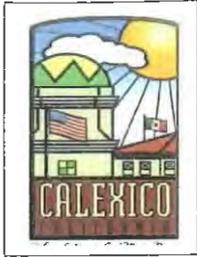


AGENDA
ITEM

13



AGENDA STAFF REPORT

DATE: September 18, 2019

TO: Mayor and City Council

APPROVED BY: David Dale, City Manager

PREPARED BY: David Dale, City Manager

SUBJECT: Authorize the City Manager to Sign a Lease Agreement with De Anza Hotel Limited Partnership (Chelsea Asset Corporation) for the Carmen Durazo Cultural Arts Center

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Recommendation:

Authorize the City Manager to Sign a Lease Agreement with De Anza Hotel Limited Partnership (Chelsea Asset Corporation) for the Carmen Durazo Cultural Arts Center.

Background:

On February 6, 2004, a lease agreement between the Community Redevelopment Agency of City of Calexico and De Anza Hotel Limited Partnership was signed for what is now known as the Carmen Durazo Cultural Arts Center (CDCAC). The lease agreement expired on February 6, 2014.

Discussion & Analysis:

The City of Calexico, through the Library, Arts, and Historical Board wishes to continue to use the CDCAC. The city uses the CDCAC for various events and meetings, mostly functions surrounding the arts. Community Redevelopment Agencies across the State are now defunct, so the new lease would be with the City of Calexico.

The proposed lease has a term of ten years.

There are exigent capital improvement needs at the CDAC, including air conditioner replacements that are needed. On September 4, 2019, the City Council approved funding for the needed capital improvements. The improvements can be completed if there is an approved long-term lease in place.

Fiscal Impact:

General Fund - \$1.00 per year.



Coordinated With:

City Attorney.

Attachment(s):

1. Proposed Lease Agreement
2. Expired Lease Agreement dated February 6, 2004.

LEASE AGREEMENT

This LEASE ("Lease") is entered into as of _____, 2019, by and between DE ANZA HOTEL LIMITED PARTNERSHIP, a California limited partnership, as "Landlord," and the THE CTIY OF CALEXICO, a public body corporate and politic, as "Tenant":

1. Lease of Premises

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, that certain property located at 233 Fourth Street in Calexico, California, consisting of approximately 10,000 square feet of rentable space located at the northeast corner of the first floor of the De Anza Hotel (the "Premises") and as depicted on the attached Exhibit A. The Premises, along with the remaining portions of the building in which the Premises are located, are sometimes referred to herein as the "Building." The Building, the areas servicing the Building (including any adjacent parking areas) and the land upon which the Building are located are sometimes collectively referred to as the "Hotel Property". The parties acknowledge that the Premises do not include any portion of the areas servicing the Building, including the parking area(s) or any other Building common area.

2. Term

The term of this lease (the "Term") shall commence on _____, 2019 and shall expire on the tenth (10th) anniversary thereof, unless earlier terminated pursuant to this Lease.

3. Term Extension

Provided that this Lease shall be in full force and effect, and Tenant shall not be in default under any of Tenant's obligations under this Lease at the time of Tenant's election to extend the term of this Lease, Tenant shall have one (1) option to extend the term (the "Term Extension") for an additional term of ten (10) years (the "Option Term") to commence upon expiration of the Term. If the Term Extension is exercised, all of the terms and provisions of this Lease (except the Term and further excepting Tenant's right to extend the Term) shall extend to and be applicable during the Option Term, except as specifically set forth in this Lease to the contrary. The Term Extension shall be exercised by Tenant giving written notice thereof to Landlord at least six (6) months but no more than nine (9) months prior to the expiration of the Term. The exercise of the Term Extension shall be irrevocable.

4. Rent

In consideration of Tenant's intention to invest funds into Tenant's intended renovation of the Premises, the base rent during the Term and the Option Term, if applicable, shall be One Dollar (\$1.00) per year payable each year on or prior to February 1. Any reference herein to Rent shall include all annual base rental described in this section, and all other sums or monetary obligations of any and every sort payable hereunder by Tenant, including, but not limited to, payment for Utilities and Taxes pursuant to section 10 herein.

5. Use of Premises

Landlord agrees that Tenant may utilize the Premises for any lawful commercial enterprise or other business activity consistent with the City zoning, other land use controls, designation of the

Premises as a historical landmark or other designations of the Building or Hotel Property, and all other applicable laws, ordinances and regulations, subject to the limitation that any such use is compatible with Landlord's primary use of the De Anza Hotel for residences. Landlord shall be entitled to determine, in its sole reasonable discretion, whether or not any proposed use by Tenant of the Premises is compatible. Only the Premises as described above are subject to this Lease, and Tenant is not entitled to use of any common areas of the Building, (including the lobby and parking area(s)). At the request of Tenant and conditioned upon any requirements Landlord deems reasonable or necessary, in its sole discretion, Tenant may arrange during the Term for non-exclusive use of the patio located on the east side of the courtyard located in the Building, and/or non-exclusive use of the tenant restrooms located on the first floor of the Building. Any such use shall require Tenant to extend the obligations of the Lease as to all obligations and requirements to the non-exclusive use, including, without limitation, as to insurance coverage.

6. Nuisance or Unlawful Uses

(a) Tenant shall not commit, or permit or suffer the commitment by any subtenant, licensee, invitee, or guest of Tenant, of waste or nuisance on the Premises or the Hotel Property, nor shall it use or allow the Premises to be used in violation of federal, state, county or city laws, ordinances or regulations.

