

WFMC Coalition, MCWD, MRWPCA, Executive Committee, and Administrative Committee

Prepared by Jonathan Garcia

Reviewed by D. Steven Endsley

Approved by Michael A. Houlemaud, Jr.
FORT ORD REUSE AUTHORITY BOARD REPORT

OLD BUSINESS

Subject: Imjin Office Park: (i.) approval of lease agreement with Marina Coast Water District and (ii.) resolution authorizing property sale

Meeting Date: April 3, 2009
Agenda Number: 6c

ACTION/INFORMATION

RECOMMENDATION(S):

1. Authorize the Executive Officer to execute a lease agreement with Marina Coast Water District ("MCWD") ("Attachment A"). ACTION

2. Approve Resolution 09-03, authorizing the Executive Officer to execute the sales contract with MCWD and the Association of Monterey Bay Area Governments ("AMBAG") ("Attachment B"). ACTION

BACKGROUND/DISCUSSION:

On January 11, 2008, the FORA Board directed staff to identify a developer to buy-out the Fort Ord Reuse Authority's ("FORA") interest in the Imjin Office Park ("IOP") project through a Request for Proposals ("RFP") process. MCWD responded to FORA's RFP, expressing interest in constructing FORA's IOP building and leasing 8,809 square feet of office space to FORA in exchange for the property. On December 12, 2008, the FORA Board authorized the Executive Officer to execute an agreement with MCWD regarding the sale of FORA property and joint building consistent with the term sheet.

AMBAG also owns property on the Imjin Office Park site and has found itself in need of securing a developer to purchase its interest in the project. MCWD is also proposing, in similar terms to that of its FORA offer, to acquire AMBAG's property in exchange for leasing the remaining 6,192 square feet of the FORA office building to AMBAG. FORA and AMBAG would become co-tenants of the site and MCWD would develop the former AMBAG site at some point in the future.

As requested, on January 9, 2009, FORA staff provided an updated term sheet as an information item upon completion of the FORA property appraisal. Staff recommend approval of the above recommendations to allow FORA, AMBAG, and MCWD to complete purchase and lease agreements and move forward with office construction.

FISCAL IMPACT:
Reviewed by FORA Controller

The proposed lease agreement provides an exchange of fair market land value for rental value at the Imjin Office Park site, as determined by third-party consultants. Approval of staff's recommendation would provide a new office facility during FORA's remaining years and clear the way for Dunes on Monterey Bay development by the City of Marina.

COORDINATION:
MCWD, Authority Counsel, Executive Committee, and Administrative Committee

Prepared by Jonathan Garcia
Reviewed by Steve Endsley

Approved by Michael A. Houlemand, Jr.
DRAFT

OFFICE LEASE

between

MARINA COAST WATER DISTRICT

Landlord

and

FORT ORD REUSE AUTHORITY

Tenant
TABLE OF CONTENTS
Office Lease Summary

Date of Lease __________, 2009

1. Landlord: Marina Coast Water District

2. Tenant: Fort Ord Reuse Authority

3. Premises: Approximately 8,809 square feet of office space in the Imjin Office Park located at the northeast corner of Imjin Parkway and Second Avenue in the city of Marina, California.

4. Term Commencement: Lease will commence when certificate of occupancy is delivered to tenant.

5. Lease Expiration: Midnight on the last day of the 57th full month following the delivery of the certificate of occupancy to the tenant.

6. Rent: See Articles 5 and 6 of the Lease

7. Tenant's Address for Notices: Michael A. Houlemard, Jr., Executive Officer, Fort Ord Reuse Authority, 100 12th Street, Building 2880, Marina, CA 93933

8. Landlord’s Address for Notices: General Manager, Marina Coast Water District, 15 Reservation Road, Marina, CA 93933-2099

9. Option to Extend: Upon the expiration of the initial Lease term, Tenant will have the option to extend the Lease Term for a period of three years. Subsequent to the expiration of the three-year period, Tenant shall have the option to renew the Lease Term for two additional terms of two years each.

Exhibit(s):
Exhibit A – Diagram of Land and Premises
Exhibit B – Schedule of Tenant Improvements
OFFICE LEASE

This Lease is entered into as of ________________, 2009 (the “Effective Date”), by and between Fort Ord Reuse Authority, a California public agency (“Tenant”), and Marina Coast Water District, a California public agency (“Landlord”).

For good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

DEFINITIONS

As used in this Lease, the following terms are defined as follows:

(i) “Claims” is defined in Section 14.2.2.

(ii) "Default" is described in Section 21.

(iii) “Environmental Laws” is defined Section 10.5.

(iv) “Hazardous Materials” is defined in Section 10.4.

(v) “Interest Notice” is defined Section 4.2.2.1.

(vi) “Land” is defined in Article 2.

(vii) “Land Value” is defined in Section 5.1.1.1.

(viii) "Landlord is defined in the preamble.

(ix) “Landlord’s Parties” is defined in Section 14.1.

(x) “Laws and Orders” is defined in Section 9.1.

(xi) "Lease" is defined in the preamble.

(xii) "Lease Term" is defined in Section 4.1.

(xiii) “Tenant” is defined in the preamble.

(xiv) “Tenant’s Parties” is defined in Section 14.1

(xv) “Option Term” is defined Section 4.2

(xvi) “Option Rent Notice” is defined Section 4.2.2.2

(xvii) "Premises" is defined in Article 1.
(xviii) "Rent" is defined in Section 5.1.
(xix) "Rental Value" is defined in Section 5.1.1.
(xx) "Termination Date" is defined in 4.1.
ARTICLE 1. PREMISES

Landlord leases to Tenant and Tenant rents from Landlord approximately 8,809 Square Feet of Class "A" Office space in the Imjin Office Park located at the northeast corner of Imjin Parkway and Second Avenue and herein referred to as the "Premises.

ARTICLE 2. ACQUISITION OF PROPERTY

Landlord does not own the real property on which the Premises are to be constructed. TENANT, as seller, and Landlord, as buyer, will concurrently with the execution of this Lease, enter into the following other agreements:

2.1 a Purchase and Sale Agreement (Purchase Agreement) for the sale and purchase of the real property described in the Purchase Agreement (Land);

2.2 a Note

2.3 a Deed of Trust

These agreements are integrated and contain mutually dependent provisions.

The Land and Premises are shown on a diagram attached to this Lease as Exhibit "A". Tenant acknowledges receipt of a copy of the Purchase Agreement. Landlord’s obligations under this Lease are conditioned on the acquisition of the Land by Landlord. If Landlord does not acquire the Land, this Lease shall be of no further force or effect except for any provisions herein that specifically survive the termination of this Lease.

ARTICLE 3. TENANT IMPROVEMENTS

Tenant improvements will be provided as set forth in the schedule which is attached hereto as Exhibit "B".

ARTICLE 4. LEASE TERM

4.1 Lease Term. The provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (Lease Term) shall commence on date that escrow closes on Landlord’s purchase of the Land and improvements that contain the Premises, and shall terminate on midnight of the last day of the fifty-seventh (57th) full month following close of escrow.

4.2 Option To Extend Term. Landlord grants to Tenant one (1) option to extend the Lease Term (Extension Option) for a period of three years (Option Term), subject to the conditions described in this section 4.2. At the end of the Option Term, Tenant shall have the
option to renew the Lease Term for two additional terms of two years each. The term of the Lease, including the option periods, shall not exceed twenty (20) years.

4.2.1 Option Rent. The rent payable by Tenant during the Option Term (Option Rent) shall be equal to the Fair Market Rental Value of the Premises as of the commencement of the Option Term as determined by a jointly retained appraiser.

4.2.2 Exercise of Option. The Extension Option must be exercised by Tenant, if at all, only at the time and in the manner provided in this subsection 4.2.2.

(a) Interest Notice. If Tenant wishes to exercise the Extension Option, Tenant shall deliver written notice (Interest Notice) to Landlord no less than twelve (12) months before the expiration of the initial Lease Term.

(b) Option Rent Notice. After receipt of Tenant's Interest Notice, Landlord shall deliver notice (Option Rent Notice) to Tenant no less than ten (10) months before the expiration of the initial Lease Term, stating the Option Rent, based on the determination of the Fair Market Rental Value of the Premises on the commencement date of the Option Term as determined by current, independent appraisal.

(c) Exercise Notice. If Tenant wishes to exercise the Extension Option, Tenant must, on or before the earlier of (a) the date occurring nine (9) months before the expiration of the initial Lease Term or (b) the date occurring thirty (30) days after Tenant's receipt of the Option Rent Notice, exercise the Extension Option by delivering written notice (Exercise Notice) to Landlord.

(d) Amendment to Lease. If Tenant timely exercises its Extension Option, Landlord and Tenant shall, within fifteen (15) days after the Option Rent is determined under this section 4.2 or Article 24, execute an amendment to this Lease extending the Lease Term on the terms and conditions set forth in this section 4.2.

ARTICLE 5. RENT, RENTAL VALUE, LAND VALUE

5.1 Monthly Rent. Monthly rent for the initial Lease Term, as determined by a current, independent appraisal, shall be One Dollar Seventy Cents ($1.70) per square foot ("Rent/Rental Value").

5.2 Land Value. The Land Value as determined by a current, independent appraisal is Nine Hundred Eighty-eight Thousand Dollars ($988,000.00).

