



County of Santa Cruz 385

HUMAN RESOURCES AGENCY

CECILIA ESPINOLA, ADMINISTRATOR

1000 EMELINE ST., SANTA CRUZ, CA 95060

(408) 454-4130 OR 4544045 FAX: (408) 454-4642

June 4, 1999

AGENDA: June 15, 1999

BOARD OF SUPERVISORS

County of Santa Cruz
701 Ocean Street
Santa Cruz, CA. 95060

APPROVAL OF LEASE AGREEMENT FOR SOUTH COUNTY HRA/HSA PROGRAM SPACE

Dear Members of the Board:

On February 9, 1999, your Board received a report on the space needs in Watsonville for the Human Resources Agency (HRA) and the Health Services Agency (HSA). At that time, your Board authorized the HRA Administrator to enter into negotiations with the landowner of 12 and 18 West Beach Street to build an addition to that facility which would accommodate both agencies' space needs. On May 4, 1999, your Board received an update on the status of these efforts and the HRA Administrator was directed to report back by June 15, 1999 for approval of a final lease agreement.

The purpose of this letter is to request your Board's approval of the final lease agreement now that negotiations are complete and the building design finalized. The proposed lease provides 10,672 additional square feet contiguous to 12 and 18 West Beach Street. The proposed lease agreement includes tenant improvements, a full-service lease rate of \$1.35 per square foot including all utilities, custodial service, building and equipment maintenance, and fire and security alarm systems.

As you know, the additional space will accommodate the increased needs of HRA's Child Welfare Services (CWS), , CalWORKs Child Care, and Career Works programs.

Additionally, HRA's Special Investigations Unit (SIU) will relocate to the proposed annex, thereby making increased space available for HSA's California Children's Services (CCS) and Child Health and Disability Programs at 12 West Beach.

BOARD OF SUPERVISORS

Agenda: June 15, 1999

APPROVAL OF LEASE AGREEMENT FOR SOUTH COUNTY EXPANSION

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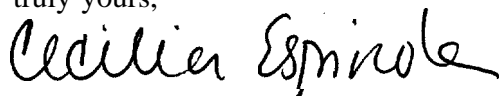
The proposed lease term is for 10 years, with two five-year renewal options and includes lease adjustments averaging approximately three percent per year. The total proposed monthly lease cost for the 10,672 square feet is \$14,407 per month for year one. The program partners who will occupy a portion of the additional space will pay their proportionate share of the monthly lease cost.

Upon Board approval of the attached lease agreement, the owner will begin construction of the annex with an anticipated occupancy date of December 1, 1999. All costs associated with the proposed lease have been budgeted in the 1999/2000 proposed budget and will not require any supplemental funding to implement. County Counsel, Risk Management, and the County Public Works Real Property Division have reviewed the attached lease agreement.

IT IS THEREFORE RECOMMENDED that your Board:

1. Approve the attached ten-year lease agreement between the County of Santa Cruz and Pacific Coast Development for lease of 10,672 square feet of office space contiguous to 12 and 18 West Beach Street, Watsonville;
2. Authorize the Human Resources Agency to execute the agreement on behalf of your Board;
3. Direct the Human Resources Agency to work with the lessor in the completion of construction for a targeted occupancy date of December 1, 1999.

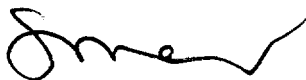
Very truly yours,



CECILIA ESPINOLA
Administrator

CEVES:pb

RECOMMENDED:



SUSAN A. MAURIELLO
County Administrative Officer

BOARD OF SUPERVISORS

6387

Agenda: June 15, 1999

APPROVAL OF LEASE AGREEMENT FOR SOUTH COUNTY EXPANSION

CC: County Administrative Office

Auditor Controller

Health Services Administrator

HSA-Fiscal

HRA-Fiscal

General Services

DPW-Real Property Division

LEASE AGREEMENT

THIS LEASE MADE THIS _____ DAY OF _____, 19____, between Pacific Coast Development, as "Lessor" and the County of Santa Cruz as "Lessee." This Lease contains all the agreements of the parties and cannot be amended or modified except by a written agreement. The captions of this Lease are to simplify reading and shall have not effect on its interpretation. The unenforceability, invalidity, or illegality of any provision shall not render the other provisions unenforceable, invalid or illegal.