(b) Landlord makes no representation or warranty as to whether any hazardous materials are present upon, in or under, or have been released from the Hotel Property. As used in this lease, hazardous materials shall mean any hazardous or toxic substance, material, or waste at any concentration that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Hotel Property.

(c) Tenant shall not cause or permit the release of hazardous materials in, on or under the Premises or Hotel Property. The presence or use of hazardous materials in products required for the prudent and ordinary management and operation of the Premises held and used strictly in accordance with applicable laws and orders issued by insurance underwriters and prudent standards of practice shall not violate this covenant. If Landlord or any county, state, or federal enforcement agency finds Tenant to be in violation of this Section 6, then Tenant shall perform investigations, removal, or other remedial work required under applicable law. Tenant may delay commencement of remedial work pending resolution of a good faith contest regarding the application, interpretation or validity of laws, orders, or agreements. Landlord shall approve the remedial work, which approval shall not be unreasonably withheld or delayed.

7. Holdover and Surrender

(a) At the termination of this Lease, Tenant shall vacate the Premises, leaving them in the same condition as existed at the commencement of the Lease, reasonable wear and tear, acts of God, and damage by casualty beyond the control of Tenant excepted. Tenant shall leave the Premises free and clear of all rubbish upon vacating.

(b) If Tenant holds over beyond the end of the Term with the consent, express or implied, of Landlord, such tenancy shall be deemed to be a month- to- month tenancy subject to all terms of this Lease except the definition of the Term.

8. Fixtures and Improvements

(a) Tenant shall not construct or place or permit to be constructed or placed, signs, awnings, marquees, or other structures projecting from the exterior of the Premises without Landlord's prior written consent, which consent shall be in the sole discretion of the Landlord. Tenant shall request such consent in the same manner by which Tenant is to request consent for Alterations pursuant to this section 8. Tenant shall remove signs, displays, advertisements or decoration Tenant has placed, or permitted to be placed, on the Premises without the consent of Landlord. If Tenant fails to remove such signs, displays, advertisements or decorations within three (3) days after having received written notice to remove the same from Landlord, Landlord may re- enter the Premises and remove them at Tenant's expense.

(b) Tenant may not make any improvements, alterations, additions (including, without limitation, adding any signage) or changes to the Premises ("Alterations") without first obtaining Landlord's prior written consent. Tenant shall request such consent by written notice to Landlord, which must be accompanied by detailed and complete plans and specifications for the proposed work. As a condition of its consent to Alterations, Landlord may impose any requirements that Landlord considers desirable, including a requirement that Tenant provide Landlord with a surety bond, a letter of credit, or other financial assurance that the cost of the Alterations will be paid when due.

(c) Landlord shall not unreasonably withhold or delay or condition its consent to proposed Alterations. Notwithstanding the foregoing, however, the Alterations for which Landlord may reasonably withhold, delay or condition consent in its sole discretion include, but are not limited to, those that would or could:

(i) Affect the structure of the Building or any portion thereof, including the Premises, or require any permits by a governmental entity having jurisdiction over the Building;

(ii) Affect any building systems or equipment, including plumbing, heating, air-conditioning, ventilation, electrical, and elevator that serve all or part of the Building;

(iii) Result in Landlord's being required, as a result of Tenant's use or Alterations, under any federal, state, county, city or government agency laws; statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued, including, but not limited to, government measures regulating or enforcing public access, occupational, health, or safety standards for employers, employees, landlords or tenants, to perform any work ("Additional Required Work"). Tenant shall, at Tenant's sole expense, perform any Additional Required Work in or to the Building, which shall be subject to the same requirements as any Alterations. If any of the Additional Required Work must be performed outside the Premises, Landlord may elect to perform that work at Tenant's expense. No consent by Landlord to any Alterations shall constitute a waiver of Tenant's obligations under this section.

(iv) Result in an increase in the demand for utilities or services in the Building,
or

(v) Cause an increase in the premiums for hazard, liability, or any other type of insurance on the Hotel Property carried by Landlord.

(d) Tenant shall not remove leasehold improvements, but may remove fixtures, equipment and other personal property placed on the Premises by Tenant or under its authority. Tenant shall repair any damage to the Premises or any other portion of the Building resulting from removal of fixtures, equipment and other personal property.

(e) Except as otherwise set forth in this Lease, by written notice to Tenant either before expiration of the term or within a reasonable time after any earlier termination of this Lease, Landlord may require Tenant, at tenant's sole expense, to remove any Alterations, fixtures, equipment, or other personal property and restore the Premises to their configuration and condition before the Alterations were made. If Tenant fails to complete that restoration and/or removal before expiration of the Term, or, in the case of earlier termination, within fifteen (15) days after written notice from Landlord requesting the restoration, Landlord may do so, and the cost of the restoration shall be paid by Tenant to Landlord upon demand.

(f) Tenant shall pay Landlord's actual reasonable expenses incurred in reviewing any plans for Alterations to the Premises. All plans for Alterations shall be submitted to Landlord for approval prior to any performance of the work of Alterations. Landlord shall have the right and a reasonable opportunity to post a Notice of Non-Responsibility.

9. Inspection and Maintenance

(a) Landlord makes no representation, express or implied, about the Premises whatsoever. Tenant acknowledges that it has had time and opportunity to perform its own investigation of the Premises and accepts the Premises "AS IS," and acknowledge that is in a reasonable, safe, and business-like working condition. Landlord shall have no responsibility for maintenance and repairs of the Premises and makes no warranty regarding the condition of the Premises.

