

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

633



FROM: Economic Development Agency /Facilities Management

SUBMITTAL DATE:
August 4, 2011

SUBJECT: Lease – City of Palm Desert-Sheriff Department

RECOMMENDED MOTION: That the Board of Supervisors:

1. Ratify the attached Lease and authorize the Chairman of the Board to execute the same on behalf of the County;
2. Approve and direct the Auditor-Controller to make the budget adjustments as shown on Schedule A (attached).; and,
3. Find that the Project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301 Existing Facilities.

BACKGROUND: (Commences on Page 2)

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY: Samuel Wong 8/1/11
SAMUEL WONG

Robert Field
Robert Field
Assistant County Executive Officer/EDA

| | | | | |
|-----------------------|-------------------------------|------------|-------------------------|---------|
| FINANCIAL DATA | Current F.Y. Total Cost: | \$ 258,183 | In Current Year Budget: | No |
| | Current F.Y. Net County Cost: | \$ 258,183 | Budget Adjustment: | Yes |
| | Annual Net County Cost: | \$ 339,419 | For Fiscal Year: | 2011/12 |

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

| | | |
|---|---|-------------------------------------|
| SOURCE OF FUNDS: 100% General Fund | Positions To Be Deleted Per A-30 | <input type="checkbox"/> |
| | Requires 4/5 Vote | <input checked="" type="checkbox"/> |

C.E.O. RECOMMENDATION: APPROVE
BY: Jennifer L. Sargent
Jennifer L. Sargent

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Stone and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: 8/16/11
xc: EDA, Sheriff, CIP, E.O., Auditor(2)

Kecia Harper-Ihem
Clerk of the Board
By: [Signature]
Deputy

Prev. Agn. Ref.: N/A

District: 4

Agenda Number: 3.37

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

FORM APPROVED COUNTY COUNSEL
 DATE
 BY: [Signature]
 Departmental Concurrence
 BY: [Signature]
 REVIEWED BY CIP
 BY: [Signature]
 Sheriff Department
 By: [Signature]
 Sheriff Department

Dept's Recomm.: Consent
 Per Exec. Ofc.: Consent
 Policy
 Policy

BACKGROUND:

The County and the City of Palm Desert desire to enter into a Lease Agreement for the facility located at 73-520 Fred Waring Drive, Palm Desert, California. The facility consists of approximately 25,393 square feet. The Sheriff Department has utilized this office since February 1, 1991, for its law enforcement services and communications center. A new station was constructed for and occupied by the Sheriff Department within the City of Palm Desert in October 2010. The project did not accommodate for the relocation of the existing Sheriff's Department communications center, therefore, it will remain in its current location. The communications center and other staff will occupy approximately 10,058 square feet in the existing facility. The intent is for the Sheriff's Department to occupy this space during the term of the Lease and later expand and lease the remaining 13,838 square feet of the premises for the purpose of providing services currently provided at the Sheriff's Department's leased facility in Thousand Palms. The lease on that facility will expire in October 2012 and operations will be relocated to the existing Sheriff's station as part of this lease.

Pursuant to the California Environmental Quality Act (CEQA), the Lease was reviewed and determined to be categorically exempt from CEQA under CEQA Guidelines 15301, Class 1 - Existing Facilities. The proposed project, the Lease, is the letting of property involving existing facilities and no expansion of an existing use will occur.

Not included in the rent payable by the County to the City of Palm Desert will be approximately 1,497 square feet of office/reception space which shall be utilized by the City of Palm Desert's police department for providing public services.

Lessor: City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, California 92260

Premises Location: 73-520 Fred Waring Drive, Palm Desert, California

Phase 1: Term: Ten years commencing retro actively to January 1, 2011

Size: 10,058 square feet

Rent: \$ 1.25 per sq. ft.
\$ 12,573.00 per month
\$150,876.00 per year

Phase 2: Term: Not more than ten years, nor less than, eight years two months commencing on or before October 1, 2012

Size: 13,838 square feet (7,472 office and 6,366 basement)

| Rent: | Office | Basement |
|-------|-----------------------|-----------------------|
| \$ | 1.25 per sq. ft | \$ 1.00 per sq. ft. |
| \$ | 9,340.00 per month | \$ 6,366.00 per month |
| | \$112,080.00 per year | \$76,392.00 per year |

Phase 2 Total
\$ 15,706.00 per month
\$188,472.00 per year

BACKGROUND: (Continued)

| | | |
|--------------------|--|--------|
| Rental Adjustment: | 2% annually from January 1, 2012 – 2015, then CPI annually of not less than 2% nor greater than 5% | |
| Utilities: | County pays water, gas, electric and telephone | |
| Maintenance: | Provided by Landlord | |
| Custodial: | Provided by Landlord | |
| Improvements: | N/A | |
| RCIT Costs: | N/A | |
| Market Data: | 41-900 Corporate Way, Palm Desert | \$1.00 |
| | 75-410 Gerald Ford Drive, Palm Desert | \$1.75 |
| | 72-284 Highway 111, Palm Desert | \$1.25 |

The attached Lease has been reviewed and approved by County Counsel as to legal form.

FINANCIAL DATA:

The associated costs for this lease will be fully funded through the Sheriff Department's budget. Sheriff has budgeted these costs in FY 2011/12. While EDA will front the costs for the lease with the property owners, Sheriff will reimburse EDA for all associated costs. (Exhibits A & B)

Attachments:

- Schedule A
- Exhibit A
- Exhibit B
- Lease

Schedule A

Increase Appropriations:

47220-7200400000-526700 – Rent/Lease Buildings \$227,823

Increase Estimated Revenue:

47220-7200400000-777330 – Leasing Services \$227,823

Exhibit A

Sheriff Lease Cost Analysis FY 2011/12 73-520 Fred Waring Drive, Palm Desert, California

Total Square Footage to be Leased:

BUDGETED AMOUNTS

Current office: 10,058 SQFT
 Total Budgeted Lease Costs for FY 2011/12 \$ -

ACTUAL AMOUNTS

Current office: 10,058 SQFT

| | | |
|---|--------|------------------|
| Approximate Cost per SQFT (Jan 2011 - Dec 2011) | \$ | 1.25 |
| Approximate Cost per SQFT (Jan 2012 - Jun 2012) | \$ | 1.28 |
| Lease Cost per Month (Jan 2011 - Dec 2011) | \$ | 12,573.00 |
| Lease Cost per Month (Jan 2012 - Jun 2012) | \$ | 12,824.46 |
| Total Lease Cost (Jan 2011 - Dec 2011) | \$ | 150,876.00 |
| Total Lease Cost (Jan 2012 - Jun 2012) | \$ | <u>76,946.76</u> |