1. Premises:

1.1 Location:

For and in consideration of the rents, covenants and agreements hereinafter agreed by Lessee to be paid, kept and performed, lessor leases to Lessee and Lessee rents from Lessor that certain office space commonly known as 16 West Beach Street, Watsonville, County of Santa Cruz, State of California, and specifically outlined in red on the attached Exhibit A, which shall be known as the Premises, together with appurtenances which include 2 spaces in the private lot next to the Premises. The 2 spaces shall be marked reserved. Lessee shall not use any of the parking on the adjacent site parking lot during the term(s) of this agreement.

1.2 Tenant Improvements:

Lessor agrees to build out of the Premises within one hundred eighty (180) days after the receipt of a building permit and the execution of this lease, in accordance with the floorplan, a copy of which, signed by each of the parties hereto, is attached as Exhibit "A," and made a material part of this Lease.

Inspection:

Within three days after the city's certification of occupancy of the Premises, Lessee shall be given access to the Premises to determine if the Premises is in conformance with Lessee's submitted floorplan and specifications (Exhibits A and B). Lessor shall have five (5) days in which to complete or correct any defects or deviations from said plans prior to Lessee's occupancy of the Premises. It is expressly understood and agreed by the parties that Lessor shall not be required to provide or pay for any construction changes or alterations deviating from Exhibit "B" and that all such changes or alterations shall be paid for solely by Lessee. Lessee's occupancy of the Premises shall become the Commencement Date.

1.3 Destruction of Premises:

In case of the Premises, or the building in which the same are situated, are totally destroyed by any cause whatever prior to the commencement of or during the term of this Lease, then this Lease shall immediately terminate and neither party shall have any further rights or be under any

terminate and neither party shall have any further rights or be under any further obligations on account of this Lease, except Lessee for any previously accrued unpaid rent; and if Lessee is not in default in the performance of any obligations under this Lease, Lessor shall refund to Lessee any unearned rents paid in advance by Lessee. For the purposes of Section 1.3, damage or injury to the extent of 50 percent of the value of the leased Premises shall constitute a "total destruction" thereof. In case the Premises or the building in which the same are situated are partially destroyed by any cause whatsoever, Lessor with reasonable promptness shall, within thirty working days, repair and rebuild the same, providing the same can be repaired and rebuilt under State and Municipal laws and regulations. Lessee shall pay rent during such period of repair or rebuilding in the proportion that the portion of the Premises continued to be occupied by Lessee bears to the entire Premises. For the purposes of Section 1.3, damage or injury which does not amount to 50 percent of the value of the Premises shall be considered as a partial destruction.

2. Term.

2.1 Length:

Lessee shall have the leased Premises for and during the term of 10 year(s) commencing on the Commencement Date, determined from Section 1.2 to be the _____ day of _____, 1999 and ending the last day of _____, 2009.

2.2 Holding Over:

Should Lessee hold over said Premises after this Lease has terminated in any manner, such holder over shall be deemed a tenancy from month to month, per a period not to exceed six (6) months, on the same terms and conditions as were in effect at the time just prior to termination of this Agreement.

2.3 Option(s):

Lessee is granted two options to renew this Lease for additional five (5) year periods on the same terms and conditions as specified in this Agreement with the exception that the starting rental amount in the first option period shall be \$18,798.00 per month, and Electrical (Section 7.1) and Janitorial (Section 7.2) charges shall remain as specified as in year ten (10). Lessee agrees to notify Lessor in writing within one hundred eighty days of lease expiration of its intention of exercising its option. Lessor and Lessee agree to negotiate in good faith for option period rental charges no later than the beginning of the last year of the existing lease.

3. Rent.

3.1 Amount:

Lessee shall upon execution of this lease pay Lessor a deposit of \$62,019.00 for 1st full month of occupancy, last month's rent, and months two and three in advance. Lessee shall pay Lessor as rent for the Premises leased during said term in monthly installments, payable in advance, on the 1st day of each month during said term in the amount set forth below (except that a pro rated portion of rent shall be due on the 1st day of the month following the Commencement Date):

- For Year One the Sum of \$14,407.00/month
- For Year Two the Sum of \$14,839.00/month
- For Year Three the Sum of \$15,285.00/month
- For Year Four the Sum of \$15,743.00/month
- For Year Five the Sum of \$16,215.00/month
- For Year Six the Sum of \$16,702.00/month
- For Year Seven the Sum of \$17,203.00/month
- For Year Eight the Sum of \$17,719.00/month
- For Year Nine the Sum of \$18,251 .00/month
- For Year Ten the Sum of \$18,798.00/month;

all of said rent shall be paid to Lessor at the address stipulated in Section 1.5 of this lease unless Lessor shall notify Lessee otherwise in writing.