5.3 Contribution of Land in lieu of Rent. The parties will exchange land for rent as provided in this section. Landlord will credit the Land Value against the $1.70 per square foot per month Rental Value for the initial Lease Term, such that Tenant's payment of Rental Value will be off-set by the value of the land conveyed by Tenant to Landlord under the Land Sale Contract. Landlord will pay to Tenant the difference between the Land Value and the Rental Value as provided in Section 3.1.4 of the Purchase and Sale Agreement. Tenant will pay to Landlord any rent in addition to Rental Value.
5.3.1 Payment of Rent. Payments of rent in addition to Rental Value, if any, are due and payable in advance on the first day of each month. Unpaid rent will not accrue interest.

ARTICLE 6. ADDITIONAL RENT

In addition to the Rent, Tenant shall be responsible for and shall pay before delinquency as additional rent

6.1 All real estate taxes and assessments levied or assessed against the leased Premises during the Lease Term and any extension of the Lease Term. Tenant shall pay Landlord the taxes attributable to Tenant within ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant property; and

6.2 All costs of occupying, maintaining and operating the Premises, including, but not limited to, sewer and garbage services to the Premises, outside common area maintenance costs and property insurance for the Property, pro-rated 8,809/15,001; and

6.3 Utilities. Tenant shall be responsible for payment of all utilities, which are separately metered to the Premises. If permitted by law, Tenant, without Landlord’s consent, shall have the right at any time and from time to time during the term or any extensions to contract and pay for services from a different company or companies providing utility service (including but not limited to electric, water, sewer, heat and waste or trash removal) for said Premises; and

6.4 Tenant shall pay prior to delinquency all taxes, if any, assessed against and levied upon Tenant owned alterations, utility installations, trade fixtures, furnishings, equipment and all personal property of Tenant contained in the Premises or elsewhere. When possible, Tenant shall cause its trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord. If any of Tenant’s said personal property shall be assessed with Landlord’s real property, Tenant shall pay Landlord the taxes attributable to Tenant within ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant property.

ARTICLE 7. SECURITY DEPOSIT

7.1 Tenant shall not be required to provide a deposit.

ARTICLE 8. USE

8.1 Permitted Use. Tenant shall use and occupy the Premises solely for the purpose of professional offices and meeting rooms, and for none other without the prior written consent of Landlord. Tenant shall not use or occupy, or permit the Premises to be used or occupied, for any other purpose without Landlord’s prior written consent, which shall not be unreasonably withheld or delayed.
8.2 Rules and Regulations. Tenant shall comply with the rules and any reasonable amendments or additions promulgated by Landlord from time to time for the safety, care, and cleanliness of the Premises or for the preservation of good order (Rules and Regulations).

8.3 Additional Restrictions on Use. In addition to complying with other provisions of this Lease concerning use of the Premises:

8.3.1 Tenant shall not use or knowingly allow any person to use the Premises for any purpose that is contrary to the Rules and Regulations, that violates any Laws and Orders, that constitutes waste or nuisance, or that would unreasonably annoy other occupants of the Premises or the owners or occupants of buildings adjacent to the Premises; and

8.3.2 Tenant shall not use or knowingly allow any person to use the Premises for any purpose that violates any recorded covenants, conditions, and restrictions that now or later affect the Real Property of which Landlord has informed Tenant as long as Landlord does not modify, amend, or enter into any covenants, conditions, or restrictions that contravene the provisions of this Lease or that otherwise adversely affect Tenant's use of the Premises or the conduct of its business on the Premises. Landlord represents that it has provided Tenant with a copy of all other recorded covenants, conditions, or restrictions affecting the Real Property as of the date of this Lease of which Landlord has knowledge. Landlord represents and warrants that there are no known violations of any of those covenants, conditions, or restrictions that would adversely and materially affect Tenant's use and occupancy of the Premises.

ARTICLE 9. COMPLIANCE WITH LAWS

9.1 Definition of "Laws and Orders." For purposes of this Article 9, the term "Laws and Orders" includes all federal, state, county, city, or government agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access or occupational or health or safety standards for employers, employees, landlords, or tenants.

9.2 Repairs, Replacements, Alterations, and Improvements. Tenant shall continuously and without exception repair and maintain the Premises, including Tenant Improvements, Alterations, fixtures, and furnishings, in an order and condition in compliance with all Laws and Orders. Tenant, at Tenant's sole expense, shall promptly make all repairs, replacements, alterations, or improvements needed to comply with all Laws and Orders to the extent that the Laws and Orders relate to or are triggered by (a) Tenant's particular use of the Premises, (b) the Tenant Improvements located in the Premises, or (c) any Alterations located in the Premises.

9.3 Collateral Estoppel. The judgment of any court of competent jurisdiction, or the admission of Tenant in any judicial or administrative action or proceeding that Tenant has violated any Laws and Orders shall be conclusive, between Landlord and Tenant, of that fact, whether or not Landlord is a party to that action or proceeding.

ARTICLE 10. HAZARDOUS MATERIAL
10.1 Use of Hazardous Material. Tenant shall not cause or permit any Hazardous Material, as defined in section 10.5, to be generated, brought onto, used, stored, or disposed of in or about the Premises by Tenant or its agents, employees, contractors, subtenants, or invitees, except for substances that are required in the ordinary course of Tenant's business conducted on the Premises or are otherwise approved by Landlord. Tenant shall:

10.1.1 Use, store, and dispose of all such Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that relate to public health and safety and protection of the environment (Environmental Laws), including those Environmental Laws identified in section 10.5; and

10.1.2 Comply at all times during the Lease Term with all Environmental Laws.

10.2 Notice of Release or Investigation. If, during the Lease Term (including any extensions), either Landlord or Tenant becomes aware of (a) any actual or threatened release of any Hazardous Material on, under, or about the Premises or (b) any inquiry, investigation, proceeding, or claim by any government agency or other person regarding the presence of Hazardous Material on, under, or about the Premises, that party shall give the other party written notice of the release or investigation within five (5) days after learning of it and shall simultaneously furnish to the other party copies of any claims, notices of violation, reports, or other writings received by the party providing notice that concern the release or investigation.

10.3 Indemnification. Landlord and Tenant shall, at that party's sole expense and with counsel reasonably acceptable to the other party, indemnify, defend, and hold harmless the other party and the other party's shareholders, directors, officers, employees, partners, affiliates, and agents with respect to all losses arising out of or resulting from the release of any Hazardous Material in or about the Premises or the violation of any Environmental Law, by that party or that party's agents, contractors, or invitees. This indemnification includes all losses, liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders, or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This indemnification shall survive the expiration or termination of this Lease.

10.4 Remediation Obligations; Tenant's Rights on Cleanup by Landlord. If the presence of any Hazardous Material brought onto the Premises by either Landlord or Tenant or by Landlord's or Tenant's employees, agents, contractors, or invitees results in contamination of the Premises, that party shall promptly take all necessary actions, at the party's sole expense, to return the Premises or the Premises to the condition that existed before the introduction of such Hazardous Material. Tenant shall first obtain Landlord's approval of the proposed remedial action, which may not be unreasonably withheld or delayed. This provision does not limit the indemnification obligations set forth in section 10.3. The costs of any Hazardous Material cleanup or remediation undertaken by Landlord during the Lease Term shall be borne by Landlord and shall not be included in Operating Expenses, as defined in Article 6.
10.5 Definition of "Hazardous Material." As used in this Article 10, the term "Hazardous Material" shall mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Premises. Hazardous Material includes:

(i) Any "hazardous substance," as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code sections 9601-9675);

(ii) "Hazardous waste," as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code sections 6901-6992k);

(iii) Any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect);

(iv) Petroleum products;

(v) Radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code sections 2011-2297g-4;

(vi) Asbestos in any form or condition; and

(vii) Polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

ARTICLE 11. REPAIRS AND MAINTENANCE

11.1 Landlord's Repair and Maintenance Obligations. Landlord shall be responsible for the maintenance and repair of the exterior shell of the building, including the roof, exterior electrical and plumbing systems, walls and paved areas surrounding the building. Landlord shall also maintain all exterior landscaping. Repairs shall be made promptly when appropriate to keep the applicable portion of the Premises, and other items in the condition described in this clause. Landlord shall not be in default of its repair and maintenance obligations under this section 11.1 if Landlord performs the repairs and maintenance within thirty (30) days after written notice by Tenant to Landlord of the need for such repairs and maintenance. If, due to the nature of the particular repair or maintenance obligation, more than thirty (30) days are reasonably required to complete it, Landlord shall not be in default under this section 11.1 if Landlord begins work within this thirty-day (30-day) period and diligently prosecutes this work to completion. Except as provided herein, no abatement of rent and no liability of Landlord shall result for any injury to or interference with Tenant's business arising from the making of or failure to make any repairs, replacements, alterations, or improvements in or to any portion of the Premises, fixtures, appurtenances, or equipment. (see sec. 11.2)
11.2 Tenant’s Repair and Maintenance Obligations. Tenant is responsible for the maintenance and repair of the interior portion of the building, including glass windows, interior plumbing and electrical systems, and all interior surfaces. Tenant shall at Tenant’s own cost and expense maintain the interior portion of the Premises in good and sanitary order, condition and repair. If Landlord makes repairs due to Tenant’s failure to do so as provided for in this section 11.2, within thirty (30) days after a written demand from Landlord (including a reasonably particularized statement), Tenant shall pay Landlord Landlord's reasonable, actual, out-of-pocket costs incurred in connection with the repairs and maintenance plus interest at the interest rate described in section 22.2 from the date these costs are incurred until the date of Tenant's repayment. If either party breaches this Lease, the non-breaching party may perform the breaching party’s obligation. Within thirty (30) days after written demand by the non-breaching party, (including a reasonably particularized statement), the breaching party must pay the performing party’s reasonable costs incurred in connection with such performance.

