

**AGENDA  
ITEM**

**20**



**CITY COUNCIL**  
**AGENDA STAFF REPORT**

**DATE:** September 17, 2025

**TO:** Mayor and City Council

**APPROVED BY:** Benjamin A. Martinez, City Manager *Bm*

**REVIEWED BY:** Karla Chaparro, Finance Director *KC*

**PREPARED BY:** Michael Coyne, Planning & Building Director *MC*

**SUBJECT:** Resolution of the City Council of the City of Calexico Authorizing the City Manager to Execute a Land Lease Agreement with Hensel Phelps for Temporary Use of Border Friendship Park and the East "Orthopedic Clinic" Parking Lot in Support of the Construction of the New Pedestrian Processing Facility at the Calexico West Land Port of Entry

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**Recommendation:**

To Adopt a Resolution of the City Council of the City of Calexico Authorizing the City Manager to Execute a Land Lease Agreement with Hensel Phelps for Temporary Use of Border Friendship Park and the East "Orthopedic Clinic" Parking Lot in Support of the Construction of the New Pedestrian Processing Facility at the Calexico West Land Port of Entry.

**Background:**

The Calexico West Land Port of Entry Expansion and Reconfiguration Project, managed by the US General Services Administration (GSA), is entering its final phase. This phase entails the construction of a Temporary Pedestrian Facility, demolition of the existing Pedestrian Processing Facility, and construction of a new Pedestrian Processing Facility. Initial construction work has commenced, with Hensel Phelps serving as the general contractor.

To support construction of the project, Hensel Phelps is seeking a Land Lease Agreement with the City for use of two City-owned sites proximate to the Temporary Pedestrian Facility and new permanent Pedestrian Processing Facility: Border Friendship Park at First Street and Paulin Avenue, and the East Parking Lot at 352 E. 1st Street, adjacent to the former Valley Orthopedic Clinic, which was damaged in a structural fire and is in need of demolition. The lease would facilitate temporary use of the land for construction laydown, parking for Customs & Border Protection (CBP officials), and contractor operations through December 2028. This potential lease agreement was taken to City Council in closed session on September 3, 2025 where the Council indicated its preference for an agreement that entailed the

demolition of the Orthopedic Clinic, which has been an eyesore and magnet for trespassers in the core of the Downtown since it suffered structural damage in a fire in July 2024.

**Discussion and Analysis:**

The proposed lease agreement would include demolition of the abandoned Orthopedic Clinic Building. Hensel Phelps has conducted market research, consulting local realtors and analyzing land values, to determine a fair monthly lease rate of approximately \$2,150 per acre. Based on this calculation, the total lease amount for the two City properties is estimated to be approximately \$268,440 for 40 months. The estimated cost of the demolition of the Orthopedic Clinic is \$275,000. As such, Hensel Phelps, proposes a Payment-in-Kind to demolish and remove the abandoned building with the agreement.

City staff have been working with Hensel Phelps on a draft Land Lease Agreement for these sites (Attachment No. 2). The lease agreement includes a 40-month term, with provisions for possible extension on a month-to-month basis thereafter. Demolition of the abandoned Valley Orthopedic Clinic is included within the scope of the lease for the East "Orthopedic Clinic" Parking Lot, with specifications for removing all interior and exterior elements, trees, and shrubs. For Border Friendship Park, demolition work involves removing sidewalks, fencing, and some landscaping, with the area being graded for future development. The properties are to be delivered in current "as is" condition post construction, with the aforementioned demolition work at the two sites. The lease agreement stipulates that the rent payments will be substituted by the completion of the in-kind demolition of the Orthopedic Clinic, in lieu monthly lease payments. The lease agreement stipulates the requirement for insurance coverage and adherence to all regulations relating to utility services, repairs, and property use throughout the lease term.

The City Council can authorize the City Manager to accept and consent to a Land Lease Agreement with Hensel Phelps. Such authorization would ensure that the Port Expansion project moves forward in a timely manner. Ultimately, the project will benefit the City by removing an abandoned City building from its Downtown area and reducing processing wait times for pedestrians who may visit Calexico, particularly the Downtown area. Construction workers and activities will also help generate business within the City.

The proposed land lease is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, Class 1 - Existing Facilities and Section 15304, Class 4 – Minor Alterations to Land as the lease involves demolition and removal of small structures, minor grading, and minor temporary use of land. None of the exceptions to a categorical exemption as set forth in CEQA Guidelines Section 15300.2 apply to the land lease. A Notice of Exemption will be filed upon execution of the land lease agreement.

**Fiscal Impact:**

Payment-in-Kind equivalent to \$275,000 will be provided to the City in-lieu of monthly lease payments amounting to \$268,440.