3.2 Late Pavments:

Lessee hereby acknowledges that late payments by Lessee to Lessor of rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on lessee by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent shall not be received by Lessor within ten (10) calendar days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. This provision becomes effective 180 days following the Commencement Date.

3.3 Quiet:

Lessor warrants to Lessee that this Agreement, when executed and delivered, will constitute a binding obligation of Lessor, enforceable in accordance with its terms; and that the execution and delivery of this Agreement and performance of all its terms does not conflict with any existing agreement binding on Lessor and that no consent is required for the execution and delivery of this instrument by Lessor or for its performance by Lessor. Lessor further warrants that if Lessee shall pay all rental and other sums as provided herein to be paid by Lessee and perform all of the covenants of this Lease to be performed by Lessee, then Lessee, then Lessee shall, during the term hereof, freely, peaceably and quietly occupy and enjoy full possession of the Premises. Lessor further warrants that any 1st floor tenant sharing the common Entrance to the Premises with Lessee shall not retail or provide alcohol for consumption on or off the site.

4. Use:

4.1 County Use:

Lessee shall use said Premises as offices for the County of Santa Cruz and for no other purpose, without the written consent of Lessor, during the term of this Lease. Such written consent shall not be unreasonably withheld.

4.2 Compliance with Laws:

Lessee shall not use the Premises or permit anything to be done in or about the Premises that will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or that may hereinafter be enacted or promulgated. Lessor shall, at its sole cost and expense, comply promptly with all current and future laws, statutes, ordinances and governmental rules, regulations or requirements that relate to or affect the condition, use, occupancy, repair, change or alteration of the Premises, including but not limited to the Americans with Disabilities Act, and they are not specifically required as a result of any change in the use the Premises by Lessee since the Commencement Date. Lessor shall effect such changes at its sole cost and expense.

5. Taxes:

5.1 Allocation:

Lessor shall be liable for all taxes and assessments assessed to the Premises except assessments on any of the Lessee's personal property or fixtures.

6. Repairs and Maintenance:

6.1 County Obligations:

The taking possession of the Premises by Lessee shall constitute an acknowledgment by Lessee that said Premises are in good and tenantable condition.

6.2 Lessor Obligations:

Lessor covenants and agrees at its own cost and expense, during the term of this Lease to maintain the interior of said Premises, including plumbing, in good order and repair and in tenantable condition, and to make all repairs and replacements of whatsoever kind or nature, either to the exterior or interior of said Premises rendered necessary except as a result of the negligence or omission of Lessee, its agents, servants, invitees, or employees. These obligations of Lessor shall not apply to Lessee's fixture's.

Lessor shall have thirty (30) days after written notice from Lessee to commence to perform its obligations to make repairs under this section, or to respond to the complaint in written form, except that Lessor shall commence performance or such obligations immediately after such notice if the nature of the problem presents a hazard, emergency, or substantial interference with Lessee's conduct of its service to the public. Lessor shall diligently pursue such repairs to completion once commenced. If Lessor does not perform its obligations in compliance with this paragraph, or otherwise respond, Lessee may, in its sole discretion, perform such obligations and shall then have the right to be reimbursed for the actual expense of Lessee in the performance of the Lessor's obligations. If Lessor does not reimburse Lessee within thirty (30) days after written demand, accompanied by documentation of charges, Lessee shall have the right to withhold future rent the amount requested above, until Lessee is reimbursed in full:

6.3 Fixtures:

Lessee may install in the leased Premises such fixtures, equipment, and partitions as Lessee may see fit; and not being default hereunder may remove the same from the leased Premises at any time during the term of this Lease; provided however, that in the installation and removal of such fixtures, equipment, and partitions, the work shall be done in a careful, workmanlike manner. Lessor agrees to make available personnel capable of installing, and or removing fixtures and equipment on an as needed basis for Lessee's use. Lessor agrees to provide labor to Lessee at the cost of \$50.00 per hour. This labor shall be licensed, bonded, and insured.