ARTICLE 12. ALTERATIONS AND ADDITIONS

12.1 Landlord’s Consent to Alterations. Tenant may not make any improvements, alterations, additions, or changes to the Premises (Alterations) without obtaining Landlord's prior written consent.

12.1.1 Costs of Review. If it is reasonably necessary for Landlord to obtain the assistance of architects, engineers, or other consultants to evaluate the proposed Alterations, Tenant shall reimburse Landlord for amounts paid by Landlord for the reasonable fees and costs of those consultants in reviewing the proposed Alterations.

12.1.2 Removal of Alterations. When Tenant requests Landlord’s consent to a proposed Alteration, Tenant may ask Landlord in writing whether Landlord will require that the Alteration be removed on expiration or earlier termination of the Lease Term. Landlord shall respond to this inquiry in writing within fifteen (15) days. If Landlord states in its response that it will not require removal, Tenant shall not be required to remove this Alteration.

12.2 Compliance of Alterations With Laws and Insurance Requirements. Tenant shall cause all Alterations to comply with the following:

   (i) Applicable Laws and Orders; or

   (ii) Applicable requirements of a fire-rating bureau.

Tenant shall also comply with those requirements in the course of constructing the Alterations. Before beginning construction of any Alteration, Tenant shall obtain a valid building permit and any other permits that may be required by any government entity having jurisdiction over the Premises. Tenant shall provide copies of those permits to Landlord before the work begins.

12.3 Manner of Construction. Tenant shall build Alterations entirely within the Premises and in conformance with Landlord's construction rules and regulations, using only contractors and subcontractors approved in writing by Landlord. Tenant agrees that all
construction work will be performed by contractors and subcontractors who have collective bargaining agreements with, and are not delinquent in their contributions to, the appropriate building and construction trade union(s) that are affiliated with the Building and Construction Trades Department of the AFL-CIO, with the International Brotherhood of Teamsters or with the United Brotherhood of Carpenters and Joiners and who employ workers covered by such union(s). The contracts shall provide that the work and scope provisions of the applicable collective bargaining agreement of each union will be explicitly observed. All work relating to any Alterations shall be done in a good and workmanlike manner, using new materials equivalent in quality to those used in the construction of the initial improvements to the Premises. All work shall be diligently prosecuted to completion.

12.4 Landlord's Property. Tenant may remove any Alterations, improvements, signs, fixtures, or equipment that it installs or places in, on, or about the Premises from time to time. Tenant must repair any damage to the Premises caused by that removal.

ARTICLE 13. COVENANT AGAINST LIENS

13.1 Covenant Against Liens. Tenant shall not be the cause of any liens or allow such liens to exist, attach to, be placed on, or encumber Landlord's or Tenant's interest in the Premises, or Real Property by operation of law or otherwise. Tenant shall not suffer or permit any lien of mechanics, material suppliers, or others to be placed against the Premises, with respect to work or services performed or claimed to have been performed for Tenant or materials furnished or claimed to have been furnished to Tenant or to the Premises on behalf of or for the benefit of Tenant. Landlord has the right at all times to post and keep posted on the Premises any notice that it considers necessary for protection from such liens.

If any such lien attaches or Tenant receives notice of any such lien, Tenant shall cause the lien to be released and removed of record within ten (10) days after Landlord's demand. Despite any other provision of this Lease, if the lien is not released and removed within ten (10) days after Landlord delivers notice of the lien to Tenant, Landlord may immediately take all action necessary to release and remove the lien, without any duty to investigate the validity of it, unless Tenant has commenced legal action to contest, dispute, or defend the claims of the lienholders and the validity of the liens and continues to prosecute this action to a successful judgment releasing the lienholder’s lien against Tenant’s or Landlord’s interest in the Premises. All expenses (including reasonable attorney fees) incurred by Landlord in connection with release of the lien shall be considered Additional Rent under this Lease and be immediately due and payable by Tenant.

ARTICLE 14. EXCULPATION, INDEMNIFICATION, AND INSURANCE

14.1 Definition of “Tenant Parties” and “Landlord Parties.” For purposes of this Article 14, the term “Tenant Parties” refers singularly and collectively to Tenant and Tenant’s officers, directors, shareholders, partners, trustees, members, agents, employees, and independent contractors as well as to all persons and entities claiming through any of these persons or entities. The term “Landlord Parties” refers singularly and collectively to Landlord, Landlord’s manager and their respective trustees, officers, directors, shareholders, partners, members, agents,
employees, and independent contractors as well as to all persons and entities claiming through any of these persons or entities.

14.2 Indemnification.

14.2.1 Tenant's Indemnification of Landlord Parties. To the fullest extent permitted by law but subject to this section 14.2, Tenant shall, at Tenant's sole expense and with counsel reasonably acceptable to Landlord, indemnify, defend, and hold harmless Landlord Parties from and against all Claims, as defined in subsection 14.2.2, from any cause arising out of or relating (directly or indirectly) to this Lease, the tenancy created under this Lease, or the Premises, including:

(a) The use or occupancy, or manner of use or occupancy, of the Premises by Tenant Parties;

(b) Any act, error, omission, or negligence of Tenant Parties in, on, or about the Real Property;

(c) Tenant's conducting of its business;

(d) Any alterations, activities, work, or things done, omitted, or permitted by Tenant Parties in, at, or about the Premises, including the violation of or failure to comply with any applicable laws, statutes, ordinances, standards, rules, regulations, orders, decrees, or judgments in existence on the Lease Commencement Date or enacted, promulgated, or issued after the date of this Lease, except to the extent that compliance with such legal requirements is expressly made the responsibility of Landlord in Article 9, Article 11, or Article 15; and

(e) Any breach or default in performance of any obligation on Tenant's part to be performed under this Lease.

14.2.2 Definition of Claims. For purposes of this Lease, "Claims" means any and all claims, losses, costs, damage, expenses, liabilities, liens, actions, causes of action (whether in tort or contract, law or equity, or otherwise), charges, assessments, fines, and penalties of any kind (including consultant and expert expenses, court costs, and attorney fees actually incurred).

14.2.3 Type of Injury or Loss. This indemnification extends to and includes Claims for:

(a) Injury to any persons (including death at any time resulting from that injury);

(b) Loss of, injury or damage to, or destruction of tangible property (including all loss of use resulting from that loss, injury, damage, or destruction); and
(c) Economic losses and consequential or resulting damage, but only to the extent incurred by Landlord in connection with (1) a holdover of the Premises by Tenant after the expiration or earlier termination of this Lease or (2) any repair, physical construction, or work of improvement performed by or on behalf of Tenant in the Premises.

14.2.4 Relationship of Indemnity to Other Lease Obligations. Tenant's agreement to indemnify Landlord and Landlord's agreement to indemnify Tenant under this Article 14 are not intended to and shall not:

(a) Restrict, limit, or modify the parties' respective insurance and other obligations under this Lease, such indemnity covenants being independent of the parties' insurance and other obligations;

(b) Be restricted, limited, or modified by the parties' compliance with their respective insurance requirements and other obligations under this Lease;

(c) Relieve any insurance carrier of its obligations under policies required to be carried under this Lease, to the extent that such policies cover, or if carried would have covered, the matters subject to the parties' respective indemnification obligations; or

(d) Supersede any inconsistent agreement of the parties set forth in any other provision of this Lease.

14.2.5 Attorney Fees. The prevailing party shall be entitled to recover its actual attorney fees, expert's fees and court costs incurred in enforcing the indemnification clauses set forth in this section 14.2.

14.2.6 Survival of Indemnification. The clauses of this section 14.2 shall survive the expiration or earlier termination of this Lease for a period of three (3) years but only to the extent that the Claims are covered and actually paid by the indemnifying party's insurance coverage.

14.2.7 Landlord's Indemnification of Tenant. Because Landlord is required to maintain insurance on the Premises and Tenant compensates Landlord for such insurance as part of Tenant's Share of Operating Expenses and because of the waivers of subrogation in section 15.10, Landlord shall, with counsel reasonably acceptable to Tenant, indemnify, defend, and hold harmless Tenant Parties from and against all Claims for damage to property outside the Premises to the extent that such Claims are covered by such insurance (or would have been covered had Landlord carried the insurance required under this Lease), even if resulting from the negligent acts, omissions, or willful misconduct of Tenant Parties. In addition, Landlord shall, with counsel reasonably acceptable to Tenant, indemnify, defend, and hold harmless Tenant Parties from and against all Claims resulting from the negligent acts, omissions, or willful misconduct of Landlord Parties in connection with Landlord Parties' activities in, on, or about the Premises, except to the extent that such Claim is for damage to the Tenant Improvements and Tenant's personal property, fixtures, furniture, and equipment in the Premises and is covered by insurance that Tenant is required to obtain under this Lease (or would have been covered had Tenant carried the insurance required under this Lease).
14.3 Tenant's Liability Coverage. Tenant shall, at Tenant's sole expense, maintain the coverages set forth in this section 14.4.