(b) Tenant shall, at its sole cost and expense, at any time and from time to time during the Term, maintain and repair the Premises. Said obligation shall include, without limitation, costs to insure that all plumbing, heating, air-conditioning, ventilation, storm and sanitary sewers and electrical system that serves the Premises, any plate glass, and any fixtures, are in neat, clean, safe, good order and working condition ("Maintenance"). Tenant shall make any alterations, improvements or replacements in, on, to or of the Premises, in whole or in part, which may be necessary or desirable to keep the Premises in good and safe condition and repair. In the event Landlord shall for any reason pay any charges related to Tenant's obligations under this section, the amount of such payment shall be additional Rent, due and owing immediately upon written notice to Tenant of such amounts paid by Landlord. During the Term of this Lease, should Tenant's use or occupancy of the Premises result in increases in Landlord's costs for Maintenance for the Hotel Property in excess of its costs incurred in the previous calendar year, Landlord shall have the right to charge Tenant its pro rata share of such increase, the amount of which shall be additional Rent, due and owing immediately upon written notice to Tenant.

It is intended that the terms of the Lease govern the respective obligations of Tenant and Landlord as to maintenance and repairs of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

(c) If all or portion of the Premises is damaged or destroyed by fire or other casualty, Landlord shall have the prerogative, at its sole discretion, either to (a) repair or rebuild the Premises (or

portion thereof) and diligently pursue the same to completion, or (b) not to repair or rebuild the Premises (or any portion thereof). Landlord shall, by written notice to Tenant, make its election whether to repair and rebuild the Premises within ninety (90) days after the date of the fire or other casualty. In the event that Landlord elects not to repair or rebuild, this Lease shall terminate as of the date of the fire or other casualty and Tenant shall pay any rent accrued only through the date of such termination. The provisions of the Lease, including this Section, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the premises, and Landlord and tenant agree that Sections 1932(2) and 1933(4) of the California Civil Code shall have no application to this Lease or any damage or destruction to the premises.

10. Utilities and Taxes

(a) Tenant will pay, before delinquency, any and all charges for utilities and other services supplied or charges to the Premises, together with any taxes thereon. Said utilities and other services shall include, without limitation, all electricity, water, natural gas or other heating fuel, telephone, use of storm and sanitary sewers, and refuse collection (the "Utilities"). Tenant shall not permit any charges of any kind to accumulate or become a lien against the Premises. Landlord shall have no obligation or responsibility to provide Utilities to the Premises, and no failure or interruption of the same shall entitle Tenant to terminate the Lease or abate any Rent hereunder unless caused by Landlord. In the event Landlord shall for any reason pay charges for Tenant's Utilities, the amount of such payment shall be additional Rent, due and owing immediately upon written notice to Tenant of such amounts paid by Landlord. Tenant shall, wherever possible, obtain separate meters for provision of Utilities to Tenant, and Landlord, at no cost to Landlord, shall cooperate to assist Tenant, when necessary, in obtaining appropriate separate billings for the aforesaid utilities. During the Term of this Lease, should Tenant's use or occupancy of the Premises result in increases in Landlord's costs for Utilities for the Hotel Property in excess of its costs incurred in the previous calendar year, Landlord shall have the right to charge Tenant its pro rata share of such increase, the amount of which shall be additional Rent, due and owing immediately upon written notice to tenant.

(b) Tenant shall pay Tenant's Share, (as defined below), of any and all real estate taxes and general and special assessments (collectively "Real Property Taxes") levied and assessed against the Hotel Property, during the Term. Tenant's Share of Real Property Taxes shall be thirty eight percent (38%). Landlord shall submit to Tenant an invoice for the taxes and assessments so paid, together with evidence of billing to Landlord or payment by Landlord. Tenant shall, in addition, pay one hundred percent (100%) of any increase in Real Property Taxes assessed by reason of any Alterations placed upon the Premises by Tenant or at Tenant's request. The amount of such payment shall be additional Rent, due and owing immediately upon written notice to Tenant of such amounts paid by Landlord.

11. Indemnification; Insurance

(a) To the maximum extent permitted by law, Tenant shall, at Tenant's sole expense and with counsel reasonably acceptable to Landlord, indemnify, defend, and hold harmless Landlord, its officers, directors, shareholders, members, partners, agents, employees, and independent contractors and any other affiliated entities (the "Landlord Parties"), free and harmless from liability, costs or damages, including attorney fees, resulting from negligent acts or omissions to act by Tenant, its officers, directors, shareholders, members, partners, agents, employees, and independent contractors and any

other affiliated entities (the "Tenant Parties"), arising out of Tenant's occupancy of the Premises, including but not limited to:

- (i) The use or occupancy, or manner of use or occupancy, of the Premises or the Building by the Tenant parties;
- (ii) Any act, error, omission, or negligence of Tenant Parties or of any invitee, guest, or license of Tenant in, on, or about the Premises or the Building;
- (iii) Tenant's conducting of its business or activities;
- (iv) Any Alterations, activities, work, or things done, omitted, permitted, allowed, or suffered by Tenant Parties in, at, or about the Premises or Building, including the violation of or failure to comply with any applicable laws, statutes, ordinances, standards, rules, regulations, orders, decrees, or judgments in existence at the beginning of the Term or enacted, promulgated or issued after the date of this Lease.

Tenant's duty to defend Landlord Parties is separate and independent of Tenant's duty to indemnify Landlord Parties and applies regardless of whether the issues of negligence, liability, fault, default, or other obligation on the part of Tenant Parties have been determined, and regardless of the allegations against Landlord parties. This clause shall survive the expiration or earlier termination of this Lease.

(b) Tenant's personal property, fixtures, equipment, inventory and vehicles (collectively, "Tenant's Property") are not insured by Landlord against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause. Tenant is to carry Tenant's own insurance against loss or damage to Tenant's Property at Tenant's sole expense.