6.4 Alterations:

Lessor shall have the obligation, at Lessor's sole cost, to install carpet, paint, or wallpaper to the interior of the Premises as needed for normal

upkeep. Lessee shall have the right from time to time to make other non structural modifications to the Premises to suit Lessee's needs, with Lessor's consent, such consent not to be unreasonably withheld. Lessor agrees to make available personnel capable of installing, and/or removing the alterations on an as needed basis. Lessor agrees to provide labor to Lessee at the cost of \$50.00 per hour. This labor shall be licensed, bonded and insured.

6.5 Common Area Maintenance:

Lessor agrees to maintain at his own expense, the common areas in a net and clean condition and in good repair, with adequate lighting and security, and keep the parking areas and sidewalks associated with the common areas available for the use of Lessee, his agents, employees, or invitees.

7. Utilities:

7.1 Pavment:

Lessor shall provide all utilities and services to the Premises during the term of this lease at no cost or charge to Lessee including:

Gas; Water; Janitorial service on a five (5) day/week basis in accordance with Exhibit B; Trash Collection, Heating; Lighting; Elevator; Air Conditioning; Maintenance of common areas and the Leased Premises, other than maintenance occasioned by Lessee's negligence or omission of the Leased Premises.

Lessor shall maintain the above services as well as maintain the common areas, entry ways, and hallways. Lessee agrees, however, to make reasonable use of the common areas and the elevator and not to deposit trash, litter, or store items in the common areas. Lessee further agrees to be responsible for any damage to the common area including the elevator demonstrated to result from Lessee's negligence.

Lessor guarantees Electrical expenses up to a maximum of:

For Year One the Sum of \$1,067.00/month
 For Year Two the Sum of \$1,099.00/month
 For Year Three the Sum of \$1,131 .00/month
 For Year Four the Sum of \$1,164.00/month
 For Year Five the Sum of \$1,198.00/month
 For Year Six the Sum of \$1,233.00/month
 For Year Seven the Sum of \$1,269.00/month
 For Year Eight the Sum of \$1,307.00/month
 For Year Nine the Sum of \$1,346.00/month
 For Year Ten the Sum of \$1,386.00/month;

Lessee is responsible for Electrical charges exceeding the amounts listed

above.

Lessee is responsible and assumes all control, purchase, installation, and maintenance of phone system.

7.2 Janitorial:

Lessee shall be allowed to buy out janitorial services at the following rates:

For Year One the Sum of \$853.00/month
 For Year Two the Sum of \$879.00/month
 For Year Three the Sum of \$905.00/month
 For Year Four the Sum of \$932.00/month
 For Year Five the Sum of \$960.00/month
 For Year Six the Sum of \$960.00/month
 For Year Seven the Sum of \$989.00/month
 For Year Eight the Sum of \$1,019.00/month
 For Year Nine the Sum of \$1,050.00/month
 For Year Ten the Sum of \$1,081.00/month;

the buy out shall be in the form of rent concession. Lessor shall be notified in writing 60 days prior to any cancellation of janitorial service required by Lessee in this agreement.

8. Assignment and Subletting:

8.1 Permission Required:

Lessee shall not assign or transfer this Lease or any interest therein, nor sublet the whole or any part of the Premises without the written consent of Lessor. Lessee agrees except as otherwise provided in this Agreement not to make or to suffer to be made any alterations, additions to, or repairs in or upon the Premises without first obtaining the written consent of Lessor. Lessee further covenants and agrees that neither this Lease nor any interest therein shall be assignable or transferable in any proceedings in execution against Lessee, or in any voluntary or involuntary proceedings in bankruptcy, or insolvency taken by or against Lessee, or by process of any law applying to such proceedings without the written consent of Lessor.

9. Insurance and Indemnity:

9.1 County Indemnity:

Lessee hereby agrees to indemnify Lessor and to save it harmless from any liability, claim for damages, or attorney's fees incurred by reason of any breach of this agreement by Lessee, or personal injury or death to any person, including any of Lessee's employees, agents, or licensees or invitees, or any injury to property of any kind whatsoever, and to whomever belonging, including Lessee, from any cause or causes whatsoever, in any way connected with Lessee's use of the leased Premises, arising or accruing during the term of this Agreement or

any extension thereof or any occupancy by Lessee hereunder. This indemnity shall include the obligation to defend Lessor from any lawsuits or claims filed. Lessee's obligation under this paragraph shall not apply if such liability, loss, cost, damage or expense arises out of or relates to the negligent or intentional act of Lessor, or its employees, agents or contractors; or to a breach by the Lessor of any terms, conditions or obligation on Lessor's part to be required or performed under this Agreement; or to any structural or latent defect in the leased Premises. Lessee's obligations under this paragraph shall survive termination of this agreement.