14.4 Tenant's Personal Property. Tenant shall at all times during the term of this Lease and at Tenant's sole expense, keep all of Tenant’s personal property, including trade fixtures and equipment and all merchandise of Tenant that may be in the Premises from time to time, insured against loss or damage by fire and by any peril included within fire and extended coverage insurance for an amount that will insure the ability of Tenant to fully replace the trade fixtures, equipment, and merchandise.

14.5 Workers' Compensation Insurance. Tenant shall maintain in effect throughout the term of this lease, at Tenant's sole expense, Workers' Compensation insurance in accordance with the laws of California, and employers' liability insurance with a limit of not less than $1,000,000 per employee and $1,000,000 per occurrence.

14.6 Cancellation Clause. Any policy of insurance, required under this Article, shall be written by insurance companies authorized to do business in California. Each policy of insurance procured by Tenant pursuant to this Article shall expressly provide that it cannot be canceled for any reason or altered in any manner unless at least, 10 days prior written notice has been given by the insurance company issuing the policy to Landlord in the manner specified in this lease for service of notices on Landlord by Tenant.

14.7 Deposit of Insurance Policies with Landlord. Promptly on the issuance, reissuance, or renewal of any insurance policy required by this lease, including fire and liability insurance policies, Tenant shall cause a duplicate copy of the policy or a certificate evidencing the policy and executed by the insurance company issuing the policy or its authorized agent to be given to Landlord.

14.8 Blanket Insurance Policy. Tenant may satisfy its obligations under this Article by maintaining a blanket policy of insurance including the Premises, provided the blanket policy does not diminish the amount or coverage of the insurance required under this Article, and further provided that the blanket policy otherwise meets all requirements of this Article.

14.9 Landlord's Right to Procure Insurance. If Tenant fails to procure or maintain the insurance required by this Article, Landlord may obtain that insurance and pay the premiums on it for the benefit of Tenant. Any amounts paid by Landlord to procure or maintain insurance pursuant to this section shall be immediately due and repayable to Landlord by Tenant with the next then due installment of rent under this lease; failure to repay at that time any amount expended by Landlord shall be considered the same as a failure to pay rent and a default by Tenant under this lease.

14.10 Waiver of Subrogation. Landlord and Tenant agree to cause the insurance companies issuing their respective property (first party) insurance to waive any subrogation rights that those companies may have against Tenant or Landlord, respectively, as long as the insurance is not invalidated by the waiver. If the waivers of subrogation are contained in their respective insurance policies, Landlord and Tenant waive any right that either may have against
the other on account of any loss or damage to their respective property to the extent that the loss or damage is insured under their respective insurance policies.

14.11 Landlord's Property Insurance. Landlord shall procure and maintain during the Lease Term the following first party insurance coverages: Special causes-of-loss direct damage coverage. Such coverages shall be in such amounts, from such companies, and on such other terms and conditions as Landlord may from time to time reasonably determine. At Landlord's option, such insurance coverage may include the risks of earthquakes, flood damage, or other perils; business income (rental loss) and extra expense coverage; and loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Premises or the ground or underlying lessors of all or part of the Premises. Despite the provisions of this section 14.11, the coverage and amounts of insurance carried by Landlord in connection with the Premises shall at a minimum be comparable to the coverage and amounts of insurance that are carried by reasonably prudent landlords of Comparable Buildings and workers' compensation coverage as required by applicable law. On inquiry by Tenant from time to time, Landlord shall inform Tenant of all such insurance carried by Landlord.

ARTICLE 15. DAMAGE AND DESTRUCTION

15.1 Repair of Damage by Landlord. If the Premises is damaged by fire, the elements, unavoidable accident or other casualty, but are not thereby rendered untenable in whole, the Premises shall be rendered untenable only in part, Landlord shall at its own expense cause the damage to be repaired promptly, and the Rent meanwhile shall be abated proportionately as to the portion of the Premises rendered untenable. If the Premises is rendered wholly untenable by reason of such occurrence, the Landlord shall at its own expense cause such damage to be repaired within ninety (90) days of said occurrence, and the rent meanwhile shall be abated in whole, except that Landlord shall have the right, to be exercised by notice given to Tenant within ten (10) days after said occurrence, to elect not to reconstruct the destroyed Premises, and in such event this Lease and the tenancy hereby created shall cease as of the date of the said occurrence.

15.2 Damage Near End of Term. Despite any other provision of this Article 15, if the Premises is destroyed or damaged by a casualty during the last eighteen (18) months of the Lease Term, including option periods, Landlord and Tenant shall each have the option to terminate this Lease by giving written notice to the other of the exercise of that option within thirty (30) days after that damage or destruction.

15.3 Waiver of Statutory Provisions. The provisions of this Lease, including those in this Article 15, constitute an express agreement between Landlord and Tenant that applies in the event of any casualty to the Premises. Tenant, therefore, fully waives the provisions of any statute or regulation, including California Civil Code sections 1932(2) and 1933(4), for any rights or obligations concerning a casualty.
ARTICLE 16. CONDEMNATION

If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever occurs first. If more than twenty-five percent (25%) of the land area is taken by condemnation, Tenant may, at Tenant option to be exercised in writing within ten (10) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession), terminate this Lease as of the date the condemning authority takes such possession. If Tenant does not terminate this Lease in accordance with the forgoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the land taken bears to the total land area of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Tenant shall be entitled to any compensation separately awarded to Tenant for Tenant relocation expenses and/or loss of Tenant trade fixtures.

ARTICLE 17. ASSIGNMENT AND SUBLEASING

17.1 Except as provided in this Article, subletting of any portion of the Premises, whether by operation of law or otherwise, without prior written consent of Landlord is void and shall be a breach of this Lease, and at the option of Landlord, shall terminate this Lease.

17.2 This lease is not assignable. Tenant shall not encumber, assign or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in the leased Premises or any of the improvements that may now or hereafter be constructed or installed on the leased Premises without the Landlord’s prior written consent. Tenant, may however, assign this Lease to a successor agency that succeeds Tenant’s authority by operation of law. Tenant shall not sublet the leased Premises or any part thereof or allow any other person other than Tenant agents and employees to occupy the leased Premises or part thereof.

Neither this lease nor the leasehold estate of Tenant shall be subject to involuntary assignment, transfer, or sale, or to assignment, transfer, or sale by operation of law in any manner whatsoever except as authorized in this lease, and any such attempted involuntary assignment, transfer or sale shall be void.

ARTICLE 18. SURRENDER OF PREMISES

Surrender of Premises. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises in clean and good condition, ordinary wear and tear accepted. Tenant shall have the right to remove from the Premises, and Landlord shall have the right to compel Tenant to remove, Tenant's furniture and other personal property and any fixtures and leasehold improvements which Tenant shall have installed at Tenant's expense. Tenant agrees to repair, at
Tenant's expense, any damage to the Premises resulting from the removal or any such items, including, without limitation, repairing the floor and patching and painting the walls where reasonably required by Landlord. All locks or bolts, alterations or improvements affixed to or made upon said premises by either of the parties hereto shall be and become property of Landlord, and shall be surrendered with the premises as part thereof upon the termination of this lease. Tenant’s obligations under this Section shall survive the expiration or earlier termination of this Lease. Tenant shall indemnify Landlord from any claims resulting from delay by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding tenant founded on such delay.

ARTICLE 19. HOLDING OVER

Holdover Rent. If Tenant remains in possession of the Premises after expiration or earlier termination of this Lease with Landlord’s express written consent, Tenant’s occupancy shall be a month-to-month tenancy at a rent agreed on by Landlord and Tenant but in no event less than the Base Rent and Additional Rent payable under this Lease during the last full month before the date of expiration or earlier termination of this Lease. The month-to-month tenancy shall be on the terms and conditions of this Lease except as provided in (a) the preceding sentence and (b) the lease clauses concerning lease term and extension rights. Landlord’s acceptance of rent after such holding over with Landlord’s written consent shall not result in any other tenancy or in a renewal of the original term of this Lease. If Tenant remains in possession of the Premises after expiration or earlier termination of this Lease without Landlord’s consent, Tenant’s continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to the greater of:

(i) One-hundred and fifty percent (150%) of the fair market rental (as reasonably determined by Landlord) for the Premises; or

(ii) Two-hundred percent (200%) of the Base Rent and Additional Rent payable under this Lease for the last full month before the date of expiration or termination.

ARTICLE 20. SUBORDINATION, NONDISTURBANCE, AND ATTornment

The value of Tenant’s contribution of land in lieu of rent is secured by the Land. The amount of Tenant’s lien will decline over the term of the lease as Tenant’s initial contribution is reduced by receipt of Tenant’s right to possession under this Lease. Tenant’s security interest is senior to all other liens against the Land. Tenant has recourse against the Land if Landlord defaults on its obligations under any of the agreements between Landlord and Tenant. This Lease is subordinate to any other, deed of trust, or other pledge of the Land as security for debt that Landlord may now or hereafter place upon the Land/Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Tenant’s right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated. If any mortgagee, trustee or ground landlord elects to have this Lease prior to the lien of its mortgage, deed of trust or ground
lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior to or subsequent to the date of said mortgage, deed of trust or ground lease or the date of the recording thereof.