(c) In addition (and independent of Tenant's indemnification obligations under this Lease), Tenant shall carry at Tenant's sole expense commercial general liability insurance written on an "occurrence" policy form, covering claims for bodily injury or damage to property arising out of or relating out of or relating (directly or indirectly) to Tenant's operations, conduct, assumed liabilities, or use occupancy of the Premises in the amount of Two Million Dollars (\$2,000,000). Said coverage shall include all the coverages typically provided by the Board Form Comprehensive General Liability Endorsement, including broad form property damage coverage. All deductibles and self-insured retentions under Tenant's policies are subject to Landlord's prior written approval. It is the parties intent that Tenant's liability coverage provide coverage, to the maximum extent possible, of Tenant's indemnification obligations under this Lease. Landlord shall have the right to demand that Tenant raise the limits of this coverage in the event that subsequent to the date of this Lease, such an increase in coverage is made necessary due to Landlord's obligations pursuant to any partnership or loan agreement(s) or pursuant to the requirements of any of its lenders. Tenant's liability insurance shall name Landlord and any other parties requested by Landlord at any time as an additional insured, including all of Landlord's lenders. Prior to the commencement of the Term, Tenant shall deliver to Landlord evidence of such insurance satisfactory to Landlord and any time Tenant, upon Landlord's request, shall provide Landlord with certificate(s) of insurance establishing Tenant's compliance with the foregoing insurance requirements and providing for no less than thirty (30) days advance written notice to Landlord from the insures(s) of

any cancellation, nonrenewal, or material change in coverage or available limits of liability and shall confirm compliance with the liability insurance requirements in this Lease.

12. Transfer

Tenant shall not assign, mortgage, pledge, encumber or make any other transfer of interest in this Lease or any right or privilege hereunder, or sublease or permit occupancy of any portion of the Premises to or by any party, (collectively "Transfer"), without Landlord's prior written consent, not to be unreasonable withheld, conditioned or delayed. Any Transfer not in any way release Tenant from its liability to pay Rent as provided herein or from its liability to carry out and perform in the manner herein set forth any of the other covenants and conditions of the Lease. The provisions and conditions of any proposed Transfer must not be consistent with any provision of this Lease. In addition, the assignee, subtenant, occupant or transferee must expressly assume all of the obligations of Tenant under this Lease. In addition, the assignee, subtenant, occupant or transferee must expressly assume all of the obligations of Tenant under Lease. Consent by Landlord to any Transfer shall not constitute a consent to a subsequent Transfer. Tenant's unauthorized Transfer shall be void and shall terminate this Lease at Landlord's option. Tenant's interest in this Lease is not assignable by operation of law.

13. Landlord's Remedies on Tenant's Breach

In the event of any default hereunder which default has not been timely cured, and in addition to any or all other rights or remedies of the Landlord hereunder or by law, Landlord may, at its option:

- (a) Exercise its right to maintain any all actions at law or suits in equity to compel Tenant to correct or cause to be corrected said default;
- (b) Maintain and operate the Premises, including any Alterations, without terminating this Lease; or
- (c) Terminate this Lease by written notice to Tenant of its intention to do so.

14. Miscellaneous

(a) Notices given pursuant to the provisions of the Lease, or necessary to carry out its provisions, shall be in writing and delivered personally to the person to whom the notice is to be given, or mailed postage prepaid, addressed to such person. Landlord's and Tenant's addresses for this purpose shall be:

Landlord: De Anza Hotel Limited Partnership
c/o CIC Management, Inc.
215 S. Highway 101, Ste. 200
Solana Beach, CA 92075
Attention: Robert Harrington

Tenant: Community Redevelopment Agency of
The City of Calexico
608 Heber Avenue
Calexico, CA 92231
Attention: Executive Director

(b) Landlord's waiver of a default of any term, covenant or condition of this Lease is not a waiver of any other or subsequent default of the same or other provisions hereof. Landlord's acceptance of Rent after breach is not waiver of breach.

(c) This Lease supersedes and replaces any prior agreement between the parties with respect to the use of the Premises.

(d) This Lease and its terms, covenants and conditions apply to and are binding upon and inure to the heirs, successors, executors, administrators and assigns of the parties hereto.

(e) Time is to the essence herein.

(f) In the operations pursuant to this Lease and otherwise in the use of the Premises, Tenant will not discriminate or permit discriminations against any person or class of persons by reason of race, color, creed, sex, age or national origin.

(g) The prevailing party shall recover attorney fees and costs if litigation is necessary to interpret or enforce this Lease.

(h) This Lease shall be interpreted and enforced in accordance with California law.

THE PARTIES HAVE CAUSED THIS LEASE TO BE EXECUTED AS OF THE DATE WRITTEN FIRST ABOVE.

THE CITY OF CALEXICO
Executed By:

City Manager

Attested By:

Agency Secretary

DE ANZA HOTEL LIMITED PARTNERSHIP,
a California limited partnership

By: **CHELSEA ASSET CORPORATION,**
a California Corporation, its Co-General Partner

By: _____
Charles Schmid
Authorized Representative

By: **PACIFIC SOUTHWEST COMMUNITY
DEVELOPMENT CORPORATION,**
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Robert W. Laing
President/Executive Director

LEASE AGREEMENT

This LEASE ("Lease") is entered into as of February 6, 2004, by and between DE ANZA HOTEL LIMITED PARTNERSHIP, a California limited partnership, as "Landlord," and the COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO, a public body corporate and politic, as "Tenant":

1. Lease of Premises

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, that certain property located at 233 Fourth Street in Calexico, California, consisting of approximately 10,000 square feet of rentable space located at the northeast corner of the first floor of the De Anza Hotel (the "Premises") and as depicted on the attached Exhibit A. The Premises, along with the remaining portions of the building in which the Premises are located, are sometimes referred to herein as the "Building." The Building, the areas servicing the Building (including any adjacent parking areas) and the land upon which the Building are located are sometimes collectively referred to as the "Hotel Property." The parties acknowledge that the Premises do not include any portion of the areas servicing the Building, including the parking area(s) or any other Building common area.