9.2 Lessor's Indemnity:

Lessor shall indemnify, defend, and hold Lessee, its employees, agents and volunteers harmless from any liability, claim or damages, or attorney's fees incurred by reason of any personal injury or death to any person(s) or injury to property arising out of Lessor's operations, obligations, acts or omissions in any way connected with the Lessor's leased Premises. Lessor's obligations under this paragraph shall survive termination of this agreement.

9.3 County Liability Insurance:

Lessor acknowledges that Lessee is a permissibly self-insured Public Entity as per Section 990 and 990.4 of the Government Code with respect to liability insurance.

9.4 Lessor Liability Insurance:

Lessor shall obtain and maintain comprehensive and commercial general liability insurance coverage in the minimum amount of one million dollars (\$1,000,000) combined single limit, including bodily injury and personal injury. Lessee shall be named as an additional named insured on the Lessor's policy.

Lessor agrees to provide Lessee with a certificate of insurance of the coverage required prior to actual occupancy of the Premises.

10. Entry and Inspection:

10.1 Lessor's Right:

Lessor or its duly authorized representatives, or agents, may enter upon said Premises at reasonable times during the term of this Lease following notice to Lessee, for the purpose of determining whether Lessee is in compliance with the terms and conditions of the Lease or for any other purpose incidental to the rights of Lessor.

11. Costs of Suit:

11.1 Mutual Obligation:

If any action shall be brought by either party for the breach or enforcement of any covenants or agreements set forth in this Lease, the prevailing party in such action shall receive reasonable attorneys fees from the other side and further agrees that said attorneys fees shall be and become a party of the judgment in any such action.

12. Non-Waiver of Breach:

12.1 Limited Effect of Waiver:

No waiver by Lessor at any time of any of the terms, conditions, covenants or agreements of this Lease shall be deemed a waiver at any time thereafter of any of the same, nor of the strict and prompt performance by Lessee.

13. Surrender of Premises:

13.1 County Obligation:

Lessee agrees at the expiration of the term of this Lease, or upon early termination for any reason, to quit and surrender said Premises to Lessor in good condition except for reasonable wear and tear and damage by the elements or acts of God. At any time after 90 days prior to the termination of the Lease, Lessor shall be permitted to place any usual or ordinary "To Let" or "To Lease," or "For Sale" signs on the Premises.

14. Default in Rent and Re-entry:

14.1 Lessor's Option:

If rents or other payments required to be made by Lessee hereunder remain unpaid by Lessee for thirty (30) days after written notice to Lessee by Lessor to pay the same or if Lessee is in default of any of the terms or conditions stated herein, Lessor shall have the right to declare the Lease forfeited, and upon written notice, Lessor may re-enter and take possession of the Premises and remove all persons and property therefrom. Lessor may, at his option, re-let the Premises without prejudice to Lessor's remedies for collection of rents, or damages incurred by Lessor. It is understood and agreed that each and all of the remedies given Lessor under this Lease are cumulative and that the exercise of one right or remedy by Lessor shall not impair its right to any other remedy set forth above or provided by law.

15. Notices:

15.1 Requirements:

All notices, statements, demands, certificates, requests, consents, approvals, authorizations, offers, agreements, appointments, or designations under this Lease by either party to the other party shall be in writing and shall be sufficiently given and served upon the other party if sent by certified mail, return receipt requested, postage prepaid, and addressed as follows:

Lessor: Pacific Coast Development
734 East Lake Avenue, Suite 3
Watsonville, CA 95076

Lessee: County of Santa Cruz
Human Resources Agency
1000 Emeline Avenue
Santa Cruz, CA 95060

16. Miscellaneous:

16.1 Definitions:

The words "Lessor" and "Lessee" as used herein shall include the plural as well as the singular words used in masculine gender, include the feminine and neuter. If there is more than one Lessor, the obligations imposed upon Lessor shall be joint and several.

16.2 Heirs:

The terms and provisions of this Lease shall be binding upon and inured to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties, and upon subsequent purchasers of the Premises.

16.3 Time:

Time is of the essence with regard to this Lease and as to all covenants, conditions, agreements and obligations herein contained.