Total Actual Lease Cost for FY 2011/12 \$ 227,822.76
 Total Lease Cost Variance for FY 2011/12 \$ 227,822.76

Estimated Additional Costs:

BUDGETED AMOUNTS

| | | |
|--|-----------|----------------|
| Utility Cost per Square Foot | \$ | - |
| Estimated Utility Costs per Month | \$ | <u>-</u> |
| Total Estimated Utility Cost for FY 2011/12 | \$ | - |
| Tenant Improvement Costs | | N/A |
| RCIT Costs | | N/A |
| EDA Lease Management Fee (Based @ 3.79%) | \$ | <u>-</u> |
| Total Estimated Additional Cost Included in Budget for FY 2011/12 | \$ | - |

ACTUAL AMOUNTS

| | | |
|--|-----------|-------------------------|
| Utility Cost per Square Foot | \$ | 0.12 |
| Estimated Utility Costs per Month | \$ | <u>1,206.96</u> |
| Total Additional Estimated Utility Cost for FY 2011/12 (Jan 2011 - June 2012) | \$ | 21,725.28 |
| Tenant Improvement Costs | | N/A |
| RCIT Costs | | N/A |
| EDA Lease Management Fee (Based @ 3.79%) | \$ | <u>8,634.48</u> |
| Total Estimated Additional Actual Cost for FY 2011/12 | \$ | <u>30,359.76</u> |

Total Estimated Additional Cost Variance for FY 2011/12 \$ 30,359.76

TOTAL ESTIMATED COST FOR FY 2011/12 \$ 258,182.52

TOTAL COUNTY COST 100% \$ 258,182.52

Exhibit B

Sheriff Lease Cost Analysis FY 2012/13 73-520 Fred Waring Drive, Palm Desert, California

Current Square Feet Occupied:

PHASE 1

| | | | |
|--|---------|-----------------------------|--------------|
| Office: | 10,058 | SQFT | |
| Cost per Square Foot: | \$ 1.28 | | |
| Lease Cost per Month (July 1, 2012 -December 31, 2012) | | \$ 12,824.46 | |
| | | <u> </u> | \$ 76,946.76 |

PHASE 2 - SQUARE FOOTAGE INCREASE

| | | | |
|---|---------|-----------------------------|--------------|
| Office: | 7,472 | SQFT | |
| Cost per Square Foot: | \$ 1.25 | | |
| Lease Cost per Month (October 1, 2012 -December 31, 2012) | | \$ 9,340.00 | |
| | | <u> </u> | \$ 28,020.00 |

Basement:

| | | | |
|---|---------|-----------------------------|--------------|
| | 6,366 | SQFT | |
| Cost per Square Foot: | \$ 1.00 | | |
| Lease Cost per Month (October 1, 2012 -December 31, 2012) | | \$ 6,366.00 | |
| | | <u> </u> | \$ 19,098.00 |

PHASE 1

| | | | |
|---|---------|-----------------------------|--------------|
| Office: | 10,058 | SQFT | |
| Cost per Square Foot: | \$ 1.30 | | |
| Lease Cost per Month (January 1, 2013 -June 30, 2013) | | \$ 13,080.95 | |
| | | <u> </u> | \$ 78,485.70 |

PHASE 2

| | | | |
|---|---------|-----------------------------|--------------|
| Office: | 7,472 | SQFT | |
| Cost per Square Foot: | \$ 1.28 | | |
| Lease Cost per Month (January 1, 2013 -June 30, 2013) | | \$ 9,526.80 | |
| | | <u> </u> | \$ 57,160.80 |

Basement:

| | | | |
|---|---------|-----------------------------|-----------------------------|
| | 6,366 | SQFT | |
| Cost per Square Foot: | \$ 1.02 | | |
| Lease Cost per Month (January 1, 2013 -June 30, 2013) | | \$ 6,493.32 | |
| | | <u> </u> | \$ 38,959.92 |
| | | <u> </u> | <u> </u> |
| | | | \$ 298,671.18 |

Estimated Utility Costs:

| | | | |
|--|---------|-------------|-----------------------------|
| Utility Cost per Square Foot | \$ 0.12 | | |
| Estimated Utility Costs per Month (July 1, 2012 -September 30, 2012) | | \$ 1,206.96 | |
| | | | \$ 3,620.88 |
| Estimated Utility Costs per Month (October 1, 2012 -June 30, 2013) | | \$ 2,867.52 | |
| | | | \$ 25,807.68 |
| Total Estimated Utility Cost for FY 2012/13 | | | <u> </u> |
| | | | <u> </u> |
| EDA Lease Management Fee (Based @ 3.79%) | | | \$ 11,319.64 |
| Total Estimated Lease Cost FY 2012/13: | | | <u> </u> |
| | | | <u> </u> |
| TOTAL COUNTY COST 100% | | | <u> </u> |
| | | | <u> </u> |
| | | | <u> </u> |

**Palm Desert/County of Riverside
Lease of Civic Center Sheriff's Station**

1. Basic Lease Provisions ("Basic Lease Provisions")

1.1 Parties: This Lease, dated, for reference purposes only, Jan. 1, ^{2011,} is made by and between the CITY OF PALM DESERT, a California municipal corporation, (herein called "Lessor") and the COUNTY OF RIVERSIDE, a political subdivision of the state of California (herein called "Lessee").

1.2 Premises: Premises shall include the Phase 1 Premises and the Phase 2 Premises as described more fully below. The Phase 1 Premises and Phase 2 Premises are portions of the building located at 73-520 Fred Waring Drive, Palm Desert, California, ("Building"). The Building has a total of 25,393 square feet, which includes 1,497 square feet occupied by City of Palm Desert Police Department ("Police Premises"), as depicted on Exhibit "A". The Police Premises shall not be part of the Premises leased by Lessee.