**Coordinated With:** Carlos Campos, City Attorney.

**Attachment(s):**

1. Draft Land Lease Agreement
2. Resolution

ATTACHMENT NO. 1



# HENSEL PHELPS

Plan. Build. Manage.

3125 E. Wood Street, Suite 100  
Phoenix, AZ 85040  
480.383.8480

August 20, 2025

Mr. Ben Martinez  
City Manager  
City of Calexico  
608 Harbor Ave  
Calexico, CA 92231

**Subject: Land Lease Agreement - Friendship Park & East Parking Lot**

Dear Mr. Martinez,

Hensel Phelps respectfully submits this letter to formally propose a land-lease agreement with the City of Calexico for "Friendship Park" located at the corner of First Street and Paulin Avenue, and "East Parking Lot" located at 352 E. 1st Street, Calexico, CA. If a lease agreement is achieved, the temporary acquisition of Friendship Park would accommodate construction laydown for Hensel Phelps and its sub-tier contractors, and East Parking Lot would accommodate parking for CBP officials and Hensel Phelps' sub-tier contractors during the construction of the new Pedestrian Building.

Hensel Phelps has gathered historical data on land lease values for comparable properties in the City of Calexico. To establish a fair market value for Friendship Park (38,250 ft<sup>2</sup> / .88 acre) and East Parking Lot (72,310 ft<sup>2</sup> / 1.66 acre), Hensel Phelps has consulted with local realtors and performed independent research.

- Per correspondence with a local realtor, accounting for the intended property use, the estimated value is approximately **\$1,800/acre per month**
- According to [www.landsearch.com](http://www.landsearch.com), the market rate for raw land in the City of Calexico is valued at approximately **\$2,500/acre per month** on average
- **The average value of these is \$2,150/acre per month**

Anticipating this lease through **December 2028**, the total cost for the lease duration of 40 months is:

- Friendship Park: **\$75,680**
- East Parking Lot: **\$142,760**
- Site Preparation: \$50,000
- Total: **\$268,440**

In consideration for the use and occupancy of Friendship Park and East Parking Lot, the City of Calexico has requested Payment-in-Kind to demolish and remove the abandoned Valley Orthopedic Clinic located at 352 E. 1st Street, Calexico, CA.

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## OUR VALUES

OWNERSHIP | INTEGRITY | BUILDER | DIVERSITY | COMMUNITY



**HENSEL PHELPS**  
Plan. Build. Manage.

3125 E. Wood Street, Suite 100  
Phoenix, AZ 85040  
480.383.8480

Hensel Phelps has evaluated the costs of demolishing the abandoned building to be approximately \$275,000. We are prepared to undertake and fully fund this operation in exchange for the requested lease agreement. We welcome the opportunity to work closely with the City of Calexico to formalize this arrangement.

Thank you for your consideration. We look forward to your response and the opportunity to partner with the City of Calexico.

Please feel free to contact me if you have any questions or comments.

Sincerely,  
**HENSEL PHELPS CONSTRUCTION CO.**

Brent Larson  
Project Manager

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**OUR VALUES**

OWNERSHIP | INTEGRITY | BUILDER | DIVERSITY | COMMUNITY

## LAND LEASE AGREEMENT

THIS LAND LEASE AGREEMENT (“Lease”), made the 18th day of September, 2025, between HENSEL PHELPS CONSTRUCTION COMPANY, a Delaware Partnership, hereinafter referred to as Tenant, and the CITY OF CALEXICO, a California municipal corporation, hereinafter referred to as Landlord. Either Party shall be known singularly as “Party” and in the collective as “Parties.”

That, in consideration of the mutual agreements herein contained, the Parties hereto do hereby covenant to and with each other as follows:

### 1. Lease of Premises

In consideration of the Rent and in accordance with the provisions of this Lease, Landlord does hereby lease to Tenant the “Premises” defined below and more particularly described in Exhibit A, Exhibit B, and Clarifications & Assumptions to this Lease in its “AS IS” condition.

Landlord is the owner of Parcels # 058-510-004, #058-521-006, and # 058-535-001. These Premises are located Northwest of the intersection of Paulin Avenue and 1st Street, and 352 E. 1st Street in Calexico, California. The Premises shall contain approximately 109,000 square feet of Rentable Area, which shall be the amount of leasable space for the Tenant for its use under and consistent with this Lease.

Subject to any limitations contained in this Lease, Tenant shall have access to the Premises 24 hours a day, 365 days a year for the Term.