Tenant agrees to execute any documents necessary to effectuate an attornment, subordination, or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. If the Premises is sold in foreclosure sale or transfer in lieu of foreclosure, Tenant will attorn to the purchaser, transferee or landlord as the case may be, and recognize that party as Landlord under this Lease, provided such party acquires and accepts the Premises subject to this Lease.

ARTICLE 21. DEFAULTS AND REMEDIES

21.1 Tenant's Default. The occurrence of any of the following shall constitute a default by Tenant under this Lease:

   (i) Tenant's failure to pay when due any Rent required to be paid under this Lease if the failure continues for five (5) days;

   (ii) Tenant's failure to perform any other obligation under this Lease if the failure continues for thirty (30) days after written notice of the failure from Landlord to Tenant. If the required cure of the noticed default cannot be completed within thirty (30) days, Tenant's failure to perform shall constitute a default under the Lease unless Tenant undertakes to cure the failure within thirty (30) days and diligently and continuously attempts to complete the cure as soon as reasonably possible.

21.2 Replacement of Statutory Notice Requirements. When this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure section 1161 or any similar or successor statute.

21.3 Landlord's Remedies on Tenant's Default. If Tenant defaults, Landlord may terminate this Lease and recover possession of the Premises. Once Landlord has terminated this Lease, Tenant shall immediately surrender the Premises to Landlord.

21.4 Efforts To Relet. For purposes of this Article 21, Tenant's right to possession shall not be considered to have been terminated by Landlord's efforts to relet the Premises, by Landlord's acts of maintenance or preservation with respect to the Premises, or by appointment of a receiver to protect Landlord's interests under this Lease. This list is merely illustrative of acts that may be performed by Landlord without terminating Tenant's right to possession.

21.5 Acceptance of Rent Without Waiving Rights. Under Article 23, Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand.
21.6 Tenant's Remedies on Landlord's Default. Landlord's failure to perform any of its obligations under this Lease shall constitute a default by Landlord under the Lease if the failure continues for thirty (30) days after written notice of the failure from Tenant to Landlord. If the required performance cannot be completed within thirty (30) days, Landlord's failure to perform shall constitute a default under the Lease unless Landlord undertakes to cure the failure within thirty (30) days and diligently and continuously attempts to complete this cure as soon as reasonably possible.

21.7 Removal of Tenant's Property. Whenever Landlord shall re-enter the Premises as provided in this Lease, any personal property of Tenant not removed by Tenant upon the expiration of the Lease Term, or within five (5) days after a termination by reason of Tenant's default as provided in this Lease, shall be deemed abandoned by Tenant and may be disposed of by Landlord in accordance with any governing laws in the State where the Property is located.

21.8 Waiver of Damages. Tenant hereby waives all claims for damages that may be caused by Landlord's re-entering and taking possession of the premises or removing and storing furniture after default by Tenant hereunder and will save and hold Landlord harmless from damages occasioned thereby, except where damage was caused by willful misconduct or gross negligence of Landlord, its agents, employees, or authorized representatives, and no such reentry shall be considered or construed to be a forcible entry as the same is defined in the Code of Civil Procedure for the State of California.

21.9 Non-Waiver of Damage. Landlord's failure to take advantage of any default or breach of covenant on the part of Tenant shall not be or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant of any term, covenant or condition hereof, or the exercise any rights given him on account of any such default. A waiver of a particular breach or default shall not be deemed to be a waiver of the same or any other subsequent breach or default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this lease.

21.10 If Tenant abandons the Premises or this Lease is otherwise terminated due to Tenant's default, Landlord's financial obligations to Tenant under the Landlord's Promissory Note to Tenant will be deemed satisfied. If Tenant abandons the Premises or this Lease is otherwise terminated due to Landlord's breach, Landlord's financial obligations to Tenant under the Promissory Note will not be deemed satisfied and Landlord will be required to make payments to Tenant as provided for in the Promissory note.

ARTICLE 22. LATE PAYMENTS

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22.1 Late Charges. If after the initial term of this Lease, any Rent payment is not received by Landlord or Landlord's designee within ten (10) days after that Rent is due, Tenant shall pay to Landlord a late charge of ______________ dollars $_______ as liquidated damages, in lieu of actual damages (other than interest under section 22.2 and attorney fees and costs under section 25.1). The parties agree that this late charge represents a reasonable estimate of the expenses that Landlord will incur because of any late payment of Rent (other than interest and attorney fees and costs). Tenant shall pay the late charge as Additional Rent with the next installment of Rent.

22.2 Interest. If any Rent payment is not received by Landlord or Landlord's designee within ten (10) days after that Rent is due, Tenant shall pay to Landlord annual interest on the past-due amount, from the date due until paid, at the rate of twelve percent (12%) per year.

ARTICLE 23. NONWAIVER

23.1 Nonwaiver. No waiver of any provision of this Lease shall be implied by any failure of either party to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by a party of any provision of this Lease must be in writing. Such written waiver shall affect only the provision specified and only for the time and in the manner stated in the writing.

23.2 Acceptance and Application of Payment; Not Accord and Satisfaction. No receipt by either party of a lesser payment than the Rent required under this Lease shall be considered to be other than on account of the earliest amount due, and no endorsement or statement on any check or letter accompanying a payment or check shall be considered an accord and satisfaction. Each party may accept checks or payments without prejudice to its right to recover all amounts due and pursue all other remedies provided for in this Lease. Either party's receipt of monies from the other party after giving notice to the other party terminating this Lease in no way reinstates, continues, or extends the Lease Term or affects that Termination Notice. After the service of notice terminating this Lease, the beginning of an action, or the entry of final judgment in any action, either party may receive monies from the other party. The payment and receipt of the payment shall not waive or affect such prior notice, action, or judgment.

ARTICLE 24. DISPUTE RESOLUTION

24.1 Mediation of Disputes. LANDLORD AND TENANT AGREE TO MEDIATE ANY DISPUTE OR CLAIM BETWEEN THEM ARISING OUT OF THIS LEASE OR ANY RESULTING TRANSACTION BEFORE RESORTING TO ARBITRATION OR COURT ACTION. Mediation is a process in which parties attempt to resolve a dispute by submitting it to an impartial, neutral mediator who is authorized to facilitate the resolution of the dispute but who is not empowered to impose a settlement on the parties. Mediation fee, if any, shall be divided equally among the parties involved. Before the mediation begins, the parties agree to sign a document limiting the admissibility in arbitration or any civil action of anything said, any admission made, and any documents prepared, in the course of the mediation, consistent with Evidence Code § 1119. IF ANY PARTY COMMENCES AN ARBITRATION OR COURT
ACTION BASED ON A DISPUTE OR CLAIM TO WHICH THIS PARAGRAPH APPLIES WITHOUT FIRST ATTEMPTING TO RESOLVE THE MATTER THROUGH MEDIATION, THEN IN THE DISCRETION OF THE ARBITRATOR(S) OR JUDGE, THAT PARTY SHALL NOT BE ENTITLED TO RECOVER ATTORNEY'S FEES EVEN IF THEY WOULD OTHERWISE BE AVAILABLE TO THAT PARTY IN ANY SUCH ARBITRATION OR COURT ACTION. However, the filing of a judicial action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not in itself constitute a loss of the right to recover attorney's fees under this provision. The following matters are excluded from the requirement of mediation hereunder: (a) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or installment land sale contract as defined in Civil Code § 2985, (b) an unlawful detainer action, (c) the filing or enforcement of a mechanic's lien, and (d) any matter which is within the jurisdiction of a probate court.

2.5.2 Arbitration of Disputes. Any dispute or claim in law or equity between Landlord and Tenant arising out of this Agreement or any resulting transaction which is not settled through mediation shall be decided by neutral, binding arbitration and not by court action, except as provided by California law for judicial review of arbitration proceedings.

The arbitration shall be conducted in accordance with the rules of either the American Arbitration Association (AAA) or Judicial Arbitration and Mediation Services, Inc. (JAMS). The selection between AAA and JAMS rules shall be made by the claimant first filing for the arbitration. The parties to an arbitration may agree in writing to use different rules and/or arbitrator(s). In all other respects, the arbitration shall be conducted in accordance with Part III, Title 9 of the California Code of Civil Procedure. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties shall have the right to discovery in accordance with Code of Civil Procedure § 1283.05. The following matters are excluded from arbitration hereunder: (a) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or installment land sale contract as defined in Civil Code § 2985, (b) an unlawful detainer action, (c) the filing or enforcement of a mechanic's lien, (d) any matter which is within the jurisdiction of a probate or small claims court, and (e) an action for bodily injury or wrongful death, or for latent or patent defects to which Code of Civil Procedure § 337.1 or § 337.15 applies. The filing of a judicial action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a waiver of the right to arbitrate under this provision.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF
DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION" PROVISION TO NEUTRAL ARBITRATION

____________________________  ______________________________
TENANT                           LANDLORD

ARTICLE 25. ATTORNEY FEES AND COSTS

25.1 Attorney Fees and Costs. If either party undertakes litigation or arbitration against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to recover from the other party reasonable attorney fees, arbitration costs, and court costs incurred. The prevailing party shall be determined under Civil Code section 1717(b)(1) or any successor statute.