1.2.1 Phase 1 Premises: A portion of the Building of approximately 10,058 square feet as depicted on Exhibit "A" (sometimes also referred to as "Phase 1 Premises"). Phase 1 Premises shall include enclosed parking/storage area as depicted on Exhibit "B".

1.2.2 Phase 2 Premises: The remainder of the Building, excluding the Phase 1 Premises and the Police Premises, comprises a total of 13,838 square feet. Of this, 6,366 square feet is basement area office space ("Basement Space"), as depicted on Exhibit "A-1". Lessee may commence occupancy of the Phase 2 Premises at any time upon 30 days written notice to Lessor. Lessee shall commence paying rent, as described in 1.5, 1.6, and 3.1 below, upon commencement of occupancy, but no later than October 1, 2012, regardless of whether Lessee has occupied the Phase 2 Premises.

1.2.3 Incidental Use of Police Premises: In addition to the exclusive use of the Phase 1 and Phase 2 Premises, Lessee shall be entitled to non-exclusive use of the Police Premises for work space for up to two of Lessee's employees subject to Lessor's reasonable terms and conditions.

1.3 Use: Dispatch and communications and related law enforcement activities.

1.4 Lease Term and Option Periods: 10 years commencing on January 1, 2011 ("Commencement Date") and ending December 31, 2020 ("Termination Date"); Lessee shall have the option to renew for two (2) five (5) year terms, by giving one year notice prior to the then existing lease expiration date.

1.4.1 Lessee's Right to Terminate the Lease: Lessee shall have the right to terminate the lease with six (6) months advance written notice in the event of the following:

- (a) the contract for the Lessee's Sheriff's services between the Lessee and Lessor is terminated; or
- (b) Lessee decides to relocate the Sheriff's Communications/Dispatch Center.

1.5 Monthly Rent: The monthly rent for the Phase 1 premises shall be \$12,573.00 which monthly rent shall commence on January 1, 2011 and shall be due and payable on the first day of each and every month during the Lease term subject to adjustment pursuant to paragraph 1.6 below and as follows. The monthly rent for the Phase 2 Premises shall be an additional \$15,706.00 which additional monthly rent shall be added to the existing adjusted Monthly Rent and the combined rent shall become the Monthly Rent and shall be due and payable on Lessee's occupancy of the Phase 2 Premises or October 1, 2012, whichever is earlier, and shall be due and payable on the first day of each and every month thereafter during the lease term, subject to adjustment as per section 1.6 below. (See Exhibit "C" example of Monthly Rent through 2020.)

1.6 Monthly Rent Increase: the monthly Rent payable under paragraph 1.5 above, including monthly Rent for Phase 2 Premises, shall be adjusted as provided in paragraph 3.2 below.

2. Premises, and Parking Common Areas.

2.1 Premises: The Premises are a portion of a building, herein sometimes referred to as the "Building" identified in paragraph 1.2 of the Basic Lease Provisions. "Building" shall include adjacent enclosed parking areas used in connection therewith. The Premises, the Building, the Common Area Parking, the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, are herein collectively referred to as the "Office Building Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, the real property referred to in the Basic Lease Provisions, paragraph 1.2, as the "Premises," including rights to the Common Areas as hereinafter specified.

2.2 Vehicle Parking: So long as Lessee is not in default, and subject to the rules and regulations as established by Lessor from time to time, Lessee shall be entitled to the nonexclusive use parking spaces in the Common Area Parking for no additional charge.

2.2.1 If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

3. Monthly Rent

3.1 Monthly Rent. Subject to adjustment as hereinafter provided in paragraph 3.2, and except as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor the Monthly Rent for the Premises set forth in paragraph 1.5 of the Basic Lease Provisions, without offset or deduction. Rent for any period during the term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

3.2 Rent Increase.

3.2.1 The Monthly Rent payable under paragraph 3.1 shall be increased by 2% annually on each January 1 of 2012 through 2015.

3.2.2 On January 1, 2016, and annually thereafter on January 1 of each succeeding year including option terms, the Monthly Rent payable pursuant to paragraph 3.1 shall be calculated as follows: the Monthly Rent payable on January 1, 2015, as set forth in paragraph 3.1 of this Lease shall be multiplied by a fraction the numerator of which shall be the CPI (as defined in paragraph 3.2.3) of the calendar month during which the adjustment is to take effect, and the denominator of which shall be the CPI for January, 2015 (the "CPI Adjustment"). Provided however, the CPI Adjustment shall not be less than 2% nor greater than 5%. The sum so calculated shall constitute the new Monthly Rent hereunder.

3.2.3 "CPI" means the Consumer Price Index of All Urban Customers, Los Angeles-Riverside-Orange County, CA (1982-1984 = 100) as published by the U.S. Department of Labor, Bureau of Labor Statistics. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculations. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in the county in which the Premises are located, in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties, notwithstanding one party failing to appear after due notice of the proceeding. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

3.2.4 Lessee shall continue to pay the rent at the rate previously in effect until the increase, if any, is determined. Within thirty (30) days following the date on which the increase is determined and notice is received by Lessee, Lessee shall make such payment to Lessor as will bring the increased rental current, commencing with the effective date of such increase through the date of any rental installments then due. Thereafter the rental shall be paid at the increased rate.

4. Use.

4.1 Use. The Premises shall be used and occupied only for the purpose set forth in paragraph 1.3 of the Basic Lease Provisions or any other use which is reasonably comparable to that use and for no other purpose.

4.2 Compliance with Law. Lessee shall, at Lessee's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises. Lessee shall conduct its business in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb other occupants of the Building.

4.3 Conditions of Premises. Lessee hereby accepts the Premises and the Office Building Project in their condition existing as of the Lease Commencement Date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has

satisfied itself by its own independent investigation that the Premises are suitable for its intended use and that neither Lessor nor Lessor's agent or agents has made any representation or warranty as to the present or future suitability of the Premises, Common Areas, or Office Building Project for the conduct of Lessee's business.

5. Maintenance, Repairs, Alterations and Common Area Services.

5.1 Lessor's Obligations. Lessor shall keep the Office Building Project, including the Premises, interior and exterior walls, roof, all operating systems, including but not limited to electrical, plumbing, HVAC, and common areas, and the equipment whether used exclusively for the Premises or in common with other premises, in good condition and repair; provided, however, Lessor shall not be obligated to maintain the emergency electrical generator that services the Premises or paint, repair or replace wall coverings. Except as provided in paragraph 7.5, there shall be no abatement of rent or liability of Lessee on account of any injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to the Office Building Project or any part thereof. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense because of Lessor's failure to keep the Premises in good order, condition and repair. Lessor shall provide, at its expense, routine janitorial services.