2. Term

The term of this lease (the "Term") shall commence on March 1, 2004 and shall expire on the tenth (10th) anniversary thereof, unless earlier terminated pursuant to this Lease.

3. Term Extension

Provided that this Lease shall be in full force and effect, and Tenant shall not be in default under any of Tenant's obligations under this Lease at the time of Tenant's election to extend the term of this Lease, Tenant shall have one (1) option to extend the Term (the "Term Extension") for an additional term of ten (10) years (the "Option Term") to commence upon the expiration of the Term. If the Term Extension is exercised, all of the terms and provisions of this Lease (except the Term and further excepting Tenant's right to extend the Term) shall extend to and be applicable during the Option Term, except as specifically set forth in this Lease to the contrary. The Term Extension shall be exercised by Tenant giving written notice thereof to Landlord at least six (6) months but no more than nine (9) months prior to the expiration of the Term. The exercise of the Term Extension shall be irrevocable.

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In consideration of Tenant's intention to invest funds into Tenant's intended renovation of the Premises, the base rent during the Term and the Option Term, if applicable, shall be One Dollar (\$1.00) per year payable each year on or prior to February 1. Any reference herein to Rent shall include all annual base rental described in this section, and all other sums or monetary obligations of any and every sort payable hereunder by Tenant, including, but not limited to, payment for Utilities and Taxes pursuant to section 10 herein.

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Landlord agrees that Tenant may utilize the Premises for any lawful commercial enterprise or other business activity consistent with the City zoning, other land use controls, designation of the Premises as a historical landmark or other designations of the Building or Hotel Property, and all other applicable laws, ordinances and regulations, subject to the limitation that any such use is compatible with Landlord's primary use of the De Anza Hotel for residences. Landlord shall be entitled to determine, in its sole reasonable discretion, whether or not any proposed use by Tenant of the Premises is compatible. Only the Premises as described above are subject to this Lease, and Tenant is not entitled to use of any common areas of the Building, (including the lobby and parking area(s)). At the request of Tenant and conditioned upon any requirements Landlord deems reasonable or necessary, in its sole discretion, Tenant may arrange during the Term for non-exclusive use of the patio located on the east side of the courtyard located in the Building, and/or non-exclusive use of the tenant restrooms located on the first floor of the Building. Any such use shall require Tenant to extend the obligations of the Lease as to all obligations and requirements to the non-exclusive use, including, without limitation, as to insurance coverage.

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(b) Landlord makes no representation or warranty as to whether any hazardous materials are present upon, in or under, or have been released from the Hotel Property. As used in this lease, hazardous materials shall mean any hazardous or toxic substance, material, or waste at any concentration that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Hotel Property.

(c) Tenant shall not cause or permit the release of hazardous materials in, on or under the Premises or Hotel Property. The presence or use of hazardous materials in products required for the prudent and ordinary management and operation of the Premises held and used strictly in accordance with applicable laws and orders issued by insurance underwriters and prudent standards of practice shall not violate this covenant. If Landlord or any county, state, or federal enforcement agency finds Tenant to be in violation of this Section 6, then Tenant shall perform investigations, removal, or other remedial work required under applicable law. Tenant may delay commencement of remedial work pending resolution of a good faith contest regarding the application, interpretation or validity of laws, orders, or agreements. Landlord shall approve the remedial work, which approval shall not be unreasonably withheld or delayed.

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(ii) Affect any building systems or equipment, including plumbing, heating, air-conditioning, ventilation, electrical, and elevator that serve all or part of the Building;

(iii) Result in Landlord's being required, as a result of Tenant's use or Alterations, under any federal, state, county, city or government agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued, including, but not limited to, government measures regulating or enforcing public access, occupational, health, or safety standards for employers, employees, landlords or tenants, to perform any work ("Additional Required Work"). Tenant shall, at Tenant's sole expense, perform any Additional Required Work in or to the Building, which shall be subject to the same requirements as any Alterations. If any of the Additional Required Work must be performed outside the Premises, Landlord may elect to perform that work at Tenant's expense. No consent by Landlord to any Alterations shall constitute a waiver of Tenant's obligations under this section.

(iv) Result in an increase in the demand for utilities or services in the Building, or

(v) Cause an increase in the premiums for hazard, liability, or any other type of insurance on the Hotel Property carried by Landlord.

(d) Tenant shall not remove leasehold improvements, but may remove fixtures, equipment and other personal property placed on the Premises by Tenant or under its authority. Tenant shall repair any damage to the Premises or any other portion of the Building resulting from removal of fixtures, equipment and other personal property.

(e) Except as otherwise set forth in this Lease, by written notice to Tenant either before expiration of the Term or within a reasonable time after any earlier termination of this Lease, Landlord may require Tenant, at Tenant's sole expense, to remove any Alterations, fixtures, equipment, or other personal property and restore the Premises to their configuration and condition before the Alterations were made. If Tenant fails to complete that restoration and/or removal before expiration of the Term, or, in the case of earlier termination, within fifteen (15) days after written notice from Landlord requesting the restoration, Landlord may do so and the cost of the restoration shall be paid by Tenant to Landlord upon demand.