### 2. Term

The term of this Lease shall commence on the Commencement Date (as defined below) and, unless sooner terminated pursuant to the terms of this Lease, expire 40 months later on the Expiration Date. For purposes of this Lease, the “Commencement Date” shall be the date entered on the signature page of this agreement by Tenant, and the “Expiration Date” shall be 40 months later. Upon the expiration of the Term, and also provided Tenant has provided Landlord with thirty (30) days written notice of its election prior to the expiration of the Term, Tenant shall have the option to extend the Lease on a month-to-month basis to complete the Improvements (as defined below), upon the same terms, conditions, except the rent terms as set forth in Paragraph 6 contained herein. Tenant may continue to lease the Premises on a month-to-month basis for a period of twelve (12) additional months or as otherwise negotiated between the Parties. In no event shall the Lease or any tenancy hereunder be deemed to extend for fifteen (15) years or longer.

### 3. Attachments, Exhibits and Addenda

Parcels of land outlined in Exhibit A, Exhibit B, and Clarifications & Assumptions attached hereto are incorporated herein by this reference.

**4. Delivery of Possession**

Landlord shall deliver Tenant the Premises on the Commencement Date. If Landlord has not delivered possession within 30 days after the Commencement Date (the "Outside Date"), Tenant may, upon written notice to Landlord given prior to Landlord's delivery of possession, terminate this Lease. Upon such termination, neither party shall have any further liability hereunder, except for obligations that expressly survive termination. In the event Tenant fails to take possession of the Premises following the Commencement Date, Tenant shall promptly reimburse Landlord, upon demand, for all costs incurred by Landlord in connection with entering into this Lease.

**5. Intended Use of the Premises**

The Premises is accepted by Tenant in an "AS IS", "WHERE IS" condition, with all faults and defects. The Landlord does not make and disclaims any warranty or representation whatsoever, express or implied, and shall have no obligation or liability whatsoever, express or implied, as to the condition of, suitability for the Tenant's use of or any other matter or circumstance affecting the Premises, unless stated to the contrary in this Lease.

The Tenant's use of the Premises shall be solely for material storage, preconstruction, fabrication, parking of vehicles, trucks, trailers, and containers and no other use. Tenant shall not store any toxic waste products on said Property.

**6. Rent; Constriction of Improvements on Property**

In consideration for the use and occupancy of the Premises described herein, the Tenant shall not be required to make monthly rental payments. Instead, the Tenant agrees to perform specific land improvements ("Improvements") to the properties located northwest of the intersection of Paulin Avenue and 1st Street, and 352 E. 1st Street in Calexico, California, further identified by APNs 058-510-004, 058-521-006, and 058-535-001, and as shown in Exhibits A & B, attached hereto, ("Property"), which shall be completed no later than the termination date of this Lease. Such Improvements are outlined in Exhibit A, Exhibit B, and Clarifications & Assumptions, and shall be executed in accordance with all applicable laws, codes, and standards. The Tenant shall bear all costs and expenses associated with these Improvements. Failure to complete the Improvements as specified herein shall constitute a breach of this Lease agreement.

If, following expiration of the initial Expiration Date, Tenant remains in possession of the Premises with Landlord's written consent, such occupancy shall be on a month-to-month basis only, subject to all of the terms and conditions of this Lease except as to the Rent. During any such month-to-month tenancy, Tenant shall pay to Landlord monthly rent equal to the then current fair market rental value of the Premises, as reasonably determined by Landlord in its sole discretion. Landlord shall provide written notice to Tenant of such fair market rental amount, and Tenant shall commence payment thereof beginning with the first month of such holdover tenancy. The parties acknowledge and agree that, as of the Commencement Date, the fair market rental value of the Premises is Two Thousand One Hundred Fifty Dollars (\$2,150) per acre per month.

The Lease agreement shall include all operating expenses and the Tenant shall not be responsible for any such costs or other rents not specifically provided for under the terms of this Lease.

**7. Prevailing Wage.**

Tenant acknowledges that Landlord has made no representation, express or implied, to Tenant or any person associated with Tenant regarding whether or not laborers employed relative to the construction and installation of Improvements on the Property must be paid the prevailing per diem wage rate for their labor classification, as determined by the State of California, pursuant to California Labor Code Sections 1720, et seq. ("Prevailing Wage Law") Tenant agrees with Landlord that Tenant shall assume the responsibility and be solely responsible for determining whether or not laborers employed relative to any construction of Improvements on the Property must be paid the prevailing per diem wage rate for their labor classification, as determined by the State of California, pursuant to Prevailing Wage Laws. If Civil Code sections 9550 et seq. require contractors to procure a payment bond, then Tenant shall ensure that its contractors deliver the required bond. Further, Tenant will indemnify and hold Landlord harmless from any and all claims, demands, liabilities, obligations, fines, penalties, losses, damages, judgments, awards, settlements, costs, and expenses, including without limitation attorneys' fees and costs, or any other amounts arising out of, based on, or in connection with any alleged or actual violation of the Prevailing Wage Law. The obligations of Tenant under this Section shall survive the termination or earlier expiration of this Lease and completion of the Improvements.