5.2 Lessee's Obligations.

(a) Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for maintenance or repairs for that portion of the Premises for any improvements and/or equipment (wherever located) installed by Lessee, that serves only Lessee or the premises. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings.

(b) Notwithstanding Lessor's obligations to provide janitorial services, Lessee shall use reasonable care to maintain the Premises in a neat and orderly condition.

(c) On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as received, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Lessee. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, carpets, wall paneling, ceilings and plumbing on the Premises and in good operating condition.

5.3 Alterations and Additions.

(a) Lessee shall not, without Lessor's prior written consent make any alterations, improvements, additions, Utility Installations or repairs in, on or about the Premises, or the Office Building Project. As used in this paragraph 5.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air condition, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the term,

Lessor may require the removal of any or all of said alterations, improvements, additions or Utility Installations, and the restoration of the Premises and the Office Building Project to their prior condition, at Lessee's expense. Should Lessor permit Lessee to make its own alterations, improvements, additions or Utility Installations, Lessee shall use only such contractor as has been expressly approved by Lessor, and Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one - half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and material men's liens and to insure completion of the work. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor, or use a contractor not expressly approved by Lessor, Lessor may, at any time during the term of this Lease, require that Lessee remove any part or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Office Building Project that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent to Lessee's making such alteration, improvement, addition or Utility Installation, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from the applicable governmental agencies, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises which claims are or may be secured by any mechanic's or material men's lien against the Premises, the Building or the Office Building project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. If Lessee shall, in good faith, contest the validity of any such lien claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, the Building or the Office Building Project, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises, the Building and the Office Building Project free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's reasonable attorneys fees and costs in participating in such action if Lessor shall decide it is to Lessor's best interest so to do.

(e) All alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made to the Premises by Lessee, including but not limited to, floor coverings, paneling, doors, drapes, built-ins, moldings, sound attenuation, and lighting and telephone or communication systems, conduit, wiring and outlets, shall be make and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the Lease term, unless Lessor requires their removal pursuant to paragraph 5.3(a). Provided Lessee is not in default, notwithstanding the provisions of this paragraph 5.3(e), Lessee's personal property and equipment, other than that which is affixed to the Premises so that it cannot be

removed without material damage to the Premises or the Building, and other than Utility Installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 5.2.

(f) Lessee shall provide Lessor with as-built plans and specifications for any alterations, improvements, additions or Utility Installations.

5.4 Utility Additions. Lessor reserves the right to install new or additional utility facilities throughout the Office Building Project for the benefit of Lessor or Lessee, or any other Lessee of the Office Building Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, security systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee’s use of the Premises.

6. Insurance; indemnity.

6.1 Lessee Insurance:

(a) Lessee maintains funded programs of Self-Insurance. Lessee shall provide to Lessor a Certificate of Self-Insurance evidencing the Lessee’s Self-Insurance for the following coverage, if so requested by Lessor:

| | |
|---------------------------------|----------------------------|
| 2. Workers’ Compensation | \$1,000,000 per occurrence |
| 4. Automobile Liability | \$1,000,000 per occurrence |
| 6. Commercial General Liability | \$1,000,000,per occurrence |

(b) General Liability, Lessee shall, at Lessee’s expense, obtain and keep in force during the term of this Lease, Comprehensive General Liability insurance in the amount of not less than \$1,000,000 per occurrence of bodily injury and property damage combined and shall add the “City of Palm Desert, the City of Palm Desert Redevelopment Agency and its officials, employees and agents” as additional insured against losses arising out of the lessee’s use, occupancy or maintenance of the Premises. Lessee may utilize self insurance to meet this requirement.

(c) Lessee shall, at Lessee’s expense, obtain and keep in force during the term of this Lease for the benefit of Lessee, extended coverage property insurance for the replacement cost of all of Lessee’s personal property, fixtures, and equipment and tenant improvements. Lessee may utilize self insurance to meet the requirement for this personal property coverage.

(d) Lessee shall deliver to Lessor an Evidence of Coverage letter, acceptable to the Lessor, demonstrating such self insurance is sufficient, in force during the period of time the lease is in effect, and that the Lessor is added as additional insured,

6.2 Worker’s Compensation: If the Lessee has employees as defined by the State of California, Lessee shall maintain statutory Workers’ Compensations Insurance (Coverage A) as prescribed by the laws of the State of California. Policy shall include Employers’ Liability (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per person per accident. The policy shall be endorsed to waive subrogation in favor of the County of Riverside. Lessee may utilize self insurance to meet this requirement.

6.3 Lessee agrees to require all subcontractors or other parties hired to perform any alterations, improvements, additions, utility installations or repairs in, on or about the Premises provide the same insurance as required of Lessee unless otherwise agreed to by Lessor. The subcontractor's general liability insurance shall add as additional insured all parties to this Agreement using Insurance Services Office form CG 20 10 44 85 or an equivalent.

6.4 Lessee agrees to provide immediate notice to Lessor of any claim or loss against Lessee arising out of the leased premises. Lessor assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve the Lessor.

6.5 Property Insurance - Lessor. Lessor shall obtain and keep in force during the term of this Lease a policy or policies of Insurance covering loss or damage to the Office Building premises, but not Lessee's personal property, fixtures, equipment or tenant improvements, in the amount of the full replacement cost thereof. Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds there from. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies carried by Lessor.

6.6 Waiver of Subrogation. Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by property insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invites. If necessary all property insurance policies required under this Lease shall be endorsed to so provide.

6.7 Indemnification

(a) County shall indemnify, protect, defend and hold harmless the Premises, Lessor, and its agents, Lessor's master or ground Lessor, partners and lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by County, the conduct of County's business, any act, omission or neglect of County, its agents, contractors, employees or invitees, and out of any Default or Breach by County in the performance in a timely manner of any obligation on County's part to be performed under this Lease. The foregoing shall include, but not limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, County upon notice from Lessor shall defend the same at County's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with County in such defense. Lessor need not have first paid any such claim in order to be so defended and indemnified.