(f) Tenant shall pay Landlord's actual reasonable expenses incurred in reviewing any plans for Alterations to the Premises. All plans for Alterations shall be submitted to Landlord for approval prior to any performance of the work of Alterations. Landlord shall have the right and a reasonable opportunity to post a Notice of Non-Responsibility.

9. Inspection and Maintenance

(a) Landlord makes no representation, express or implied, about the Premises whatsoever. Tenant acknowledges that it has had time and opportunity to perform its own investigation of the Premises and accepts the Premises "AS IS," and acknowledges that it is in a reasonable, safe, and business-like working condition. Landlord shall have no responsibility for maintenance and repairs of the Premises and makes no warranty regarding the condition of the Premises.

(b) Tenant shall, at its sole cost and expense, at any time and from time to time during the Term, maintain and repair the Premises. Said obligation shall include, without limitation, costs to insure that all plumbing, heating, air-conditioning, ventilation, storm and sanitary sewers and electrical systems that serve the Premises, any plate glass, and any fixtures, are in neat, clean, safe, good order and working condition ("Maintenance"). Tenant shall make any alterations, improvements or replacements in, on, to or of the Premises, in whole or in part, which may be necessary or desirable to keep the Premises in good and safe condition and repair. In the event Landlord shall for any reason pay any charges related to Tenant's obligations under this section, the amount of such payment shall be additional Rent, due and owing immediately upon written notice to Tenant of such amounts paid by Landlord. During the Term of this Lease, should Tenant's use or occupancy of the Premises result in increases in Landlord's costs for Maintenance for the Hotel Property in excess of its costs incurred in the previous calendar year, Landlord shall have the right to charge Tenant its pro rata share of such increase, the amount of which shall be additional Rent, due and owing immediately upon written notice to Tenant.

It is intended that the terms of the Lease govern the respective obligations of Tenant and Landlord as to maintenance and repairs of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

(c) If all or a portion of the Premises is damaged or destroyed by fire or other casualty, Landlord shall have the prerogative, at its sole discretion, either to (a) repair or rebuild the Premises (or portion thereof) and diligently pursue the same to completion, or (b) not to repair or rebuild the Premises (or any portion thereof). Landlord shall, by written notice to Tenant, make its election whether to repair and rebuild the Premises within ninety (90) days after the date of the fire or other casualty. In the event that Landlord elects not to repair or rebuild, this Lease shall terminate as of the date of the fire or other casualty and Tenant shall pay any Rent accrued only through the date of such termination. The provisions of the Lease, including this Section, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, and Landlord and Tenant agree that Sections 1932(2) and 1933(4) of the California Civil Code shall have no application to this Lease or any damage or destruction to the Premises.

10. Utilities and Taxes

(a) Tenant will pay, before delinquency, any and all charges for utilities and other services supplied or charged to the Premises, together with any taxes thereon. Said utilities and other services shall include, without limitation, all electricity, water, natural gas or other heating fuel, telephone, use of storm and sanitary sewers, and refuse collection (the "Utilities"). Tenant shall not permit any charges of any kind to accumulate or become a lien against the Premises. Landlord shall have no obligation or responsibility to provide Utilities to the Premises, and no failure or interruption of the same shall entitle Tenant to terminate the Lease or abate any Rent hereunder unless caused by Landlord. In the event Landlord shall for any reason pay any charges for Tenant's Utilities, the amount of such payment shall be additional Rent, due and owing immediately upon written notice to Tenant of such amounts paid by Landlord. Tenant shall, wherever possible, obtain separate meters for provision of Utilities to Tenant, and Landlord, at no cost to Landlord, shall cooperate to assist Tenant, when necessary, in obtaining appropriate separate billings for the aforesaid utilities. During the Term of this Lease, should Tenant's use or occupancy of the Premises result in increases in Landlord's costs for Utilities for the Hotel Property in excess of its costs incurred in the previous calendar year, Landlord shall have the right to charge Tenant its pro rata share of such increase, the amount of which shall be additional Rent, due and owing immediately upon written notice to Tenant.

(b) Tenant shall pay Tenant's Share, (as defined below), of any and all real estate taxes and general and special assessments (collectively "Real Property Taxes") levied and assessed against the Hotel Property, during the Term. Tenant's Share of Real Property Taxes shall be thirty-eight percent (38%). Landlord shall submit to Tenant an invoice for the taxes and assessments so paid, together with evidence of billing to Landlord or payment by Landlord. Tenant shall, in addition, pay one hundred percent (100%) of any increase in Real Property Taxes assessed by reason of any Alterations placed upon the Premises by Tenant or at Tenant's request. The amount of such payment shall be additional Rent, due and owing immediately upon written notice to Tenant of such amounts paid by Landlord.

11. Indemnification; Insurance

(a) To the maximum extent permitted by law, Tenant shall, at Tenant's sole expense and with counsel reasonably acceptable to Landlord, indemnify, defend, and hold harmless Landlord, its officers, directors, shareholders, members, partners, agents, employees, and independent contractors and any other affiliated entities (the "Landlord Parties"), free and harmless from liability, costs or damages, including attorney fees, resulting from negligent acts or omissions to

act by Tenant, its officers, directors, shareholders, members, partners, agents, employees, and independent contractors and any other affiliated entities (the "Tenant Parties"), arising out of Tenant's occupancy of the Premises, including but not limited to:

- (i) The use or occupancy, or manner of use or occupancy, of the Premises or the Building by the Tenant Parties;
- (ii) Any act, error, omission, or negligence of Tenant Parties or of any invitee, guest, or licensee of Tenant in, on, or about the Premises or the Building;
- (iii) Tenant's conducting of its business or activities;
- (iv) Any Alterations, activities, work, or things done, omitted, permitted, allowed, or suffered by Tenant Parties in, at, or about the Premises or Building, including the violation of or failure to comply with any applicable laws, statutes, ordinances, standards, rules, regulations, orders, decrees, or judgments in existence at the beginning of the Term or enacted, promulgated or issued after the date of this Lease.