**8. Late Charges**

The Landlord hereby agrees to waive any and all late charges or penalties that would otherwise accrue due to nonpayment of monthly rent, in recognition of the Tenant's obligation to perform specified land improvements to the properties, in lieu of monetary rental payments. These improvements shall be completed in accordance with the terms of this lease and shall constitute full consideration for the Tenant's occupancy. The waiver of late charges shall remain in effect for the duration of the lease term, provided the Tenant remains in compliance with the improvement schedule and scope as agreed upon by both parties.

**9. Security Deposit**

The Landlord hereby waives the requirement for a security deposit customarily due at the commencement of the lease term.

**10. Use of the Premises**

Tenant shall use the Premises solely for the purposes as contained herein. No change in such use shall be permitted without the written permission of the Landlord. Tenant's use of the Premises shall strictly comply with all terms and conditions of the Lease. Landlord grants to Tenant exclusive access and use of the parcels of land as described in this Lease Agreement. Use of this land for any means by other parties, the general public, or private businesses is prohibited.

**11. Service and Utilities**

Tenant shall pay directly to the appropriate supplier (or to Landlord on the basis of reasonable proration, as to any utilities not separately metered to the Premises by the supplier) the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises. If any Tenant's utility service is shared with any other

Party(ies), Tenant agrees to cooperate and pay for its portion of the utility service use directly to the Party who receives the utility company's bill, based on any sub-metering. In the event that Tenant installs utility connections, such improvements shall be properly capped or terminated at grade upon termination of the Premises. Light poles already installed on the property, and the cost for the electricity for the lights is included in the monthly rental for the Premises. All other costs for Services and Utilities for use with this Lease Agreement are the responsibility of the Tenant.

**12. Repairs and Maintenance**

Tenant shall, at its sole cost and expense, be responsible for all repairs and maintenance to the Premises during the Term, including without limitation the repair, maintenance, and replacement of any fencing, paving, landscaping, utilities, or other improvements installed or used by Tenant. All such repairs and maintenance shall be performed in a good and workmanlike manner and within a reasonable time so as not to interfere with the quiet enjoyment of the Premises. Landlord shall have no obligation to perform or bear the cost of any repairs or maintenance, except to the extent expressly set forth herein.

**13. Construction, Alterations and Additions**

The Tenant may, at its own discretion and cost, install new temporary fence surrounding the Premises, and/or, section off parts of the Property for its own use. The Tenant shall maintain the Premises or cause the Premises to be maintained at its sole cost and expense. The Tenant may install new meters at its sole cost to pay for Services and Utilities it may use as a result of its occupancy of the Premises. At the end of the Term, Tenant shall remove all temporary fencing and other improvements to the condition outlined in Exhibit A, Exhibit B, and Clarifications & Assumptions, ordinary wear and tear expected.

The Tenant will demolish and remove all the existing abandoned building located at 352 E. 1st Street in Calexico, California (Parcel # 058-535-001) per the terms outlined herein. At the end of the Term, replacement or repair of building in part or whole is not required.

**14. Leasehold Improvements; Tenant's Property**

Tenant shall be allowed to construct or erect any temporary but necessary improvements to the Premises consistent with the intended and permitted use under this Lease. At the end of the Term, Tenant shall remove all improvements from the Premises and restore the Premises to the condition outlined in Exhibit A, Exhibit B, and Clarifications and Assumptions, ordinary wear and tear excepted.

**15. Indemnification**

Tenant shall defend, indemnify, and hold Landlord (at Tenant's sole cost and with legal counsel acceptable to Landlord), indemnify, and hold Landlord and Landlord's affiliated entities, and each of their respective members, managers, partners, officers, employees, volunteers, council members, board members, lenders, agents, contractors, successors and assigns, harmless from any and all costs, claims or liability arising from (i) Tenant's use of the Premises, (ii) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Property, or permitted or suffered by Tenant or Tenant's employees, agents, customers, visitors, invitees,

licensees, contractors, assignees or subtenants (individually, a “**Tenant Party**” and collectively “**Tenant Parties**”), including any contamination of the Premises resulting from Hazardous Material brought to the Premises by Tenant or a Tenant Party, (iii) any breach or default in the performance of Tenant’s obligations under this Lease, (iv) any misrepresentation or breach of warranty by Tenant under this Lease, or (v) other acts or omissions of Tenant, except and to the extent of any claim or liability arising out of Landlord’s gross negligence or willful misconduct.