(b) Lessor shall indemnify, protect, defend and hold harmless County and its agents, from and against any and all claims, damages, costs, liens, judgments, penalties, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with any negligent act or omission of Lessor, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessor in the performance in a timely manner of any obligation on Lessor's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit

of any claim or any action or proceeding involved therein, and whether or not (in the case of claim s
mage against County) litigated and/or reduced to judgments, and whether well founded or not. In
case any action or proceeding be brought against County by reason of any of the foregoing matters,
Lessor upon notice from County shall defend the same at Lessor's expense by counsel reasonably
satisfactory to County and County shall cooperate with Lessor in such defense. County need not have
first paid any such claim in order to be so defended and indemnified.

6.8 No Representation of Adequate Coverage. Lessor makes no representation that the
limits or forms of coverage of insurance specified in this paragraph 6 are adequate to cover Lessee's
property or obligations under this Lease.

7. Damage or Destruction.

7.1 Definitions.

(a) "Premises Damage" shall mean if the Premises are damaged or destroyed to any
extent.

(b) "Premises Building Partial Damage" shall mean if the Building of which the
Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty
percent (50%) of the then Replacement Cost of the Building.

(c) "Premises Building Total Destruction" shall mean if the Building of which the
Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent (50%)
or more of the then Replacement Cost of the Building.

(d) "Insured Loss" shall mean damage or destruction which was caused by an event
required to be covered by the insurance described in paragraph 6. The fact that an insured Loss has
a deductible amount shall not make the loss an uninsured loss.

(e) "Replacement Cost" shall mean the amount of money necessary to be spent in
order to repair or rebuild the damaged area to the condition that existed immediately prior to the
damage occurring, excluding all improvements made by Lessee, other than those installed by Lessor
at Lessee's expense.

7.2 Premises Damage; Premises Building Partial Damage.

(a) Insured Loss: Subject to the provisions of paragraph 7.4 and 7.5, if at any time
during the term of this Lease there is damage which is an insured Loss and which falls into the
classification of either Premises Damage or Premises Building Partial Damage, then Lessor shall, as
soon as reasonably possible and to the extent the required materials and labor are readily available
through usual commercial channels, at Lessor's expense, repair such damage (but not Lessee's
fixtures, equipment or tenant improvements originally paid for by Lessee) to its condition existing at the
time of the damage, and this Lease shall continue in full force and effect.

(b) Uninsured Loss: Subject to the provisions of paragraphs 7.4 and 7.5, if at any
time during the term of this Lease there is damage which is not an insured Loss and which falls within
the classification of Premises Damage or Premises Building Partial Damage, unless caused by a

negligent or willful act of Lessee (in which event Lessee shall make the repairs at lessee's expense), which damage prevents Lessee from making any substantial use of the Premises, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the occurrence of such damage, in which event this Lease shall terminate as of the date of the occurrence of such damage.

7.3 Premises Building Total Destruction; Subject to the provisions of paragraph 7.4 and 7.5, if at any time during the term of this lease there is damage, whether or not it is an insured Loss, which falls into the classification of Premises Building Total Destruction, then Lessor may at Lessor's option either (i) repair such damage or destruction as soon as reasonably possible at Lessor's expense (to the extent the required materials are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements, and this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate as of the date of the occurrence of such damage.

7.4 Damage Near End of Term.

(a) Subject to paragraph 7.4(b), if at any time during the last twelve months of the term of this Lease there is substantial damage to the Premises, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within 30 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 7.4(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than twenty (20) days after the occurrence of an insured Loss falling within the classification of Premises Damage during the last twelve (12) months of the term of this Lease. If Lessee duly exercises such option during said twenty (20) day period, Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements, as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said twenty (20) day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said twenty (20) day period by giving written notice to lessee of Lessor's election to do so within ten (10) days after the expiration of said twenty (20) day period, notwithstanding any term or provision in the grant of option to the contrary.

7.5 Abatement of Rent; Lessee's Remedies.

(a) In the event Lessor repairs or restores the Building or Premises pursuant to the provisions of this paragraph 7, and any part of the Premises are not usable (including loss of use due to loss of access or essential services), the rent payable hereunder (including Lessee's utility expenses pursuant to paragraph 9.2) for the period during which such damage, repair or restoration continues shall be abated, provided (1) the damage was not the result of the negligence of Lessee, and (2) such abatement shall only be to the extent the occupation, operation and profitability of

Lessee's business as operated from the Premises is adversely affected. Except for said abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises or the Building under the provisions of this Paragraph 7 and has not commenced such repair or restoration within ninety (90) days after such occurrence, or if Lessor has not completed the restoration and repair within six (6) months after such occurrence, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement or completion respectively, of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

(c) Lessee agrees to cooperate with Lessor in connection with any such restoration and repair, including but not limited to the approval and/or execution of plans and specification required.

7.6 Termination - Advance Payments. Upon termination of this Lease pursuant to this paragraph 7, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor.

7.7 Waiver. Lessor and Lessee waive the provisions of any statute which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

8. Real Property Taxes. The City of Palm Desert is a property tax exempt entity. Any real estate taxes or assessments, if applicable or due by Lessee, assessed against the property are the responsibility of Lessee for payment.

9. Utilities.

9.1 Services Provided by Lessor. Lessor shall provide heating, ventilation and air conditioning as reasonably required, refuse service, reasonable amounts of electricity for normal lighting and office machines, and water for reasonable and normal drinking and lavatory use.

9.2 Services Exclusive to Lessee. Lessee shall pay all water, gas, electricity, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Building.

9.3 Interruptions. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental requests or directions.

10. Assignment and Subletting.

10.1 Lessor's Consent Required. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which consent shall not be

unreasonably withheld.. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage encumbrance or subletting without such consent shall be void, and shall constitute a material default and breach of this Lease without the need for notice to Lessee under paragraph 11.1.

11. Default; Remedies.

11.1 Default. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Lessee:

(a) The vacation or abandonment of the Premises by Lessee. Vacation of the Premises shall include the failure to occupy the Premises for a continuous period of sixty (60) days or more, whether or not the rent is paid.