ARTICLE 26. LANDLORD'S ACCESS TO PREMISES

26.1 Landlord's Access to Premises. Landlord shall have the right to enter the Premises at reasonable times with reasonable notice during normal business hours for the purpose of maintaining or making such repairs or improvements as Landlord may be required to make hereunder, so long as the same shall not unreasonably interfere with Tenant's use and occupancy of the Premises.

26.2 Method of Entry. For entry as permitted by this Article 26, Landlord shall at all times have a key or, if applicable, a card key with which to unlock all the doors in the Premises. In an emergency situation, Landlord shall have the right to use any means that Landlord considers proper to open the doors in and to the Premises. Any such entry into the Premises by Landlord shall not be considered a forcible or unlawful entry into, or a detainer of, the Premises or an actual or constructive eviction of Tenant from any portion of the Premises.

26.3 Emergency Entry. Despite any other provision of this Article 26, Landlord and Landlord's agents may enter the Premises without any advance notice when necessary to address emergency situations. For purposes of this Article, an emergency situation is one that poses a threat of imminent bodily harm or property damage. If Landlord makes an emergency entry onto the Premises when no authorized representative of Tenant is present, Landlord shall provide telephone notice to Tenant as soon as reasonably possible within twenty-four (24) hours after that entry and shall take reasonable steps to secure the Premises until a representative of Tenant arrives at the Premises.
ARTICLE 27. MISCELLANEOUS

27.1 Section Heading. The titles to the various sections appearing in this Lease have been inserted solely for the convenience of the parties and are otherwise no part of this Lease and shall not in any manner be used to explain, modify or aid in the interpretation of any part hereof.

27.2 Entire Agreement; Amendments. This Lease and all exhibits referred to in this Lease constitute the final, complete, and exclusive statement of the terms of the agreement between Landlord and Tenant pertaining to Tenant’s lease of the Premises and supersedes all prior and contemporaneous understandings or agreements of the parties. Neither party has been induced to enter into this Lease by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Lease. This Lease may be amended only by an agreement in writing signed by Landlord and Tenant.

27.3 Exhibits. The Exhibits and Addendum, if applicable, attached to this Lease are a part of this Lease and incorporated into this Lease by reference.

27.4 Partial Invalidity. If a court or arbitrator of competent jurisdiction holds any Lease clause to be invalid or unenforceable in whole or in part for any reason, the validity and enforceability of the remaining clauses, or portions of them, shall not be affected unless an essential purpose of this Lease would be defeated by loss of the invalid or unenforceable provision.

27.5 Binding Effect. This Lease shall bind and benefit the parties to this Lease and their legal representatives and successors in interest.

27.6 Independent Covenants. This Lease shall be construed as though its covenants between Landlord and Tenant are independent and not dependent.

27.7 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

27.8 Notices. Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party or any other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this Section. Rent shall be paid to Landlord at Landlord’s address.

27.9 Submission of Lease. Submission of this document for examination or signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

27.10 Right To Lease. Landlord reserves the absolute right to contract with any other person or entity to be a tenant in the Premises as Landlord, in Landlord’s sole business judgment, determines best to promote the interests of the Premises. Tenant does not rely on the expectation,
and Landlord does not represent, that any specific tenant or type or number of tenants will, during the Lease Term, occupy any space in the Premises.

27.11 No Air Rights. No rights to any view from the Premises or to exterior light or air to the Premises are created under this Lease.

27.12 Brokers. Landlord and Tenant each represents to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, and that they know of no other real estate broker or agent who is entitled to a commission or finder's fee in connection with this Lease. Each party shall indemnify, protect, defend, and hold harmless the other party against all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including reasonable attorney fees) for any leasing commission, finder's fee, or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers. The terms of this section 27.12 shall survive the expiration or earlier termination of the Lease Term.

27.13 Minimization of Interference. Landlord shall exercise its rights and perform its obligations under this Lease, and otherwise operate the Premises, in such a way as to reasonably minimize any resulting interference with Tenant's use of the Premises. Tenant shall exercise its rights and perform its obligations under this Lease, and otherwise operate the Premises, in such a way as to reasonably minimize any resulting interference with the operation of the Premises, except as otherwise provided under this Lease.

27.14 Quiet Enjoyment. Landlord covenants and agrees with Tenant that, upon Tenant paying Rent and performing all the covenants and conditions of the Lease to be performed by Tenant, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the Term subject, however, to the terms of this Lease.

27.15 Time of Essence. Time is of the essence of this Lease and each and every provision of this Lease.

27.16 Counterpart Provision. This lease may be executed in counterpart.

27.17 Amendment. This Lease and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant

Executed as of the ______________.

LANDLORD:

MARINA COAST WATER DISTRICT, a California public agency

By: _____________________________

Name: Howard Gustafson
Its: Board President
By: __________________________
Name: Jim Heitzman
Its: Board Secretary

TENANT:

FORT ORD REUSE AUTHORITY

By: __________________________
Name __________________________
Its: __________________________
EXHIBIT "A"

DIAGRAM OF LAND AND PREMISES
EXHIBIT "B"

SCHEDULE OF TENANT IMPROVEMENTS
Resolution Authorizing the Executive Officer
To Execute Sales Contract with Marina Coast Water District and Association of Monterey Bay Area Governments

DRAFT

THIS RESOLUTION is adopted with reference to the following facts and circumstances:

A. Since 2003, the Fort Ord Reuse Authority ("FORA") has engaged in joint planning with Association of Monterey Bay Area Governments ("AMBAG"), Builders Exchange of the Central Coast ("Builders Exchange"), and Carpenters Union Local 605 ("Carpenters") (collectively, "Partners") with the intention of developing a joint-use office park on the former Fort Ord.

B. In 2004, the City of Marina identified the Imjin Office Park site, a 4.75-acre parcel at the corner of Imjin Parkway and 2nd Avenue in the City of Marina, as an appropriate site for FORA and the Partners to develop their joint-use office park.

C. On December 12, 2008, the FORA Board authorized the Executive Officer to execute an agreement with Marina Coast Water District ("MCWD") regarding the sale of FORA property and joint building consistent with the term sheet.

D. The FORA Board's approval of resolution 09-__ is consistent with previous Board action and will facilitate Imjin Office Park property sale to MCWD.

NOW THEREFORE be it resolved:

1. Michael A. Houlemard, Jr., the FORA Executive Officer, shall be FORA's signatory for the execution of the FORA-MCWD-AMBAG sales agreement and other documents necessary for the sale and transfer of the Imjin Office Park Assessor's Parcel Numbers ("APN") 031-251-038-000 (FORA's parcel) and 031-251-040-000 (AMBAG's Parcel) to MCWD.

2. FORA's sale price to MCWD for APN 031-251-038-000 is $988,000.00.

3. AMBAG's sale price to MCWD for APN 031-251-038-000 is $588,000.00.

4. In addition to the sale price, FORA shall collect $135,082.20 at close of escrow from MCWD for building permit fees previously paid and $220,855.92 at close of escrow from MCWD for AMBAG payments previously due to FORA.
Upon motion by ____________, seconded by ____________, the foregoing resolution was passed on the 3rd day of April, 2009, by the following vote:

AYES:
NOES:
ABSTENTION:
ABSENT:

I, Mayor Rubio, Chair of the Board of Directors of the Fort Ord Reuse Authority of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of the said Board of Directors duly made and entered under Item _____, Page _____, of the board meeting minutes of ______, 2009 thereof, which are kept in the Minute Book resident in the offices of the Fort Ord Reuse Authority.

DATED ___________________ BY ________________________________

_________________________________________________________________

Ralph Rubio
Chair, Board of Directors
Fort Ord Reuse Authority
RECOMMENDATION:

Receive a report from the Administrative Committee.

BACKGROUND/DISCUSSION:

The Administrative Committee met on and March 4, 11, and 25, 2009. The approved minutes of the first two meetings are attached for your review. The minutes from the March 25th meeting have not yet been prepared.

On March 11th the committee agreed to meet on April 1st to resolve issues remaining, if any, from their discussions on March 25th of the three draft, auxiliary Habitat Conservation Plan ("HCP") documents: Joint Powers Authority Agreement, the HCP Implementing Agreement, and the sample ordinance for the jurisdictions regarding HCP implementation procedures. Staff will provide an update during their informational report regarding Item 6a (HCP approval process) at the April board meeting.

FISCAL IMPACT:

None

COORDINATION:

Administrative Committee

Prepared by Linda L. Stiehl
Approved by Michael A. Houle Ward, Jr.
MINUTES OF THE
ADMINISTRATIVE COMMITTEE MEETING
Wednesday, March 4, 2009

1. Call to Order

Chair Doug Yount called the meeting to order at 8:17 a.m. The following representatives from the land recipient jurisdictions, representing a quorum, were present:

Jim Cook – County of Monterey*  Dick Goblirsch - City of Del Rey Oaks*
Doug Yount – City of Marina*   Diana Ingersoll – City of Seaside*

Also present, as indicated by the roll sheet signatures, were:

James Arnold – FORA  Robert Schaffer – MPC
James Feeney, FORA  Rob Robinson – Army BRAC*
Bob Holden – MRWPCA  Steve Endsley – FORA
Kathleen Ventimiglia – CSUMB*  Mike Gallant, MST
Jim Heitzman – MCWD*  Vicki Nakamura – MPC*
Graham Bice – UC MBEST *  Michael Houlemard - FORA
Rich Guillen – City of Carmel (*)  Jamie Schneider, Bestor Engineers.
Bill Reichmuth, City of Monterey  Don Bachman, TAMC
Steve Matarazzo, Sand City  Jonathan Garcia, FORA

* indicates a committee member and (*) indicates a FORA voting member but not a land recipient jurisdiction.