## **16. Insurance**

The Tenant shall maintain in effect throughout the term of this Agreement, comprehensive public liability insurance with limits of not less than One Million Dollars (\$1,000,000) for injury to any one person, and Two Million Dollars (\$2,000,000) for injury in any one accident, and a property damage liability of not less than One Million Dollars (\$1,000,000), workers’ compensation and employers’ liability insurance as required by law, with limits of not less than One Million Dollars (\$1,000,000) each accident; Four Million Dollars (\$4,000,000) in aggregate, automobile liability insurance covering owned, non-owned, and hired vehicles with a combined single limit of not less than One Million Dollars (\$1,000,000) per accident; and, if required by Landlord, builder’s risk insurance covering all risks of direct physical loss during construction of the Improvements in an amount equal to one hundred percent (100%) of the completed value thereof, with Landlord named as loss payee, insuring against all legal liability for injuries to persons (including wrongful death) and damages to property suffered on or about the Premises as a result of the exercise of rights granted pursuant to this Lease, or arising out of or in connection with the performance of the Improvements; such insurance naming the Tenant and Landlord as their respective interests may appear. Commercial General Liability coverage shall also name Landlord as an additional insured. Tenant’s insurance shall be primary to that of all additional insureds and shall contain a waiver of subrogation in favor of Landlord. Any insurance of Landlord will be excess to the coverages provided by Tenant. Within three days of the effective date of this Lease Agreement, the Tenant shall furnish to the Landlord certificates evidencing that such insurance is in effect, and updated evidence of insurance every renewal period.

## **17. Taxes**

Tenant shall be solely responsible for, and shall timely pay before delinquency, any and all possessory interest taxes, assessments, fees, or other charges levied or assessed against Tenant’s leasehold interest or use and occupancy of the Premises, including without limitation any city rental taxes, use taxes, or other similar charges, whether imposed by reason of this Lease, Tenant’s occupancy, or the activities conducted on the Premises.

## **18. Damage or Destruction**

Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Premises. If the Premises is only partially damaged (that is, less than fifty percent (50%) of the Premises is untenable as a result of such damage or less than fifty percent (50%) of Tenant’s operations are materially impaired) and can be repaired within six months, and if insurance proceeds are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage to the Premises (including Tenant’s improvements, to the extent of available insurance proceeds) as soon as reasonably possible.

If the Property is substantially or totally destroyed by any cause whatsoever, or if damage to the Premises is greater than partial damage as described above, this Lease shall terminate as of the date the destruction occurred, regardless of whether Landlord receives any insurance proceeds. Notwithstanding the preceding sentence, any rights of Tenant hereunder may not be exercised by Tenant if Tenant was the cause of the damage.

**19. Eminent Domain**

If all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If more than twenty percent (20%) of the Premises is taken, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes title or possession, by delivering written notice to the other within ten (10) days after receipt of written notice of such taking (or, in the absence of such notice, within ten (10) days after the condemning authority takes title or possession). If neither Landlord nor Tenant terminates this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Rent shall be reduced in proportion to the reduction (if any) in the the Premises. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Property, the amount of its interest in the Property; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's improvements or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee, or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Premises or the remainder of the Property caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

**20. Assignment and Subletting**

This Lease is expressly conditioned upon the Tenant's compliance with the terms and conditions the Lease and upon receipt of the written consent of the Landlord to this Lease. No other assignment of this lease or subletting of the Premises shall be permitted without the consent of the Landlord. Tenant's request for consent to any transfer set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (such as the term of and the rent and security deposit payable, if any, under any proposed assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following factors: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; and (iv) such other factors as Landlord may reasonably deem relevant. If Landlord objects to a proposed assignment solely because of the net worth and/or financial reputation of the proposed assignee, Tenant may nonetheless sublease (but not assign), all or a portion of the Premises to the proposed transferee, but only on the other terms of the proposed transfer.

**21. Waiver**

All waivers must be in writing and signed by the waiving Party. Either Party's failure to enforce any provision of this Lease, or Landlord's acceptance of Rent, shall not be a waiver and shall not prevent such Party from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

**22. Subordination and Attornment**

Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust, or mortgage encumbering the Property, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Property or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material), and Tenant shall not be deprived of its rights under this Lease. Tenant's right to quiet possession of the Premises during the Lease Term shall not be disturbed if Tenant pays the Rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of such ground lease, deed of trust, or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust, or mortgage whether this Lease is dated prior to subsequent to the date of such ground lease, deed of trust, or mortgage or the date of recording thereof.

If Landlord's interest in the Property is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Property and recognize such transferee or successor as Landlord under this Lease.