(b) The breach by Lessee of any of the covenants, conditions or provisions of paragraphs 5.3 (alterations), 10 (assignment or subletting), 11.1(a) (vacation or abandonment), 11.1 (e) (insolvency) or 11.1 (f) (false statement), all of which are hereby deemed to be material, non-curable defaults without the necessity of any notice by Lessor to Lessee thereof.

(c) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subparagraphs (b) and (c), above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of the Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Lessee under applicable Unlawful Detainer statutes.

(e) (i) the making by Lessee of any general arrangement or general assignment for the benefit of creditors; (ii) Lessee becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 11.1(e) is contrary to any applicable law, such provision shall be of no force or effect.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or its successor in interest or by any guarantor of Lessee's obligation hereunder, was materially false.

11.2 Remedies. In the event of any material default or breach of this Lease by Lessee, Lessor may at any time thereafter, with notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises of Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the premises, reasonable attorneys' fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Lessee proves could be reasonable avoided.

(b) Maintain Lessee's right to possession in which case this Lease shall continue in effect whether or not Lessee shall have vacated or abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments or rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

11.3 Default by Lessor. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor specifying wherein Lessor has failed to perform, such obligation; provided however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion.

12. Condemnation. If the Premises or any portion thereof or the Office Building Project 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 first occurs; provided that if so much of the Premises or the Office Building Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's utility expenses shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the premises. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by

giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Office Building Project. Any award for the taking of all or any part of the Premises or the Office Building Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, 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 Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized tenant improvements that have been paid for by Lessee. For the purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall pay any amount in excess of such severance damages required to complete such repair.

13. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

14. Time of Essence. Time is of the essence with respect to the obligations to be performed under this Lease.

15. Incorporation of Prior Agreements; Amendments. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

16. Notices. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified or registered mail, and shall be deemed sufficiently given if delivered or addressed to Lessee or to Lessor at the address noted below or adjacent to the signature of the respective parties, as the case may be. Mailed notices shall be deemed given upon actual receipt at the address required, or forty-eight hours following deposit in the mail, postage prepaid, whichever first occurs. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.

LESSEE:
Economic Development Agency
County of Riverside
3403 Tenth Street, Suite 500
Riverside, CA 92501

LESSOR:
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260-2578

17. Waivers. No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

18. Recording. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.

19. Holding Over. If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, and the monthly rent shall be the same as the monthly rent for the last month of the lease or respective option period.

20. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

21. Covenants and Conditions. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

22. Binding Effect; Choice of Law. Subject to any provisions hereof restricting assignment of subletting by Lessee and subject to the provisions of paragraph 10, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

23. Subordination.

(a) This Lease, and any Option or right of first refusal granted hereby, at Lessor's option, shall be subordinated to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Office Building Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions hereof. Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default and so long as Lessee shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed or trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents, required to effectuate an atonement, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Lessee's failure to execute such documents within

thirty (30) days after written demand shall constitute a material default by Lessee hereunder without further notice to Lessee.

24. Attorneys' Fees.

24.1 If either party bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal hereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit.

24.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith.

25. Lessor's Access.

25.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Office Building Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as it does not unreasonably interfere with Lessee's use and quiet enjoyment of the Premises.

25.2 All activities of Lessor pursuant to this paragraph shall be without abatement of rent, nor shall Lessor have any liability to Lessee for the same.

25.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults, and safes, and in the case of emergency to enter the Premises by any reasonable appropriate means, and any such entry shall not be deemed a forceable or unlawful entry or detainer of the Premises or an eviction.

26. Signs. Lessee shall not place any sign upon the Premises or the Office Building project without Lessor's prior written consent. Under no circumstances shall Lessee place a sign on any roof of the Office Building Project.

27. Merger. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

28. Consents. Except as expressly provided herein, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

29. Quiet Possession. Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor

represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Office Building Project.

30. Easements.

30.1 Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material default of this Lease by Lessee without the need for further notice to Lessee.

30.2 The obstruction of Lessee’s view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

31. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment “under protest” and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

32. Conflict. Any conflict between the printed provisions, Exhibits or Addenda of this Lease and the typewritten or handwritten provisions, if any, shall be controlled by the typewritten or handwritten provisions.

33. Lender Modification. Lessee agrees to make such reasonable modifications to this Lease as may be reasonably required by an institutional lender in connection with the obtaining of normal financing or refinancing of the Office Building Project.

34. Attachments. Attached hereto are the following documents which constitute a part of this Lease:

Exhibit “A”-----Building and enclosed parking/storage are

Exhibit “A-1”-----Basement Space

Exhibit “B”-----Common Area Parking

Exhibit “C” -----Monthly Rent Example

35. Hazardous Substances.

(a) **Definitions.** The term “**Hazardous Substance**” as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. “**Reportable Use**” shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties.

(b) **Use Requires Consent.** Lessee shall not engage in any activity in or on the Premises, which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee’s expense) with all Applicable Requirements. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements).

(c) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(d) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee’s expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(e) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys’ and consultants’ fees

arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. **No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.**

(f) **Investigations and Remediations.** Lessee shall have the responsibility to pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises as a result of Lessee's use.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition occurs during the term of this Lease, Lessee shall investigate and remediate it as required by the Applicable Requirements and this Lease shall continue in full force and effect.

(h) **Inspection; Compliance.** Lessor and Lessor's consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance condition is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

36. Americans with Disabilities Act. Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

37. Nondiscrimination. The Lessee herein covenants that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased.

38. City of Palm Desert Smoke Free Ordinance: The City of Palm Desert Ordinance No. 1007 prohibits smoking within certain public areas in the City of Palm Desert; indicated specifically by Section (B) Paragraph 3 (c) and Section (B) Paragraph 2. The Ordinance prohibits smoking within the office areas, conference rooms, atrium and forty (40) feet from the entrances and exits of the building. The Ordinance was approved and adopted on October 25, 2001 by the City Council of the City of Palm Desert.

to Riverside County Clerk of the Board, Stop 1010
Post Office Box 1147, Riverside, Ca 92502-1147
Thank you.