Voting board member jurisdictions not represented at this meeting were Salinas, Pacific Grove.

2. Pledge of Allegiance

Chair Yount asked Graham Bice, who agreed, to lead the Pledge of Allegiance.

3. Acknowledgements, announcements and correspondence - none

4. Public comment period - none
5. Approval of February 18, 2009 meeting minutes

Motion to approve the February 18, 2009 meeting minutes was made and approved by consensus.


Executive Officer Houlemard presented the FORA Board Agenda. He reviewed all the items presented and made brief comments on the items. Mr. Houlemard noted that the Committee would discuss the HCP, and water item later on in the agenda. He noted that the board meeting may be moved or adjusted by Executive Committee later today.

7. Old Business

Item 7a – Habitat Conservation Plan (HCP): (1) Status report and schedule and (2) Review drafts of Joint Powers Authority (“JPA”) agreement, Implementing Agreement (“IA”) and Ordinance regarding HCP implementation procedures: Co-Chair Houlemard presented this item. He noted that FORA Counsel Jerry Bowden was available to answer any questions about the item. Mr. Houlemard noted that new document drafts were passed out for member/jurisdictions to review. To date FORA has received comments from MCWD and the Army. UCMBEST indicated they will be giving their comments today. Mr. Houlemard noted he would like all comments in by March 15th so that FORA can give them to Dept. of Fish and Game so they can start their review process. He also suggested that the Admin committee have a separate session just for the purpose of reviewing the document with counsel in order that all members become comfortable with what is sent out to the public. Jim Cook thought that was a brilliant idea. Mr. Houlemard noted that comments to be added or submitted or any questions, send to Jonathan Garcia to compile. These are very important documents. There are two things these document will do, one is govern how we spend HCP money and the other is to extend take authorizations to projects. The meeting needs to be next week.

The question was asked if the "Stay Ahead" provision would be done prior to the meeting. Steve Endsley said that they are delaying the funding chapters, 2, 3 and 7, but that the Stay Ahead analysis would be done in time. If a meeting was planned for next week the funding portion wouldn’t be done. FORA Counsel Jerry Bowden, noted that the committee needs to look at this process in two ways. They are "how to" documents. These are documents that Fish and Game and Fish and Wildlife insist that the jurisdictions execute. They have nothing to do with the HMP. These should not take a great deal of time, and are not too complicated. As far as process is concerned FORA really wants to have all the people around the table in
agreement about the substance so we can go to them and be unified and say this is what we are proposing. It is imperative that we get this done and very soon in order to proceed. All jurisdictions will have to adopt the agreements. It is slightly different for the universities, as they are written for city or county. Doug Yount noted that if the ordinance is for the primary purpose of development fee which provides funding then UC isn’t going to collect those fees. Graham Bice said that the UC will be directing its developers to pay those fees. UC will either adopt a policy or will develop something that is equivalent. The meeting was set for Wednesday, March 11, 2009 in the FORA Barn at 9:00. FORA will make sure that we have all the documents ready for the meeting.

Item 7b – Memorandum of Understanding between Marina Coast Water District and Monterey Regional Water Pollution Control Agency regarding the Regional Urban Water Augmentation Project (RUWAP): Chair Doug Yount explained the current delay/problem with this item. He noted that there has been much work done in bringing this to both boards. PCA board met on the 23rd, and while the negotiations were hoping for final approval of the MOU, it didn’t happen. The PCA Board did agree to go back into negotiations, for lack of a better term, with members of the MCWD board, and general managers and others.

The next step is to have some continued facilitated meetings to try to resolve final issues of the MOU. Doug Yount noted that this item was important to FORA for a lot of reasons. Augmented water is important to Fort Ord and all jurisdictions for stimulus opportunities, water project, and the Water for Monterey County project. Three options that are under review for the PUC. Mr. Yount noted it is important to have this critical agreement between the two agencies – one agency provides water and the other agency delivers it (not an easy issue). The City of Marina and MCWD if the MOU was completed would have an opportunity for stimulus funding. PCA has a new chair, Lou Calcagno, who at the end of the meeting, said he will try to move this along as quickly as possible. Mr. Yount further noted that losing an opportunity with stimulus funding would be detrimental and was concerned that if the members don’t solve this issue of regional water, there will be others who will solve it for us. Jim Heitzman then noted that PCA was not responding to his inquiries and that it seemed unlikely they will sign the agreement. He also noted that Cal Am wants to take recycled water and are ready to join the effort. He further noted that there were two facilitators at the Admin table that have tried to get the MOU done. He expressed frustration about what else MCWD can do and having to pay attorneys to reviews draft over and over. He described further concerns but said maybe with new leadership and mayors, supervisor, there should be some hope. Bob Holden from MRWPCA was asked by Chair Yount if he had anything to add. He indicated that he had nothing to add. Shortly thereafter, Mr. Holden left the meeting.
Jim Cook asked what the main issue is that’s holding it up. Michael Houlemaid noted that MRWPCA felt that the replenishment be a part of this activity stating that the replenishment and questions about handling summer water bring in another level of complexity. Mr. Heitzman expressed concern about an agreement without an EIR that makes an agreement null and void. Doug Yount said that it was clear that after closed session there was still concern by PCA Board members. Bill Reichmuth noted that there is little excuse for the delay and asked how we are going to distribute RUWAP water. He pointed out that the pipe should go all the way to South Boundary Road, there are a lot of uses for this and it makes a lot of sense. Diana Ingersoll said that Seaside was having a study session on water, (March 19th at 5:30) which will review all projects and talk about policy, make a strong statement as to the different projects that should move forward. Seaside is ready to take recycled water and that would help regarding the water needs. Seaside is as frustrated as anyone else. Bill Reichmuth noted there is a Rob Wellington legal opinion that effects this issue and asked Michael Houlemaid if he could ask authority counsel to review. Jim Feeney noted that 750,000, has already been spent. He said that he has been through 4 general managers, and the message has been the same. We ought to re-examine what CFD requires MCWD to do, what it has been doing and been doing a good job.

Michael Houlemaid noted that all should remember that MCRWRA has a role. He said this has come to the board; we are prepared to give to the board and give them an update. This conversation has to be made with the policy makers and urged all to brief policy makers. We all need to understand/translate money has been spent on this program, and there is not a rate payer to repay the money that has been spent. This puts PCA in a difficult situation if replenishment is not included and it puts policy makers in a difficult situation.

8. New Business

Item 8a – March 18, 2009 Meeting Date: Jim Heitzman asked if he could make this motion to cancel the March 18th meeting, the motion was seconded and approved by consensus.

9. Adjournment

Co-Chair Houlemaid adjourned the meeting at 9:18 a.m.

Minutes prepared by Sharon Strickland.
Subject: Executive Officer's travel report

Meeting Date: April 3, 2009
Agenda Number: 7b

RECOMMENDATION:

Receive an oral report from the Executive Officer regarding his trip to Washington, DC, from March 24-26, 2009.

BACKGROUND/DISCUSSION:

The Executive Committee approved the Executive Officer's trip to Washington, DC, at their meeting on March 4, 2009. He will be in the nation's capital from March 24-26, 2009 to continue his exploration of federal stimulus funding and various ESCA matters. Attached is a copy of his meeting schedule.

FISCAL IMPACT:
Reviewed by FORA Controller

Expenses will be reimbursed according to FORA's travel policy.

COORDINATION:

Executive Committee

Itinerary
March 24-26, 2009

March 24, 2009

7:30 p.m. Dinner with George Schlossberg and Nithin Akuthota (Kutak Rock)
RESERVATION DETAILS:
Michael Houllemard – Party of 3
Oceanaire Seafood Room - DC
1201 F Street, NW, 202-347-2277

March 25, 2009

8:00 a.m. Meeting with Barry Steinberg (location TBD)
Work: 202/828-2316; Cell: 703/629-8737

10:00 a.m. Meeting with Ryan Hunt, Legislative Assistant
Office of Senator Dianne Feinstein
331 Hart Senate Building, 202-224-3841

11:00 a.m. Meeting with Governor Schwarzenegger’s DC Office
Melissa Decker, Eric Swedlund, Dave Lucas
Hall of States, 444 N. Capitol St., NW, Suite 134 (N. Capitol & E)
202-624-5275

12:00 p.m. Meeting with Darryl Beckmann, Deputy Commissioner
Department of Interior, Bureau of Reclamation
1849 C Street, NW (between 18th & 19th) (enter on C Street)
Security will have your names.
Go to the 7th Floor, Room 7649 (walk to far end of the building)
(Contact: Michelle—202-513-0616)

1:15 p.m. Meeting with Patrick O’Brien
Office of Economic Adjustment
400 Army Navy Dr., Suite 205
Arlington, Virginia
Photo ID required. Upon arrival, call 703-604-6020 and request an escort.