**23. Tenant Estoppel Certificates**

Upon Landlord's written request, Tenant shall execute, acknowledge, and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Rent and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may require. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Property, who may rely conclusively upon such statement as true and correct.



upon the expiration of the Lease. Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of any of Tenant's improvements. In the event, Tenant does not remove Tenant's personal property from the Premises prior to the end of the term, however ended, Landlord may, at its option, remove the same in accordance with all laws then in effect, or at Landlord's option, deliver the same to any other place of business of Tenant or warehouse the same, and Tenant shall pay the cost of such removal (including the repair of any injury or damage to the Premises resulting from such removal), delivery and warehousing to Landlord on demand, or Landlord may treat such property as having been conveyed to Landlord with this Lease as a bill of sale, without further payment or credit by Landlord or Tenant.

**27.     Holding Over**

Unless Tenant has elected to continue this Lease on a month-to-month tenancy as described herein, Tenant shall vacate the Premises upon termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages which Landlord incurs from Tenant's delay in vacating the Premises.

**28.     Rules and Regulations**

Tenant agrees to strictly comply with any rule or regulation reasonably imposed by Landlord and allowable by applicable law. Landlord's Rules and Regulations, if any, shall be attached hereto as Exhibit C.

**29.     Rights Reserved**

Both Parties reserve all rights available at both law and equity.

**30.     Advertisements and Signs**

Tenant may, at its sole discretion, advertise or install signage within the boundaries of the Lease Property. All signs or advertisements installed for, or by the use of, the Tenant will be removed at the cost of the Tenant upon termination of the Lease Agreement and vacating the property.

**31.     Force Majeure**

If either Party cannot perform any of its obligations due to events beyond that Party's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond a Party's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

**32.     Hazardous Materials**

Notwithstanding anything to the contrary in this Lease, Tenant shall not be considered the generator of any pre-existing Hazardous Material, whether known or unknown, and Tenant disclaims all liability associated with any pre-existing Hazardous Material or Hazardous Material that Tenant (except for a Tenant Party) did not bring to the Premises.

**33. Brokerage Fees**

Both Parties warrant that neither Party has had any dealings with any real estate broker or agents in connection with the negotiation of this Lease, and that it knows of no real estate broker or agent who is entitled to a commission in connection with this Lease

**34. Quiet Enjoyment**

If Tenant pays the Rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease.

**35. Default**

Tenant shall be in default under this Lease:

a) if Tenant fails to perform any of Tenant's non-monetary obligations under this Lease for a period of fifteen (15) days after written notice from Landlord (provided, however, that if more than fifteen (15) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the 15-day period and thereafter diligently pursues its completion);

b) if (i) Tenant makes a general assignment or general arrangement for the benefit of creditors, (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within fifteen (15) days, (iii) a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease and possession is not restored to Tenant within fifteen (15) days, or (iv) substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease is subjected to attachment, execution or other judicial seizure which is not discharged within fifteen (15) days (provided, however, that if a court of competent jurisdiction determines that any of the acts described in this subparagraph (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the excess, if any, of the Rent (or any other consideration paid in connection with such assignment or sublease) over the rent payable by Tenant under this Lease.

c) The abandonment of the Premises by Tenant, or the vacation (hereby defined to be thirty (30) or more consecutive days of continual absence from the Premises) of the Premises by Tenant.

d) This Lease or any estate of Tenant hereunder shall be levied upon by any attachment or execution and such levy is not released within thirty (30) days.

Notices given under this Section shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant perform the provisions of this Lease or pay the rent that is in arrears, as the case may be, within the applicable period of time, or quit the Premises.

**36. Landlord's Remedies.** If any default by Tenant shall occur, and following notice of default as required by this Lease (for the period applicable to the default under the applicable

provision of this Lease), Landlord shall have the following remedies in addition to all other rights and remedies provided by law or equity, to which Landlord may resort cumulatively or in the alternative.

(1) Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall so elect to terminate this Lease, then Landlord may recover from Tenant:

(a) The worth at the time of award of any unpaid rent measured by the fair market rental value of the Premises, which had been earned at the time of such termination; plus

(b) The worth at the time of award of the amount by which the fair market rental value of the Premises from termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the fair market rental value of the Premises for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

As used in Subparagraphs (a) and (b) above of this Section, the "worth at the time of award" is computed by allowing interest at the maximum rate an individual is permitted by law to charge. As used in subparagraph (c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(2) In the event of the vacation or abandonment of the Premises by Tenant, or in the event that Landlord shall elect to reenter as provided herein or shall take possession of the Premises pursuant to legal proceeding or pursuant to any notice provided by law, then Landlord shall have the remedy specified by Civil Code Section 1951.4, in which Landlord may from time to time recover all rental as it becomes due or relet the Premises or any part thereof for the account of Tenant on such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord shall elect so to relet, then rentals received by Landlord from such reletting shall be applied first, to the payment of any indebtedness, other than rent due hereunder, owed by Tenant to Landlord; second, to the payment of any cost (including commissions) of such reletting; third, to the payment of the cost of any alterations and repairs to the Premises; fourth, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of rent hereunder, be less than the rent payable during

that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord upon demand. Tenant shall also pay to Landlord, as soon as ascertained, any and all costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

(3) No reentry or taking possession of the Premises by Landlord pursuant to this Section shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. NTD: Adopted value of unpaid rent as remedy, but landlord requires any additional remedies that may require termination or equitable rights in event of abandonment.