39. Recycling: Per AB939, the City of Palm Desert is required to divert 50% of its waste from the landfill and implement diversion programs. In order to meet this mandate, the City, all City owned facilities, and contractors performing work for the City, are required to participate in recycling programs that relate to the business activity as well as recycling of other materials banned from landfills, (e.g. chemicals, batteries, electronic waste, construction and demolition waste, bottles, cans, paper, plastic, etc.) Therefore, the Lessee agrees to participate in the City of Palm Desert's recycling programs, (office recycling, household hazardous waste, etc.). The City shall provide recycling containers and education of staff/employees.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

LESSOR

LESSEE
COUNTY OF RIVERSIDE

for Robert A. Spang
JEAN BENSON, MAYOR
CITY OF PALM DESERT

By: Bob Buster
Bob Buster, Chairman
Board of Supervisors

73-510 Fred Waring Drive
Palm Desert, Ca 92260-2578

ATTEST:
Kecia Harper-Ihem
Clerk of the Board

ATTEST:

Rachelle D. Klassen
RACHELLE D. KLASSEN, CITY CLERK

By: Karen Ogerton
Deputy

APPROVED AS TO FORM:
Pamela J. Walls
County Counsel

By: Synthia M. Gunzel
Deputy County Counsel
SYNTHIA M. GUNZEL

Exhibit A

STANDARD OFFICE LEASE FLOOR PLAN

Police Premises
(1,497 sf)

Phase I Premises
(10,058 sf)

Phase 2 Premises
(7,472 sf)

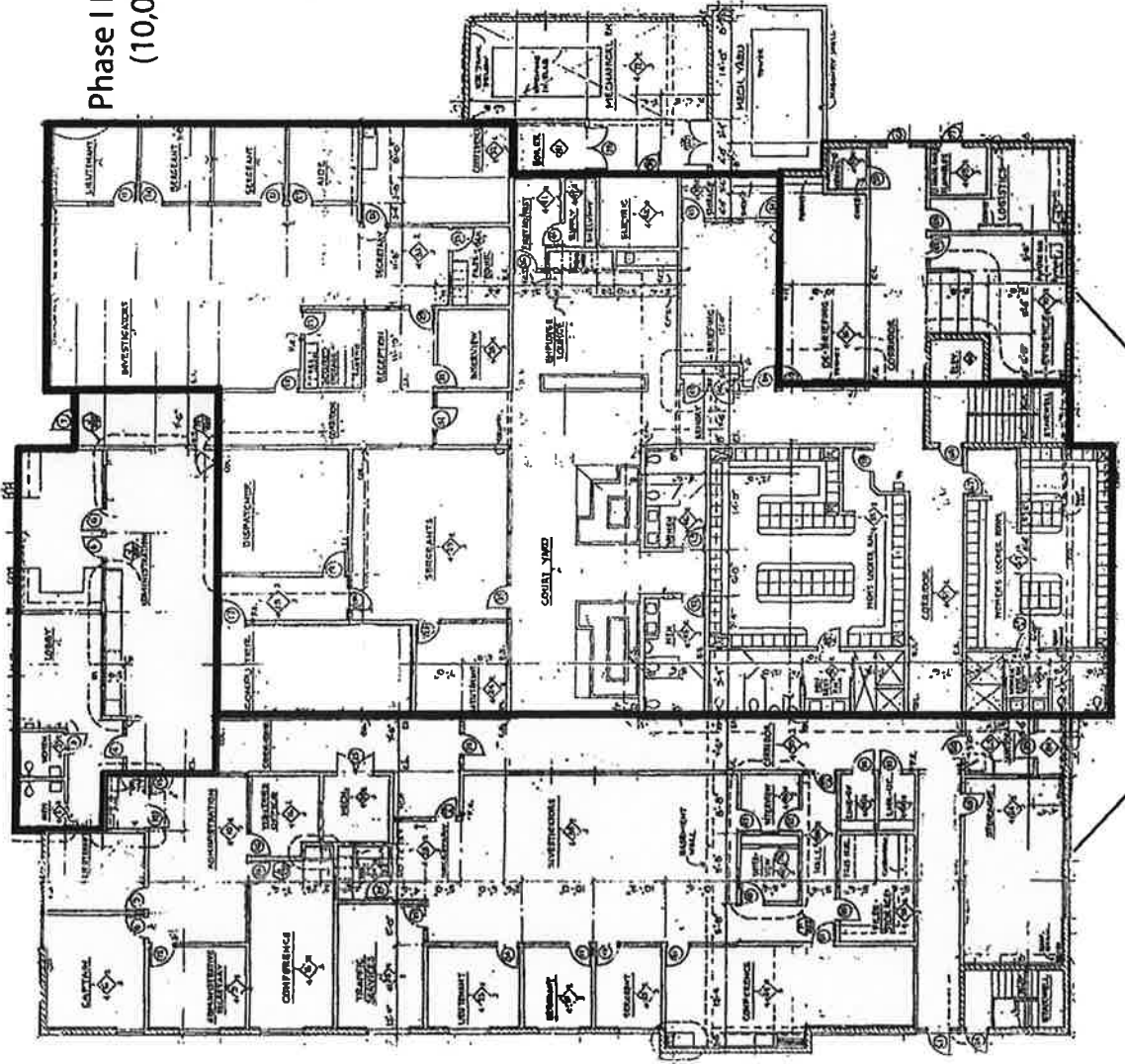
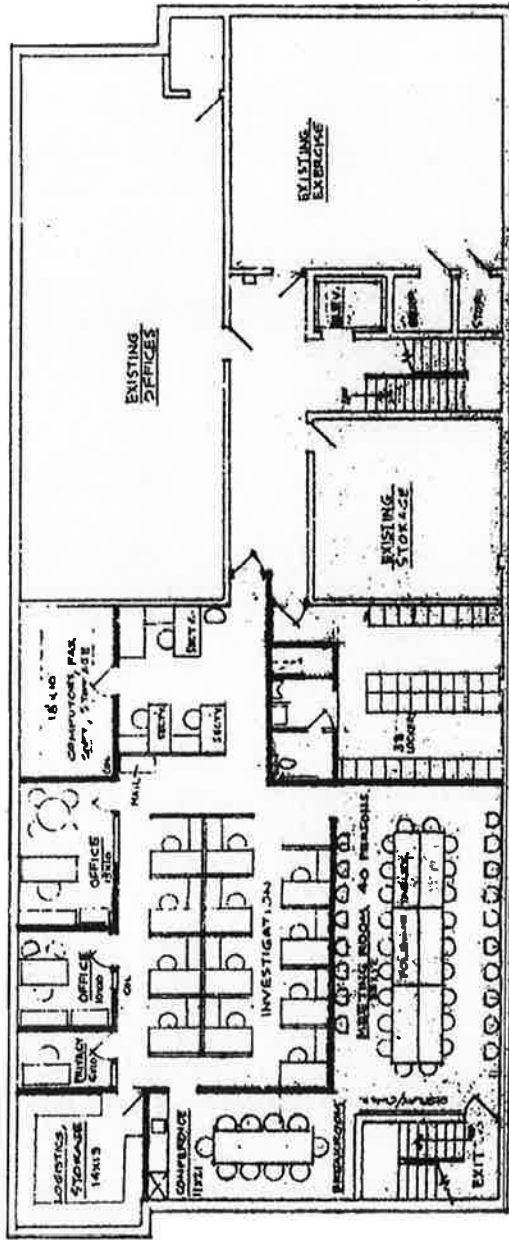
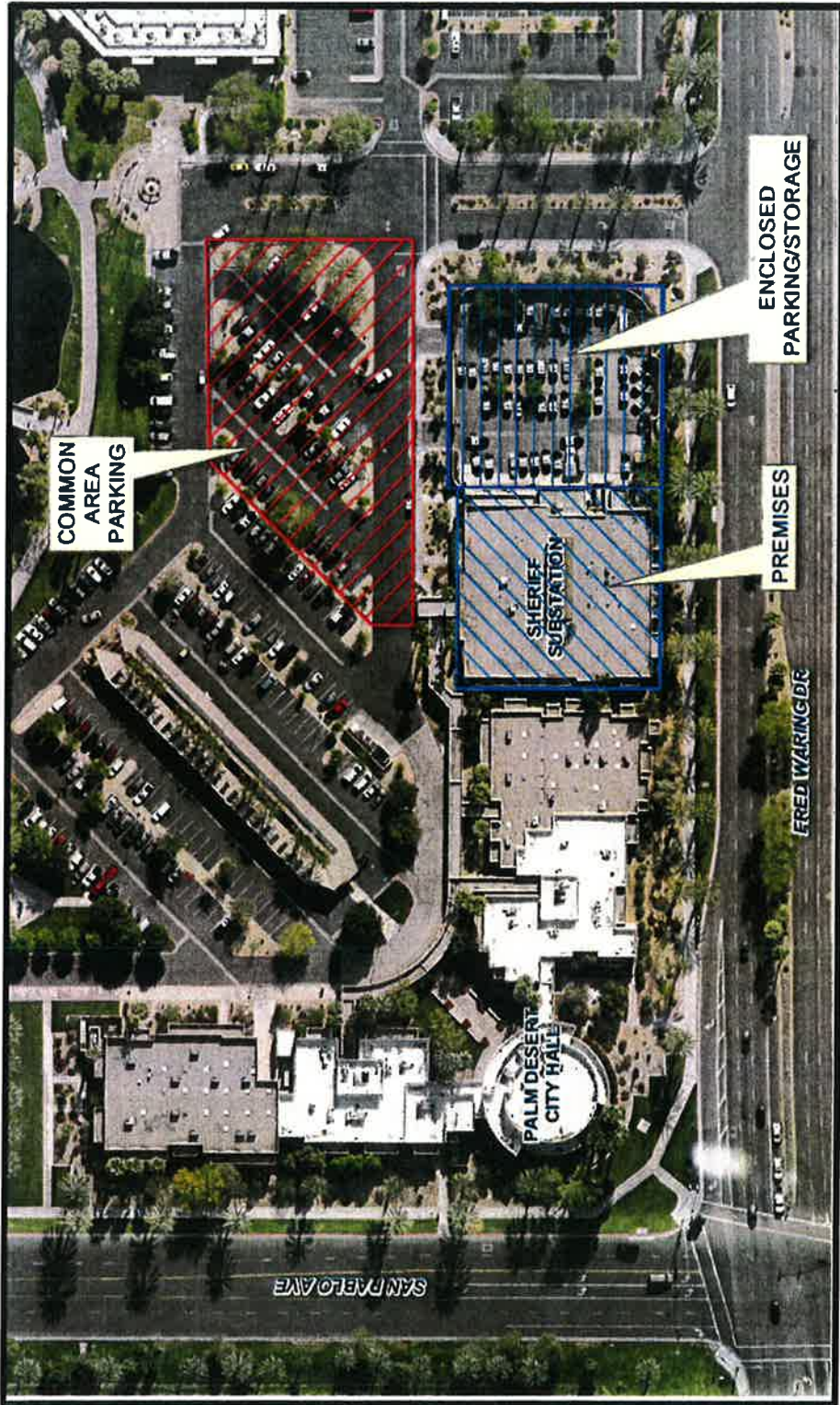