Tenant's duty to defend Landlord Parties is separate and independent of Tenant's duty to indemnify Landlord Parties and applies regardless of whether the issues of negligence, liability, fault, default, or other obligation on the part of Tenant Parties have been determined, and regardless of the allegations against Landlord Parties. This clause shall survive the expiration or earlier termination of this Lease.

(b) Tenant's personal property, fixtures, equipment, inventory and vehicles (collectively, "Tenant's Property") are not insured by Landlord against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause. Tenant is to carry Tenant's own insurance against loss or damage to Tenant's Property at Tenant's sole expense.

(c) In addition, (and independent of Tenant's indemnification obligations under this Lease), Tenant shall carry at Tenant's sole expense commercial general liability insurance written on an "occurrence" policy form, covering claims for bodily injury or damage to property arising out of or relating (directly or indirectly) to Tenant's operations, conduct, assumed liabilities, or use or occupancy of the Premises in the amount of Two Million Dollars (\$2,000,000). Said coverage shall include all the coverages typically provided by the Broad Form Comprehensive General Liability Endorsement, including broad form property damage coverage. All deductibles and self-insured retentions under Tenant's policies are subject to Landlord's prior written approval. It is the parties intent that Tenant's liability coverage provide coverage, to the maximum extent possible, of Tenant's indemnification obligations under this Lease. Landlord shall have the right to demand that Tenant raise the limits of this coverage in the event that subsequent to the date of this Lease, such an increase in coverage is made necessary due to Landlord's obligations pursuant to any partnership or loan agreement(s) or pursuant to the requirements of any of its lenders. Tenant's liability insurance shall name Landlord and any other parties requested by Landlord at any time as an additional insured, including all of Landlord's lenders. Prior to the commencement of the Term, Tenant shall deliver to Landlord evidence of such insurance satisfactory to Landlord and at any time Tenant, upon Landlord's request, shall provide Landlord with certificate(s) of insurance establishing Tenant's compliance with the foregoing insurance requirements and providing for no less than thirty (30) days advance written notice to Landlord from the insurer(s) of any cancellation, nonrenewal, or

material change in coverage or available limits of liability and shall confirm compliance with the liability insurance requirements in this Lease.

12. Transfer

Tenant shall not assign, mortgage, pledge, encumber or make any other transfer of interest in this Lease or any right or privilege hereunder, or sublease or permit occupancy of any portion of the Premises to or by any party, (collectively "Transfer"), without Landlord's prior written consent, not to be unreasonably withheld, conditioned or delayed. Any Transfer shall not in any way release Tenant from its liability to pay Rent as provided herein or from its liability to carry out and perform in the manner herein set forth any of the other covenants and conditions of this Lease. The provisions and conditions of any proposed Transfer must not be inconsistent with any provision of this Lease. In addition, the assignee, subtenant, occupant or transferee must expressly assume all of the obligations of Tenant under this Lease. Consent by Landlord to any Transfer shall not constitute a consent to a subsequent Transfer. Tenant's unauthorized Transfer shall be void and shall terminate this Lease at Landlord's option. Tenant's interest in this Lease is not assignable by operation of law.

13. Landlord's Remedies on Tenant's Breach

In the event of any default hereunder which default has not been timely cured, and in addition to any or all other rights or remedies of the Landlord hereunder or by law, Landlord may, at its option:

- (a) Exercise its right to maintain any and all actions at law or suits in equity to compel Tenant to correct or cause to be corrected said default;
- (b) Maintain and operate the Premises, including any Alterations, without terminating this Lease; or
- (c) Terminate this Lease by written notice to Tenant of its intention to do so.

14. Miscellaneous

(a) Notices given pursuant to the provisions of this Lease, or necessary to carry out its provisions, shall be in writing and delivered personally to the person to whom the notice is to be given, or mailed postage prepaid, addressed to such person. Landlord's and Tenant's addresses for this purpose shall be:

Landlord: De Anza Hotel Limited Partnership
c/o CIC Management, Inc.
215 S. Highway 101, Ste 200
Solana Beach, CA 92075
Attention: Robert Harrington

Tenant: Community Redevelopment Agency of
the City of Calexico
608 Heber Avenue
Calexico, California 92231
Attention: Executive Director

(b) Landlord's waiver of a default of any term, covenant or condition of this Lease is not a waiver of any other or subsequent default of the same or other provisions hereof. Landlord's acceptance of Rent after breach is not waiver of the breach.

(c) This Lease supercedes and replaces any prior agreement between the parties with respect to the use of the Premises.

(d) This Lease and its terms, covenants and conditions apply to and are binding upon and inure to the heirs, successors, executors, administrators and assigns of the parties hereto.

(e) Time is of the essence herein.

(f) In the operations pursuant to this Lease and otherwise in the use of the Premises, Tenant will not discriminate or permit discriminations against any person or class of persons by reason of race, color, creed, sex, age or national origin.

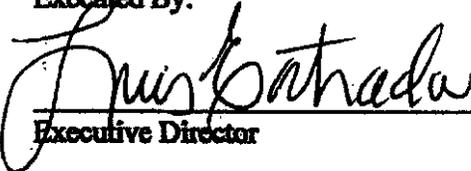
(g) The prevailing party shall recover attorney fees and costs if litigation is necessary to interpret or enforce this Lease.