3:30 p.m. Meeting with Lynn Abramson, Legislative Assistant
Office of Senator Barbara Boxer
112 Hart Senate Building, 202-224-3553

4:30 p.m. Meeting with Congressman Sam Farr and Rochelle Dornatt
1126 Longworth House Building, 202-225-2861

5:30 p.m. Meet at Kutak Rock

7:00 p.m. Call the FORA office to participate by phone in the Executive Committee meeting

March 26, 2009

8:00 a.m. Breakfast/coffee meeting with Tom Lederle, Army BRAC Director
Location to be determined [Work: 703/602-2854/ Cell: 757-880-3451]

~John Freshman - Office: 202/274-2850; Cell: 202/258-0076 or
EXECUTIVE OFFICER’S REPORT

Subject: Department of Toxic Substances Control Land Use Covenants annual reporting

Meeting Date: April 3, 2009
Agenda Number: 7c

RECOMMENDATION:

Receive an update on the Department of Toxic Substances Control ("DTSC") Land Use Covenants ("LUC") annual reporting.

BACKGROUND:

On September 14, 2007, the FORA Board approved a Memorandum of Agreement among DTSC, California State University Monterey Bay, University of California Monterey Bay, Education, Science, and Technology Center, Monterey Peninsula College, County of Monterey, the Cities of Seaside, Marina, Del Rey Oaks, and Monterey. The agreement specified that FORA would reimburse DTSC’s oversight costs (approximately $20,000 annually) for the first two years of annual reporting through Early Transfer/Environmental Services Cooperative Agreement (ET/ESCA) funds designated for this purpose and, after the first initial two years, FORA would reimburse DTSC for its oversight costs through dues collected from the eight reporting entities and FORA would collect an additional 15% administrative cost from the eight reporting entities in order to reimburse FORA staff time associated with the activity of collecting and compiling annual reports and submitting them to DTSC.

DISCUSSION:

FORA is collecting and compiling annual reports and submitting them to DTSC for the first annual year’s report (July 1, 2007 to June 30, 2008). FORA had anticipated transfer of the ET/ESCA parcels from the Army prior to June 30, 2008 in order to apply to DTSC’s oversight costs. Since the ET/ESCA parcels did not transfer before this date, DTSC’s oversight costs must be reimbursed from the FORA general fund. DTSC’s oversight costs are expected to be less than $10,000 for the first annual reporting period.

FISCAL IMPACT:
Reviewed by FORA Controller

The General fund will pay approximately $10,000 for the first annual report and ET/ESCA funds will pay for the second annual report. The subsequent reports will be paid by the reporting entities.

COORDINATION:

Executive Committee, Administrative Committee, DTSC.

Prepared by Jonathan Garcia Reviewed by Steve Endsley
Approved by Michael A. Houlihared, Jr.
EXECUTIVE OFFICER’S REPORT

Subject: Rabobank debt consolidation/priority capital improvements loan

Meeting Date: April 3, 2009
Agenda Number: 7d

RECOMMENDATION:

Receive a report regarding a loan application which, if concluded, may consolidate existing debt, provide stimulus grant matching funds, and finance priority basewide capital/operational needs.

BACKGROUND/DISCUSSION:

For the past two years, FORA staff has noted the need in several venues (FORA Board, Administrative, Executive, Finance and Capital Improvement Program Committee meetings), to liquidate the Fort Ord Reuse Authority’s ("FORA’s") 50% ownership interest in Preston Park properties to fund basewide obligations. Reduction in both jurisdictional future development projections and the receipt of Community Facilities District fees, land sale revenues, and tax increment, requires FORA to explore this land sale option now. Prior to pursuing this option, FORA staff and Marina staff have evaluated several other approaches that are not feasible in the current depressed economic climate. Therefore, staff is exploring a loan as the most likely way to generate cash.

This report informs the Board that staff intends to process a loan application secured by FORA’s share of Preston Park. We do not know the current value of this asset. The 2008 appraisal is being updated. After the valuation and loan review process begins, staff would return to the Board with recommendations of how best to use the loan proceeds. Alternatives include: consolidate and retire existing debt, provide stimulus grant local matching funds, secure staffing costs for the coming years, and finance priority basewide capital projects.

FORA staff is also pursuing grant funds through the Federal stimulus program via the Department of Commerce Economic Development Administration. If FORA is invited to submit an application, a local match commitment would be required. A loan secured against the Preston Park asset could be used to provide the local match.

FORA staff will apply to Rabobank for the loan for the reasons noted. Rabobank is the logical lender because it finances debt that may be retired by the proposed loan and holds the most recent appraisal. FORA staff will seek Board authority prior to executing the loan.

FISCAL IMPACT:

Positive. FORA’s share of Preston Park asset may retire existing debt and finance certain required priority capital improvements to accommodate anticipated development projects as the economy recovers.

COORDINATION:

Administrative Committee, Executive Committee, City of Marina, Rabobank

Prepared by Ivana Bednarik
Approved by Michael A. Houlemard, Jr.
RECOMMENDATIONS:
Receive a report from the Controller regarding outstanding receivables.

BACKGROUND/DISCUSSION:
This is an update report regarding the outstanding receivables that remain uncollected as of March 31, 2009.

1. East Garrison Partners (EGP) - Interest reimbursements
When Monterey County (County) approved the EGP project in 2005, certain land sale revenue was deferred; a portion was due to Fort Ord Reuse Authority (FORA) under terms of the FORA/County Implementation Agreement. As a consequence, EGP, County and FORA entered into a Memorandum of Understanding (MOU), which requires EGP to pay FORA monthly interest payments of about $24,000 and to repay the $4.1M principal due in 2011 or upon termination of the MOU. In September 2008, EGP defaulted on its interest payments breaching the MOU terms.

   ✔ FORA staff is working with County staff to bring a formal recommendation to the FORA Board.

2. Del Rey Oaks (DRO) – Annual loan payment
In August 2008, the FORA Board approved a payment plan DRO developer requested regarding the pollution legal liability insurance. The DRO’s annual payment is $256,023 and the developer has made five monthly payments totaling $35,000. The developer owes FORA $30,000 for January-March 2009 installments; $221,023 of the annual payments is unpaid.

   ✔ FORA staff is in contact with the developer who promises payment by April 3.

3. Association of Monterey Bay Area Governments (AMBAG) - Land sale proceeds.
In November 2007, FORA sold a parcel to AMBAG. AMBAG requested that the sale agreement allows AMBAG to pay the outstanding balance of $171,288 in three annual installment that include 7% interest. As of March 31, 2009, FORA has yet to receive the first installment.

   ✔ FORA staff is working with AMBAG and Marina Coast Water District (MCWD) on MCWD’s purchase of the parcel. Formal approval by AMBAG and MCWD is pending; FORA Board has already approved a similar transaction. Approval of these documents enables AMBAG to pay FORA upon receipt of land sale proceeds from MCWD.

FISCAL IMPACT:
A negative impact on FORA’s net revenues and reserves for the fiscal year; FORA spends its own resources including debt to substitute for these uncollected payments.

COORDINATION:
Executive Committee.

Prepared by  Ivana Bednarik
Approved by  Michael A. Houlemard, Jr.
<table>
<thead>
<tr>
<th>AMBAG payments due FORA</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding invoices for Imjin Office Park project permit review fees to City of Marina, State Water Resources Board, PG&amp;E, and MCWD (cash at Escrow)</td>
<td>$18,486.28</td>
</tr>
<tr>
<td>Land payments – balance of Principal (cash at Escrow)</td>
<td>$171,288</td>
</tr>
<tr>
<td>Land payments – Interest (cash and/or credits to be negotiated by Executive Officer and reported to Escrow)</td>
<td>$17,335.77</td>
</tr>
<tr>
<td>Land payments – Additional Financing Charges (cash and/or credits to be negotiated by Executive Officer and reported to Escrow)</td>
<td>$13,745.87</td>
</tr>
<tr>
<td>Total</td>
<td>$220,855.92</td>
</tr>
</tbody>
</table>

Staff recommends that the Board approve Resolution 09-03 and authorize the Executive Officer to modify the Sales Agreement with AMBAG and instruct escrow to collect cash payments for principal and amounts due FOR A and/or apply fair market value credits for portions of the interest and additional financing costs.
DIRECTIONS:

- Take the Lightfighter exit off Highway 1 (between Marina and Monterey).
- Go to the second stoplight and turn left on Second Avenue.
- Go to the first stop sign and turn left on Divarty Street.
- Go to the first stop sign and turn right on First Avenue.
- Follow the brown State Parks directional signs.
- Turn left on Fifth Street and go past the warehouses to the Fort Ord Dunes State Park sign.
- Turn right (no street sign) and go to the end of the road.
- Turn left and go over the bridge and straight to the parking lot.

YOU ARE INVITED TO

THE GRAND OPENING OF

FORT ORD DUNES
STATE PARK

WEDNESDAY · APRIL 15, 2009 · 11 A.M.

THE CEREMONY WILL BE HELD IN THE STILWELL HALL PARKING LOT.

REFRESHMENTS WILL BE SERVED AFTER THE CEREMONY.

PLEASE RSVP PAT CLARK-GRAY BY APRIL 10.

CALL (831) 649-2855 OR E-MAIL pgray@parks.ca.gov