Exhibit A-1

Basement (6,366 sf)



Phase 2 Premises



VICINITY MAP

EXHIBIT B

DATE:
10/2010

1 inch = 100 feet



City of Palm Desert - Riverside County
 Rental Rate Example for Sheriff Station Lease
 for ten years
 commencing January 1, 2011

| Combined Phase 1 & 2 | | |
|---------------------------------|--------------------------------|---------------|
| Monthly Rent | Rental Rate Adjustments | |
| | Floor 2% | Ceiling 5% |
| Jan 1, 2011 | \$ 17,573.00 | |
| Jan 1, 2017 | \$ 17,874.46 | |
| Oct 1, 2017 | \$ 28,530.46 ¹ | |
| Jan 1, 2013 | \$ 29,101.07 | |
| Jan 1, 2014 | \$ 29,683.09 | |
| Jan 1, 2015 | \$ 30,276.75 | |
| Jan 1, 2016 | \$ 30,882.29 | \$ 31,790.59 |
| Jan 1, 2017 | \$ 31,499.93 | \$ 33,380.17 |
| Jan 1, 2018 | \$ 32,129.97 | \$ 35,049.13 |
| Jan 1, 2019 | \$ 32,772.57 | \$ 36,801.59 |
| Jan 1, 2020 | \$ 33,427.98 | \$ 38,641.67 |

¹ For the last three months of the 2012 the rent will increase to \$28,530.46 as phase 2 begins

EXHIBIT C