### **37. Miscellaneous**

The captions of the Articles or Sections of this Lease are to assist the Parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular.

A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

This Lease is the final agreement between the Parties pertaining to the lease of the Premises and supersedes all prior negotiations and agreements relating thereto. All amendments to this Lease shall be in writing and signed by all Parties. Any other attempted amendment shall be void.

This Lease binds any Party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease.

The laws of California shall govern this Lease regardless of that state's conflict of laws jurisprudence, and the exclusive venue for any action relating to this Lease shall be in the county where the Premises is located. THE PARTIES EXPRESSLY WAIVE ANY RIGHT THEY MAY HAVE TO HAVE ANY CONTROVERSY OR PROCEEDING BETWEEN THEM DECIDED BY A JURY. However, the parties agree to mediate any dispute(s) out of this agreement. If mediation does not resolve the issue, the parties agree to binding arbitration. Parties agree to share the costs 50/50.

This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. Landlord's delivery of this Lease to Tenant shall not be deemed to be an offer to lease and shall not be binding upon either Party until executed and delivered by both Parties.

All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

IN WITNESS WHEREOF, the Parties have executed this Lease as of the date first above written.

**LANDLORD:**

**TENANT:**

The City of Calexico, a municipal corporation

Hensel Phelps Construction Company, a  
Delaware Partnership

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



Exhibit A

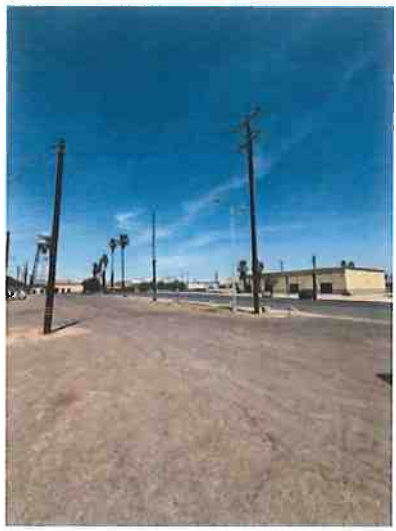


Exhibit A



Exhibit A

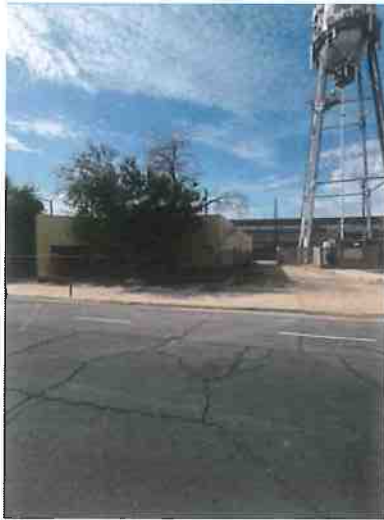
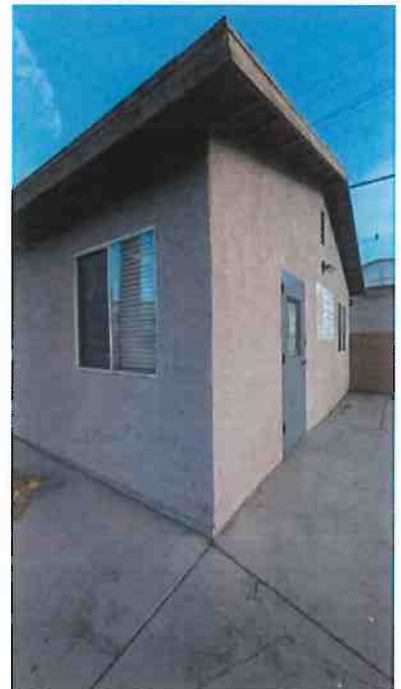




Exhibit B



Exhibit B



# Exhibit B





## **FRIENDSHIP PARK and EAST PARKING ENHANCMENTS**

The following clarifications and assumptions are provided to convey the extent of work within the defined Premises referenced as Friendship Park and East Parking.