16.4 Right to Estoppel Certificate:

Each party, within thirty (30) days after notice from the other party, shall execute and deliver to the other party, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications. The certificate shall state the amount of monthly rent, the dates to which the rent has been paid in advance and the amount of any security deposit or prepaid rent. If Lessee fails to deliver such a certificate within the allotted time, Lessee hereby authorizes Lessor to execute such a certificate on Lessee's behalf.

16.5 Subordination:

This Lease is and shall be subordinate to any mortgage now of record or recorded after the date of this Lease affecting the Premises **and** Lessee agrees that it will execute, acknowledge and deliver, upon request, all documents reasonably necessary to subordinate this Lease to such mortgage or superior lease; provided, however, that each holder of any such mortgage shall agree in writing that, so long as Lessee performs its obligations under this Lease, (a) Lessee shall enjoy peaceful possession of the Premises; (b) the holder of any such mortgage shall not disturb or interfere with Lessee's rights hereunder; and

(c) any purchaser at a foreclosure sale shall acquire and accept the Premises subject to this Lease.

16.6 Transfers by Lessor:

In the event of any transfer of interest hereunder by Lessor, whether by sale, foreclosure, exercise of a power of sale under a deed of trust or otherwise, Lessee shall **attorn** to such transferee of Lessor under this Lease.

16.7 Duty Authorized Representative:

Each individual executing this Lease on behalf of such party represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said party.

16.8 California Law:

This Lease shall be construed and interpreted in accordance with the laws of the State of California.

16.9 Reasonable Consent:

Whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval.

16.10 Recordation:

Both parties consent to the recordation of this Lease and any further modifications.

17. Hazardous Materials:

17.1 Definitions:

For purposes of this Agreement, it is agreed that unless the context otherwise specifies or requires, the following terms shall have the meaning herein specified:

(a) "Hazardous Materials" shall mean:

Any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C.-6901 et seq.) as amended from time to time and regulations promulgated thereunder ("RCRA"); or

Any "hazardous substance" as defined by the Comprehensive Environmental Response Compensation and Liability Act of 1980 (41 U.S.C. ~ 91 et. Seq.) as amended from time to time, and regulations promulgated thereunder ("CERCLA"); or

Asbestos, polychlorinated bithenyls or other substances specifically regulated under the Toxic Substances Control Act (15 U.S.C. ~ 2601, et. Seq.), as amended from time to time, and regulations promulgated thereunder ("TSCA"); or

Storage tanks, whether or not underground and whether empty, filled, or partially filled with any substance; or

The presence of oil, petroleum products, and their by-products; or

Any substance the presence of which on the property described as Exhibit A is prohibited by any governmental authority; or

Any other substance which, by any governmental authority, requires special handling or notification of any governmental authority in its collection, storage treatment, or disposal; or

Any "hazardous substance" or "hazardous waste" as defined in California Health and Safety Code Sections 5501 and 25501.1.

(b) "Hazardous Material Contamination" shall mean the contamination (whether formerly existing, presently existing or hereafter occurring) of buildings, facilities, soil, groundwater, air or other elements on or of the property described at Exhibit A, the Land or the Building by hazardous materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on or of any other property as a result of hazardous materials at any time, whether before or after the date of this Security Agreement emanating from the property described at Exhibit A, the Land, or the Building.

17.2 Lessor's Representations and Warranties:

To the best of Lessor's knowledge, Lessor represents and warrants as follows:

(a) No hazardous Materials are now located on the Property described at Exhibit A, the Land, or the Building (collectively "said Premises"), and Lessor has not caused or permitted any Hazardous Materials to be placed, held, located or disposed of on, from or at the said Property or any part thereof;

(b) No part of said Property is being used or has been used at any previous time for the disposal, storage, treatment, processing or other handling of Hazardous Materials, nor is any part of the said Property affected by any Hazardous Materials Contamination:

(c) No property adjoining or adjacent to said Property is being used, or has ever been used at any previous time for the disposal, storage, treatment, processing or other handling of Hazardous Materials nor is any other property adjoining said Property affected by Hazardous Materials Contamination;

(d) No investigation, administrative order, consent order and agreement, litigation or settlement with respect to Hazardous Materials or Hazardous Materials Contamination is proposed, threatened, anticipated or in existence with

respect to said Property. Said Property is not currently on and has never been on, any federal or state "Super-funded" or "Superlien" list, and the hazardous materials contractor after reasonable investigation has no knowledge of any facts that, if known to governmental authorities, reasonably might be anticipated to cause governmental authorities, to consider placing Property on any such list;

(e) Lessor has not received any notice from any governmental authority with respect to any violation of law regarding hazardous materials;

18. Addendum:

18.1 Additional Matters:

Attached hereto is an addendum or addenda containing Exhibit A (Improvement Plan) and Exhibit B (Materials & Specifications) which constitutes a part of this Lease.