(h) This Lease shall be interpreted and enforced in accordance with California law.

THE PARTIES HAVE CAUSED THIS LEASE TO BE EXECUTED AS OF THE DATE WRITTEN FIRST ABOVE.

COMMUNITY REDEVELOPMENT AGENCY OF
THE CITY OF CALEXICO

Executed By:


Executive Director

Attested By:


Agency Secretary

DE ANZA HOTEL LIMITED PARTNERSHIP, a
California limited partnership

Executed By: CIC MANAGEMENT, INC., a
California corporation,

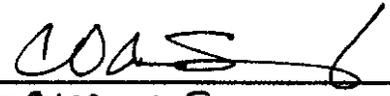
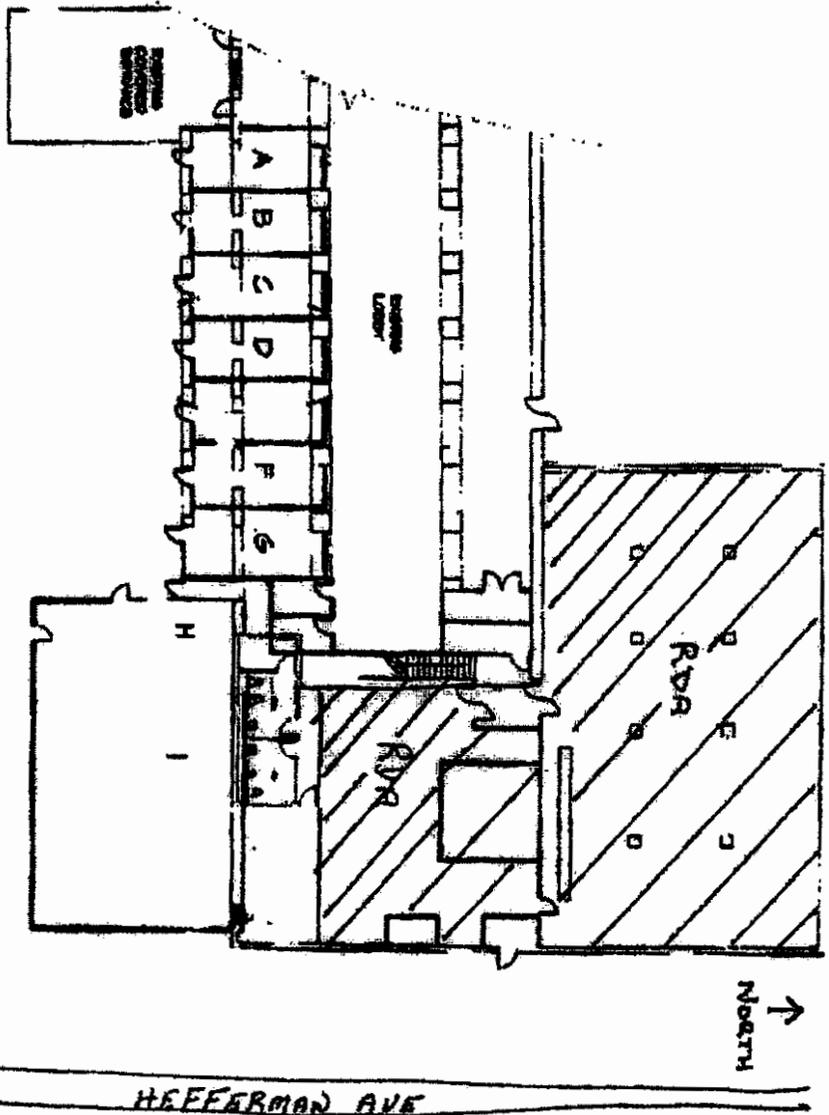

By: CHARLES SCHMID
Its: AUTHORIZED AGENT

EXHIBIT 'A'
FIRST FLOOR COMMERCIAL AREA PLAN
DeAnza Hotel

EAST 4th STREET
CUNNINGHAM, CA 92231



ACKNOWLEDGEMENT AND CONSENT

On behalf of the Calexico Community Action Council, a California nonprofit corporation ("CCAC"), I hereby acknowledge and consent to the attached lease by and between De Anza Hotel Limited Partnership, a California limited partnership, as "Landlord," and the Community Redevelopment Agency Of The City Of Calexico, a public body corporate and politic, as "Tenant" dated as of February 5th, 2004 (the "Lease"). I hereby waive, on behalf of CCAC, any right of CCAC to approve or consent to amendments, extensions, or other modifications of the Lease. I represent and warrant to the parties to the Lease that I am duly authorized to execute this acknowledgement and consent and thereby bind the CCAC.

CALEXICO COMMUNITY ACTION COUNCIL

By: Steve J. Buerki
Title: Executive Director

Date: 2-6-04

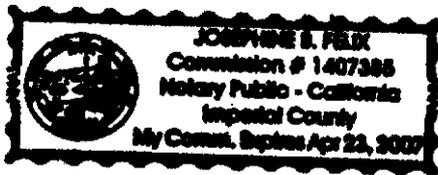
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
 County of Imperial } ss.

On February 6, 2004 before me, Josephine B. Felix, Notary Public,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
 personally appeared Steve Frazier Rivera,
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

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



Place Notary Seal Above

WITNESS my hand and official seal.
Josephine B. Felix
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document
 Title or Type of Document: Acknowledgement and Consent

Document Date: 2/05/04 Number of Pages: 1

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

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

Signer Is Representing: _____