### **FRIENDSHIP PARK**

- 1) The area of use is outlined in blue. There is no work included outside of this area.
- 2) All costs for development fees, building permits, plan check, street and sidewalk encroachment permits/fees, utility company fees and facilities charges are included.
- 3) The fountain center piece will be salvaged and turned over to the City of Calexico. The remaining fountain will be buried, including the adjacent mechanical pit that contains water lines, valves, controls, etc. All underground water lines, electrical, conduit, etc. will be abandoned in place.
- 4) The existing sidewalk, concrete/brick bench, and fountain walls will be removed and discarded. These will not be replaced.
- 5) The 'Welcome to Calexico' sign will be demolished and thrown out. Letters to be salvaged and turned over to the City of Calexico.
- 6) Select trees will be cut down and discarded. Trees will not be replaced.
- 7) Select light poles/foundations will be removed. Light poles/foundations will not be replaced.
- 8) We have not included any provisions for installing new or upgrading/refurbishing existing electrical systems.
- 9) The fence along SR-111 will be left in place.
- 10) The area within the limits of work will be graded level using existing soils. No engineered or select fill is included. Upon completion of this agreement, the area will be cleaned up of all construction materials and returned a graded dirt lot.
- 11) No other improvements will be made to this property.

### **EAST PARKING LOT**

- 1) The abandoned Valley Orthopedic Clinic located at 352 E. 1st Street will be demolished and removed as follows:
  - a) Included:
    - i) Remove and dispose of trash
    - ii) Remove and dispose of walls, ceilings, roof, and all interiors.
    - iii) Remove and dispose of trees and shrubs
  - b) Excluded:
    - i) Removal of slab on grade, sidewalk, or any on grade concrete or paving
    - ii) All underground utilities, footings, foundations, or anything below grade
    - iii) Replacement or repair of building in part or whole
- 2) All costs for development fees, demolition permits, plan check, street and sidewalk encroachment permits/fees, utility company fees and facilities charges are included.
- 3) No other improvements will be made to this property.

ATTACHMENT NO. 2

**RESOLUTION NO. 2025-\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO  
AUTHORIZING THE CITY MANAGER TO EXECUTE A LAND LEASE  
AGREEMENT WITH HENSEL PHELPS FOR TEMPORARY USE OF BORDER  
FRIENDSHIP PARK AND THE EAST "ORTHOPEDIC CLINIC" PARKING LOT IN  
SUPPORT OF THE CONSTRUCTION OF THE NEW PEDESTRIAN PROCESSING  
FACILITY AT THE CALEXICO WEST LAND PORT OF ENTRY**

**WHEREAS**, the Calexico West Land Port of Entry Expansion and Reconfiguration Project, managed by the US General Services Administration (GSA), is entering its final phase, with construction of the new pedestrian processing building slated to begin before the end of 2025; and

**WHEREAS**, the new 31,000-square-foot pedestrian processing building is designed to increase the pedestrian processing capacity of US Customs and Border Protection, with an expanded processing hall consisting of 12 lanes; and

**WHEREAS**, as construction of the new pedestrian processing building will entail demolition of the existing processing building, the GSA proposes to construct a temporary pedestrian processing facility as well; and

**WHEREAS**, to support construction of the project, Hensel Phelps is seeking a Land Lease Agreement with the City for use of two City-owned sites proximate to the temporary pedestrian facility and new permanent pedestrian processing facility – Border Friendship Park at First Street and Paulin Avenue, and the East Parking Lot at 352 E. 1st Street, adjacent to the former Valley Orthopedic Clinic, which was damaged in a structural fire in 2024 and is need of demolition; and

**WHEREAS**, the Land Lease Agreement would facilitate temporary use of the land for construction laydown, parking for Customs & Border Protection (CBP officials), and contractor operations through December 2028; and

**WHEREAS**, the Land Lease Agreement would include demolition of the damaged Orthopedic Clinic Building as Payment-in-Kind equivalent to \$275,000 in-lieu of monthly lease payments; and

**WHEREAS**, the City Council can authorize the City Manager to accept and consent to a Land Lease Agreement.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of Calexico authorizes the City Manager, with the consent of the City Attorney, to execute a Land Lease Agreement with Hensel Phelps for temporary use of two City-owned properties to facilitate the construction of the Temporary Pedestrian Processing Facility of the Calexico West Land Port of Entry Expansion and Reconfiguration Project.

**PASSED, APPROVED, AND ADOPTED** this 17<sup>th</sup> day of September 2025.

---

Diana Nuricumbo, Mayor

**ATTEST:**

\_\_\_\_\_  
Veronica L. Alvarado, City Clerk

STATE OF CALIFORNIA            )  
COUNTY OF IMPERIAL         )SS  
CITY OF CALEXICO             )

I, Veronica L. Alvarado, City Clerk of the City of CALEXICO, DO HEREBY CERTIFY that foregoing Resolution No. 2025-\_\_ was duly passed and adopted by the City Council of the City of Calexico at their regular meeting held September 17, 2025, by the following roll call vote, to wit:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

\_\_\_\_\_  
Veronica L. Alvarado, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Carlos Campos, City Attorney