In WITNESS WHEREOF, the parties have executed this Lease as of the _____ day of _____, 199__.

LESSEE: County of Santa Cruz

LESSOR: Pacific Coast Development

BY: _____
Cecilia Espinola, HRA Administrator

BY: _____
William J. Hansen, Owner

Approved as to Form:

Janet M. Scott
Assistant County Counsel

Approved as to Insurance:

Janet McKinley 5-25-99
Risk Management

Recommended for Approval:

Scott Louchiger 6-3-99
Chief, Real Property Division
Department of Public Works

EXHIBIT B - MATERIALS AND SPECIFICATIONS

Section 1. General

1.1 Intent of Plans and Specifications

The intent of the plans and specifications is to prescribe the details of the construction and completion of tenant improvements which the Lessor undertakes to perform in accordance with the terms of the contract. Where the plans or specifications describe portions of the work in general terms, but not in complete detail, it is understood that only the best general practice is to prevail and that only materials and workmanship of the first quality are to be used. Unless otherwise specified, the Lessor shall furnish all labor, material tools, equipment and the incidentals, and do all of the work involved in completing the tenant improvements in the satisfactory and workmanlike manner.

1.2 Final Clean Up

Before final inspection of the work and acceptance for occupancy by the County, the Lessor shall clean the material sites, and all work areas occupied by him in connection with the work, of all rubbish, excess materials, falsework, temporary structures, and equipment. All parts of the work shall be left in a neat and presentable condition.

1.3 Changes

The County reserves the right to make such alterations, deviations, additions or omissions from the plans and specifications, including the right to increase or decrease the quantity of any item or portion of the work or to omit any item or portion of the work as may be deemed by the County Engineer to be necessary or advisable and to require such extra work as may be determined to be necessary for the proper completion of the whole work contemplated.

Any such changes will be set forth in a written contract order which will specify, in addition to the work to be done in connection with the change made, adjustment of contract time for completion of tenant improvements, if any, and the basis of compensation for such work. A contract change order shall not become effective until approved in writing by both parties.

1.4 Extra Work

New and unforeseen work will be classed as extra work when determined by both parties that such work is not covered by any of the various items included in the plans and specifications prepared by the project architect and that such work would cause the cost of tenant improvements to exceed those as delineated in Article 1.2 Improvements of the Lease Agreement. The Lessor shall do such extra work and furnish labor, material, and equipment therefore upon execution of a written contract change order, with the costs of such extra work to be paid by the Lessee.

1.5 Materials

Except as otherwise specifically stated in this contract or other written addendum, Lessor shall provide and pay for all materials, labor, tools, equipment, permits, fees and approvals, water, light, power, transportation, superintendence, temporary constructions of every nature, and all other services and facilities of every nature whatsoever necessary to execute and complete designated tenant improvements within the specified construction period. Unless otherwise specified, all materials shall be new and both workmanship and materials shall be of good quality.

Materials shall be furnished in ample quantities and at such time as to ensure uninterrupted progress of work and shall be stored properly and protected as required. Lessor shall be entirely responsible for damage or loss by weather or other causes to materials or work during the construction period up until final inspection and acceptance by the County.

1.6 Arbitration Agreement

Both parties agree that they shall endeavor to resolve any differences in interpretation, costs, or disputes regarding tenant improvements or any proposed changes in the agreed upon plans and specifications in diligent and good faith negotiations between the parties. Should the parties be unable to agree on any matters relating to plans and specifications for tenant improvements, such disagreements shall be submitted to an independent arbitrator as mutually agreed upon by both parties for investigation and resolution.

Decisions rendered by any such arbitrator shall be binding on both parties. Costs for arbitration shall be borne equally by the Lessor and Lessee.

Section 2. Janitorial Services

Janitorial services shall be provided pursuant to Article 7.1 and 7.2 of the Lease Agreement. Janitorial services provided by Lessor shall be in accordance with general professional cleaning practice and standards adopted by the Cleaning Management Institute.